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International Business/International Trade

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BRAND, BRAND STRETCHING, AND BRAND STRETCHING PLAN FOR JAC

Bachelor's Thesis 2012

ABSTRACT

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CHEN LEI Brand, Brand Stretching, and Brand Stretching Plan for JAC

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With the consistent crisis of world economic, companies are encountering problems with their expansion. Introducing all new brands for expanding is hard to be accepted due to the high level of costs and risks. Using brand stretching as companies' expansion strategy efficiently reduces the costs and risks today. Therefore, getting clear about brand stretching seems quite important for most companies nowadays.

The objectives of this thesis is introducing brand stretching theory and making a detailed brand stretching plan for the automobile manufacturer JAC.

The main researching methods used are online survey and interview.

Main findings of researches include the definition of brand and brand stretching, factors (include brand association, brand value, brand equity, and perceived quality) that affect the stretching strategy, brand stretching methods, common misunderstandings and solutions to brand stretching strategy, brand characteristics of JAC, and JAC's possible brand stretching paths.

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1. INTRODUCTION

1.1. Background of the Research

The purposes of research are presenting what brand is, what brand stretching is, and how brand stretching strategy successfully works. This thesis also demonstrates various kinds of problems and misunderstands in brand stretching work. After reading the thesis, readers should comprehensively know theories about brand, brand stretching, and solutions for fixing problems such as brand ego trip and cannibalization.

Today's competition among companies is actually brands'. Creating effective and efficient brand strategy is the key to winning. However, launching all new brands is with a high level of risks and costs. Brand stretching, as a common marketing strategy existed in the world's top companies, is one of the solution to companies' expansion. According to the searching result from the internet, more than 95% companies adopt brand stretching strategy for new product launching. Additionally, professional journals Journal of Marketing and Journal of Marketing Research have 9 issues for brand stretching from year 1990 to 1995. Thus brand stretching strategy seems to be a common and important strategy today.

What special for this thesis is that small and young companies' possibility to brand stretching will be discussed, whereas big companies' cases are presented adequate times in previous studies.

One of the applications of this thesis to other companies is providing an example of the structure for analysing and creating a company's potential brand stretching paths.

1.2. Objectives of the Thesis

While writing this thesis, the world's economy was still encountering the aftermath of the global financial downturn. Introducing all new brands does seem to be an impossible plan to most companies. In this case, this thesis aims to find efficient solutions through branding sciences and marketing tools.

This thesis also emphasizes the problems existed in the process of brand stretching. There are several common misunderstandings of brand stretching in history, causing severe outcomes in financial circumstance. Thus this thesis helps people to get clear about those misunderstandings and companies to stretch their brand line fluently by using marketing tools. In order to achieve the above goals, this thesis will answer the following questions.

- 1) What is brand and brand stretching?
- 2) What are the steps to carry out brand stretching strategy?
- 3) What are the advantages and disadvantages for brand stretching?
- 4) How to evaluate brand stretching works?

1.3. Main Sources

There are professional journals and text books for reference in the theoretical part. In the company case, the company's website and promotional material have been used to introduce the company. In analysing Chinese automobile market, governmental statistic website's data has been used. The charts used are mostly from textbook and internet. Some charts are made by the data from the governmental statistics website.

1.4. Methodology

1.4.1. Online Survey

Idea and concept are just assumption and guessing if they are lacking practical data. The result without data support would not be quite conceivable. Thus the

research has to be accompanied by quantitative research. An online survey has been used for the quantitative research in this thesis due to its accuracy and effectiveness. The survey investigates customers' purchasing behaviour, their comments to the brand stretching plan of JAC, and their future expectation. By analysing the online survey, the feasibility of the brand stretching work and possible stretched products will be shown. The questions used in the online survey can be found in the appendices.

1.4.2. Interview

An interview has been carried out with Mr. Hu Dazhi, the man who is in charge of sales in JAC. The answers of the interviewee have been applied in the company case. The detail about the questions used for the interview can be found in the appendices.

Another interview carried out for the research is with Mr. Ou Ziru, a JAC car user and Ms. Hu Juanjuan, a JAC car nonuser. The interview is to compare customers' view between different groups.

1.4.3. The JAC Case

Case study is always a strong evidence for theories' effectiveness. In the later part of this thesis, a company's case will be introduced. In the case, this thesis will firstly analyse the status quo of the Chinese automobile market and then show a preliminary plan of JAC's brand stretching and the possible problems that may emerge in the stretching process.

1.5. Structure of the Thesis

The first part in the theoretical part is several definitions of brand. Definitions of brand stretching are introduced afterwards. The main part of the theoretical part is to introduce the basis of brand stretching (factors that affect the strategy) and steps to carry out brand stretching works. The theoretical part will also spot

traditional misunderstandings and traps in the process of brand stretching. Besides, the advantages and disadvantages will be analysed in this thesis as well.

In this thesis, may new concepts introduced less than 30 years will be shown. The theory of brand stretching also contains many branches that considerably affect the whole brand stretching plan. Terminologies and brand stretching theories will be used to explain problems and the company case too. Thus in this thesis, literature review will be put in the first place, and the case of JAC come after the theoretical part.

1.6. BRAND AND BRAND STRETCHING

1.7. Brand

First of all, brand is an extremely asset of a company. Many marketing experts claimed the importance of brand in their masterpieces. Ellwood (2002, p. 1) said brand is one of the most valuable assets among all business possesses.

American Marketing Association (2012) indicated that brand's embodiments are a name, term, design, symbol, or any other indicators of differences among sellers' goods or services. The legal term for brand is trademark.

Chunawalla (2009, p. 4) shortly defined brand as an identifier of the seller or the maker.

Mohsin (2009, p. 1) considered that a brand reflects what product presents, and it indicates how customers should think and expect the function of the product. The embodiment of a brand includes logo, fonts, colour schemes, symbols, and sound.

From the three definitions above, it can be clearly said that brand is the expression of the manufacturer and its product. Building brand is making

customers aware the differences between different manufacturers.

Since products have their difference too, some people would consider brands actually products. For those people, Baldwin (2005, p. 16) has her answer. She summarized that product or service is a tangible thing that customers could reach, whereas brand is intangible. She also indicates that brand is a promise of quality and a sense of prestige or of heritage. Brand also has a function of differentiating various manufacturers.

1.8.Brand Stretching

Tauber (1988, p. 27), one of the founders of the theory of brand stretching, defined the concept of brand stretching. Stretching brands is introducing existed brands to totally new industries.

Marketing masters Aaker and Keller (1990, p. 27) defined brand stretching as a strategy that using a company's existed brand name for the purpose of entering a totally different industry.

I can give an example here. Automobile manufacturer Porsche now produces not only cars but also sport wares, glasses, or even mobile phones. What Porsche uses here is brand stretching strategy.

Jobber (2003, p. 280) also gave two examples for brand stretching. One example is Yamaha. Yamaha is a motorcycle brand. Hi-fi equipment, skis, and pianos are surely not in the same product category compared to the motorcycle. Therefore, putting Yamaha on those products is a strategy of brand stretching. The other example is Tommy Hilfiger. As a clothing designer and manufacturer, Tommy Hilfiger has put its brand on fragrances, footwear, and home furnishings.

Magrath (1999, p. 12) claimed the importance of brand stretching strategy. He said that brand stretching is more crucial than ever. He indicated that today's

competition in business is quite intense. If the company only concentrates on one kind of brand, it can hardly remain its competitive advantage with other big companies.

It is worth noting that brand extension and brand stretching are different concepts. Jobber (2003, p. 279) defined brand extension as 'the use of an established brand name on a new brand within the same broad market or product category.' Wood (2000, p. 666) compared the difference between the two concepts in her article. He claimed that brand extension is used for entering same market segment compared with the original product, whereas brand stretching is for different market segment.

Jobber (2003, p. 279) also gave an example for brand extension: the Anadin brand name extended to the extended brand Anadin Extra.

In a word, the most notable difference between brand stretching and brand extension is the market area where the new brand goes to. If the new brand is used for the same product category like the original brand, the strategy is brand extension. If the new brand is used for a different product category, the strategy should be treated as brand stretching.

1.9. Carrying Out Brand Stretching

1.9.1. Ways to Brand Stretching

Magrath (1999, p. 10) classified four ways to brand stretching. The first method for stretching a brand to other industries is horizontal stretching. Brand's horizontal stretching means brand stretching to a different product category. However, not every brand suits for horizontally stretching. Brands that suit the strategy should have wide brand association. For example, most people have strong brand association with Elmer's glue. It can be said that the only thing they think about Elmer is its glue. Therefore, it is quite hard to put the brand Elmer to other product categories.

The second way to stretch a brand is vertical stretching which means having different pricing strategy for the original brand and the stretched brand.

The third way is stretching brand reach by creating new ways for distribution. For example, Apple's product has wide brand reach. You could see Apple in Apple Store, Apple's retailer, Apple's online store, or even supermarkets.

The last way is keeping brand endure. For keeping keep brand endure constantly, the company should develop new and various business model.

1.9.2. Steps for Brand Stretching

Taylor (2004, p. 17) indicated six steps to build a successful brand stretching plan. From figure 1, it can be seen that 'strengthen the core' is the most critical step.

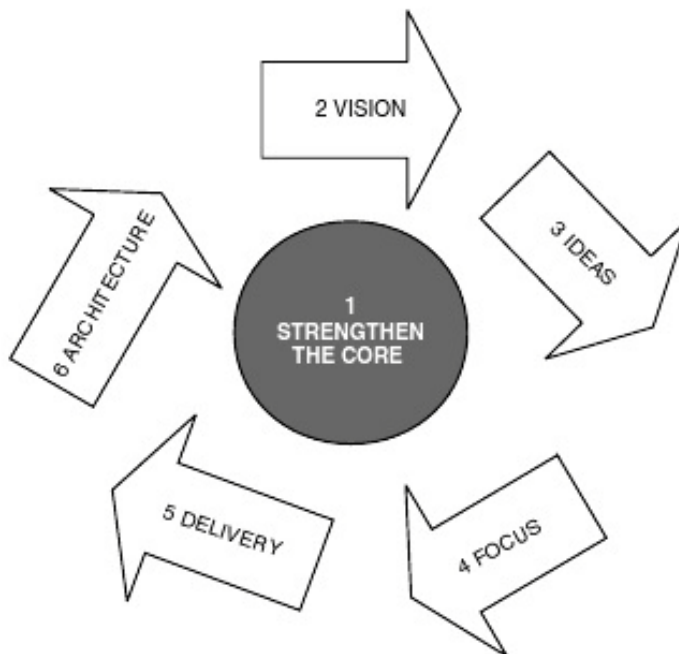


Figure 1 Six Steps for Successful Brand Stretching (Taylor 2004, p. 17)

Taylor (2004, p. 17) explained why strengthening the core is the most important step. The core of the brand defines the brand a lot. It also indicates what kind of factors could bring money to the brand. What she defined as the second

step is creating vision. Secondly, she considers brand vision as an important factor for the work. According to her speech, the brand vision should not be ambiguous. Having ideas comes after creating the brand vision. The idea should work as the function of expanding the core of the business. She additionally indicated that other competitors' idea can be referred too. However, there is nothing to worry about plagiarism; she implied nothing about plagiarism about the referring. The fourth and fifth steps are focus and delivery. The company should focus on the best source for building its core business and brand image and delivery guarantees for what the concept of the brand is set for. The last step is called brand architecture. Brand architecture means the company should focus not only on building brand image but also on creating appropriate environment. The company should put its brand to various places such as its office, showroom, or even the whole building.

In sum, brand stretching can make customers tend to accept new product and satisfy customers' needs. Brand stretching is also a cost-efficient strategy like what previous paragraph and research showed. Therefore, brand stretching strategy is a must to many international companies nowadays.

1.10. Brand's Characteristics Related to Brand Stretching

1.10.1. Brand Association

Brand association is customers' mental foundation for brand stretching. Successful stretched brands always make customers associate with the original brand or the brand they preferred. Aaker (1990, p. 48) argued that a strong association can help the company to make clear position.

For the definition of brand association, Uggla (2004, p. 110) stated that brand association is how customers think about the brand image and value. The brand association could be good or bad for the company.

For instance, BMW makes people think about its superior performance and fun

of driving; Apple make people think about its friendly user face; Mercedes Benz links with fortune, and Louis Vuitton represents noble. Commonly speaking, brand makes people associate with products' characteristics, consumers' benefit, and competitors.

Qualitative research carried on by Bhat and Reddy demonstrated the importance of the brand association in brand stretching works. Bhat and Reddy (2001, p. 112) considered the brand association of the parent brand extremely important because that customers who are not quite familiar with the stretched brand judge the new brand based on their original notion of the parent brand.

1.10.2. Brand Value

As mentioned above, keeping brand's core value is the most important step among all the six steps for brand stretching. There are many methods to measure successful brand value. Miller and Muir (2005, p. 207) suggested that the value brand created could offer competitive advantage to the brand holders.

It is quite hard to define brand value. However, Chunawalla (2009, p. 87) claimed that brand value is the reason for buying the commodity. In other words, the higher the brand value is, the stronger will of buying the customer has.

1.10.3. Brand Equity

Brand equity could affect the brand stretching strategy as well. Taylor (2004, p. 81) defined the relationship between brand stretching and brand equity. She said that brand stretching works need brand equity as a main part.

Jobber (2003, p. 279) indicated the relationship between brand stretching and brand equity too: brand names with high brand equity are more likely to be stretched. The reason for high brand equity brand's easy stretching is due to

their well-built attractiveness.

Mohsin (2009, p. 7) has the definition of brand equity: brand equity depends on the value customers added to the brand.

Aaker's study (cited in Leiser 2004, p. 218) defines brand equity as well. He considered brand equity as a connection between brands and customers and companies. The connection could be positive or negative to the brand value.

1.10.4. The Perceived Quality of the Original Brand

Lastly but definitely not the least, perceived quality of the original affects customer and brand stretching work considerably. Tsiotsou (2005, p. 1) said that perceived product quality is an extremely important part of today's marketing. Therefore, the introduction of perceived quality is a must for brand stretching theory.

BusinessDictionary (2012) has the definition of perceived quality. Perceived quality represents the brand's ability of achieving customers' expectation in customers' point of view. Therefore perceived quality is decided by customers but companies.

1.11. Advantages for Brand Stretching

From Aaker's 1990 study, Cameron briefly claimed the prime benefit for brand stretching is the reduction of the launching fees.

Jobber (2003, p. 280) gave the reason for the low level of cost. The cost for building awareness of the new brand is saved. For instance, advertising, selling, and promotional costs are reduced.

Aaker and Keller (1992, p. 35) indicated benefit other than cost reduction. He said that brand stretching strategy makes customers much easier to accept the stretched brand. Therefore, brand stretching is more likely to be successful

than launching all new brand.

Mallik (2009, p. 194) summarized advantages for brand stretching strategy. The first one is consumer knowledge. The stretched brand could use the original brand's customer knowledge in brand stretching strategy. By using the original brand's customer knowledge, the original brand image can be transferred to the stretched brand.

The second one is consumer trust. Mallik (2009, p. 194) showed a survey that 58 per cent of UK consumers trust the stretched brand. Only 3 per cent of UK consumers trust all new brand.

1.12. Disadvantages for Brand Stretching

Brand stretching has a double edge. According to data from Ernst and Young in 1997, more than 84 per cent brand stretching plans are failed. Although many companies are carrying on brand stretching plan at the present, failures generated too. The main disadvantages and their results are listed below.

Taylor (2004, p. 24) showed three facts that would cause a failed brand stretching plan, namely stealing thunder, cannibalization, and the new toy syndrome.

1.12.1. Cannibalization

Lomax (1996, p. 20) claimed that there is no one generally accepted definition of cannibalization. Therefore, two definitions of cannibalization will be shown below.

First of all, 1976 study from Heskett (cited in Lomax 1996, p. 20) suggested that cannibalization is an effect that spreads profits. Stretched products share the profit with original products, making the strategy of brand stretching meaningless.

1994 study from Mason and Milne (cited in Lomax 1996, p. 21) has the definition of cannibalization too. The study indicates that cannibalization demonstrates how much customers spend on 'other products' provided by the same company.

Aaker (1990, p. 54) provided examples of negative effects of cannibalization. The example is from Gillette, one of the largest daily necessities manufacturers. Gillette once had a quite famous shaving cream brand called Right Guard. Gillette wanted the lower market share from Barbasol. Then Gillette introduced its low-end brand called Good News! However, customers who use original Gillette products think that GoodNews! has the original Gillette's quality. They also believe that buying GoodNews! makes them feel like they are still using Gillette. Consequently, the sales of GoodNews! went up because everyone thought they can pay GoodNews!'s price to get a Gillette, and the sales of the original Gillette went down. It can be said that the stretched brand did not bring any benefit to Gillette.

In sum, Srinivasan, Ramakrishnan, and Grasman (2005, p. 361) summarised that predicting cannibalization effect is a must before the work of brand stretching started.

1.12.2. Negative Associations

Aaker (1990, p. 50) gave disadvantages called negative associations. He claimed that stretched brand could possibly make customers think about things against the positive original brand image. He also gave an example to prove his findings. The sales of Tang grapefruit drink and Countrytime apple cider is not satisfactory. The reason is the taste of the original Tang orange drink and Countrytime lemonade is quite strong. Every time customer wanted to buy a Tang grape fruit drink or Countrytime apple cider, they associated the strong taste and then gave up purchasing behaviour.

1.12.3. New Toy Syndrome

Taylor (2004, p. 26) claimed that new toy syndrome is the excessive emphasis on the stretched brand and the neglect of the core business just like how children treat their new toy. New toy syndrome causes shortages of core business' funds and jeopardizes the brand's image.

1.12.4. Brand Ego Trip

Another terrifically important fact responsible for the poor performance in brand stretching is brand ego trip. Explained by Mallik (2009, p. 194), brand ego trip is 'an inward focus on the needs of the business, rather than an outward focus on the consumer and competition.' In other words, the company ignored what initially make it famous.

Mallik (2009, p. 201) also gave solutions to quit the brand ego trip. He argued that the key to quitting the brand ego trip is to refocus on 'brand added value'. The company should find the brand added value to make its stretched brand different from the original brand. The company should also make a connection between the original brand and the stretched brand to achieve the strategy's benefits.

2. THE COMPANY CASE OF JAC

For investigating details about the brand JAC, an interview has been carried out with the sales manager of JAC Mr. Mu Dazhi. He introduced information about the history of JAC and the company's future developing plan. The information and data he provided will be utilised in the following analysis. The questions used in the interview can be found in the appendices.

Besides, an online survey has been carried out for analysing JAC as well. The population of the online survey is 27. The platform for distributing the online survey is an online statistic service provider. The domain address of the

statistic service provider is sojump.com. The questions used in the online survey can be found in the appendices too.

2.1. Company Introduction

According to the information from JAC (n.d.), the company JAC (Jianghuai Automobile Co., Ltd.) is a company which manufactures trucks, MPV, SRV, sedan, bus, classis, engineering machinery, engines, gearboxes, and other key components. The company was founded in 1964 and has been listed in Shanghai in year 2001.

Today, JAC has a 4.6 million square metre manufacturing site, 1.7 thousand staff, and 460 thousand automobiles output in 2011. The capacity of manufacturing is 700 thousand automobiles and 500 thousand engines and related components. The company has more 40 per cent increasing rate in average in development during the past 21 years.

JAC's website (n.d.) also introduced that JAC has terrific growth in year 2010. Both commercial cars and passenger cars grew quite fast in sales volume. Light trucks and MPV continuously play dominant roles in economic scale and effect. Sales of sedans keep going up, making remarkable increasing rate in the automobile industry. The production of engines developed well too. One of JAC's gasoline engines has been awarded the top 10 Chinese engines.

The JAC 2010 Annual Report (2011, p. 4) shows that in 2010, JAC made near 30 million yuan (3.2 billion euro) revenue and 1.36 billion yuan (150 million euro) profit. The net profit for JAC in 2010 is 1.1 billion yuan (130 million euro). By the end of 2010, the company's total asset reached 15.5 billion yuan (1.6 billion euro).

2.2. Chinese Automobile Market

Although the world is still experiencing the aftermath from 2008 economic crisis,

Chinese automobile industry is growing fast. China has been the biggest automobile market since year 2009. CAAM (China Association of Automobile Manufacturers) reports that from January to December (2011) Chinese auto sales exceeded 18,505,100 units, a rise of 2.45 per cent from a year earlier. Passenger car sales climbed 5.19 per cent year on year to about 14,472,400 units; commercial vehicle sales exceeded 4,032,700 units, decrease 6.31 per cent from a year earlier.

Year 2011 is also a year with changes for Chinese automobile industry. Since the traffic jam generates more and more serious social problems, some cities introduced governmental policies to restrict buying; those policies would surely affect the automobile industry in the future.

What I know is that the capital city Beijing has adopted a policy that the administration randomly issue buying permission to perspective car buyers; Shanghai auctions plates to customers, making customers pay more than 58 thousand yuan for a new plate.

2.2.1. Analysis of Customer Preferred Brand

Data from CAAM (2012) shows that the joint venture Shanghai GM sales more passenger cars in any other automobile manufacturers. Shanghai Volkswagen and FAW Volkswagen are the runner-up and the third winner respectively. Specifically, sales champion Shanghai GM sold 1.2 million passenger cars in 2011. The top 10 sellers occupied more than 57 per cent market share last year.

Although JAC is not in top 10, the sales of JAC is still remarkable in bus and truck selling. Besides, JAC's growing rate in sales of passenger cars is fairly good in the entire market.

2.2.2. Customer Preferred Type

According to the data provided by ZDC's researcher Wang (2012), a pie chart has been created in figure 2. Demonstrated in figure 2, the majority of customers' attention in choosing the type of a car is compact.

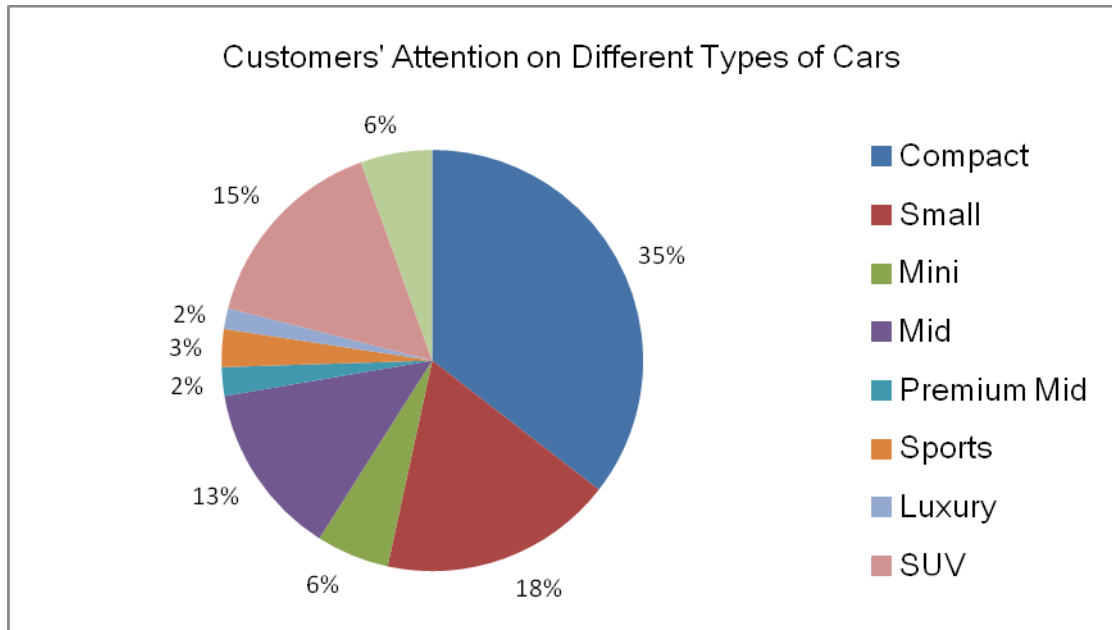


Figure 2 Customers' Attention on Different Types of Cars (ZDC 2012)

Besides, small, mini, and compact cars account 59 per cent, a dominant share, in total. The reason for the above distribution is possibly because Chinese purchase power in buying cars is still low compared with developed countries. For example, Best Selling Cars Blog (2012) claimed that Finland, as a developed country, has Toyota's Avensis as its February's best-selling car in 2012. The price for Avensis (around 180 thousand yuan) is sufficient to buy a medium size car (e.g. Peugeot 508) in China.

Moreover, it is worthy to mention that SUV accounts 6 per cent in total sales of February in 2012 (CAAM, 2012). It can be predicted that SUV is the new growth pole in Chinese automobile market and that every company in Chinese automobile industry should pay attention to it.

2.2.3. The Future of Chinese Automobile Market

In my point of view, Chinese automobile market will still be in a fast growing path in the future despite the world's economic crisis consists. The reason for the optimistic perdition is because of the relatively low car owning rate and governmental supports. Taking a medium city in China, Hefei, as an example, there are only 830 thousand cars for a 5 million population scale city. However, it is reported that Hefei annually increased more than 20 per cent cars in the past 5 years. Therefore, there is huge potential for car dealers to sell their products in Hefei.

2.3.Brand Introduction

Hu (2012) firstly introduced that JAC is short for Jianghuai Automobile Co. Ltd. Jianghuai is a poetic calling for Anhui, the province where JAC's headquarters located. Jianghuai represents JAC's hometown and Anhui's homemade automobile dream.

The Comapny Logo



Figure 3 Logo for Passenger Cars (JAC 2012)

Figure 3 shows the whole company's logo. However, JAC designed logos for different cars. There are generally two main brands sorted by automobile's function in JAC. The two brands are all called JAC. But the marketing position for the two brands are different (Hu 2012).

JAC's Logo for Passenger Cars

JAC's prime logo now is for passenger cars. Figure 4, shows the logo of JAC's passenger cars.



Figure 4 JAC's Logo for Passenger Cars

According to the introduction by the website of JAC (n.d.) the pentangle reflects Chinese red army's spirit; each angle respectively represents the customer, staff, shareholder, partner, and other interest. The pentangle also reflects the stable cooperation of the above five facts and the company's star-bright future. The ellipse around the pentangle is like the globe and with the meaning of global resource integration and the dream of building world class car. The whole logo is modest and classy, embodying the company's long-term dream of being the giant in the automobile industry.

The commercial car's logo is quite simple compared with the passenger car's since practical use is what clients take care. The centre of the logo is just three italic letters which represent the company's name. Choosing blue for the brand's main colour is because blue represents clam and stable characteristics. The ellipse shape is used due to the same reason for the passenger cars' brand.

It can be said that the current brand strategy for JAC is fairly good. First of all, the brand of passenger cars is clearly more dynamic and attractive for young buyers. Young buyers are exactly JAC's target customers now. Secondly, the

two brands differentiate customers in an appropriate way. It is clear that no one wants to drive a family car with the same logo on an incoming truck; Volvo is an exception because its brand value is safe.

Hu (2012) additionally indicated that the two brands strategy builds different core brand value for company users and family users. The strategy delivers appropriate physiological feeling to different customers, making a sales environment without conflicts and the highest profit margin.

2.4. Brand Stretching for JAC

After introduction to brand stretching theory and JAC, the stretching plan seems quite plausible. In the following paragraphs, the possibility of JAC's brand stretching, stretching procedures, and cautions will be demonstrated and analysed.

2.4.1. JAC's Core Brand Value

Just like what Taylor claims in 'Seven Steps for Successful Brand Stretching' (mentioned in the literature review), strengthening the core is the first and foremost thing in composing brand stretching plan. Clear positioning of the core brand value will also make the company to be able to avoid the brand ego trip problem.

To discover further details about the customer's perspective, an interview with Ms. Hu Juanjuan and Mr. Ou Zirui has been carried out. Ms. Hu is a potential automobile buyer with an average level of income in China. Mr. Ou, a clerk in a state-owned company, is an owner of JAC car. According to answers from Hu, JJ & Ou (2012), the core brand value is demonstrated below.

The keywords of JAC's automobile seem to be truck and cheap. Most people know JAC from the big and blue truck since JAC's truck does sell well in China. The second keyword cheap is simple due to JAC's price. JAC's does not have

one passage car exceed 150 thousand yuan (17 thousand euro). With the discussion, some owners even demonstrated little interest to domestic brand; those owners' choice of JAC's cars is clearly due to the price.

2.4.2. The Feasibility of JAC's Brand Stretching Plan

In my opinion, it can be said that JAC's brand stretching plan is totally feasibility. The reasons for the feasibility are shown below.

The first reason is the popularity of JAC. Without exaggeration, there are at least 60 million in the earth who know JAC's cars since its home province has such population. Although the problem of the cheap and truck-maker impression still exists nowadays, the two brand strategy mentioned above will definite solve the problem in next few years. Besides, the passage cars' logo is getting increasingly prestigious in Chinese customers since those are exporting abroad. Figure 5 shows the international version of the online show room in JAC's website.

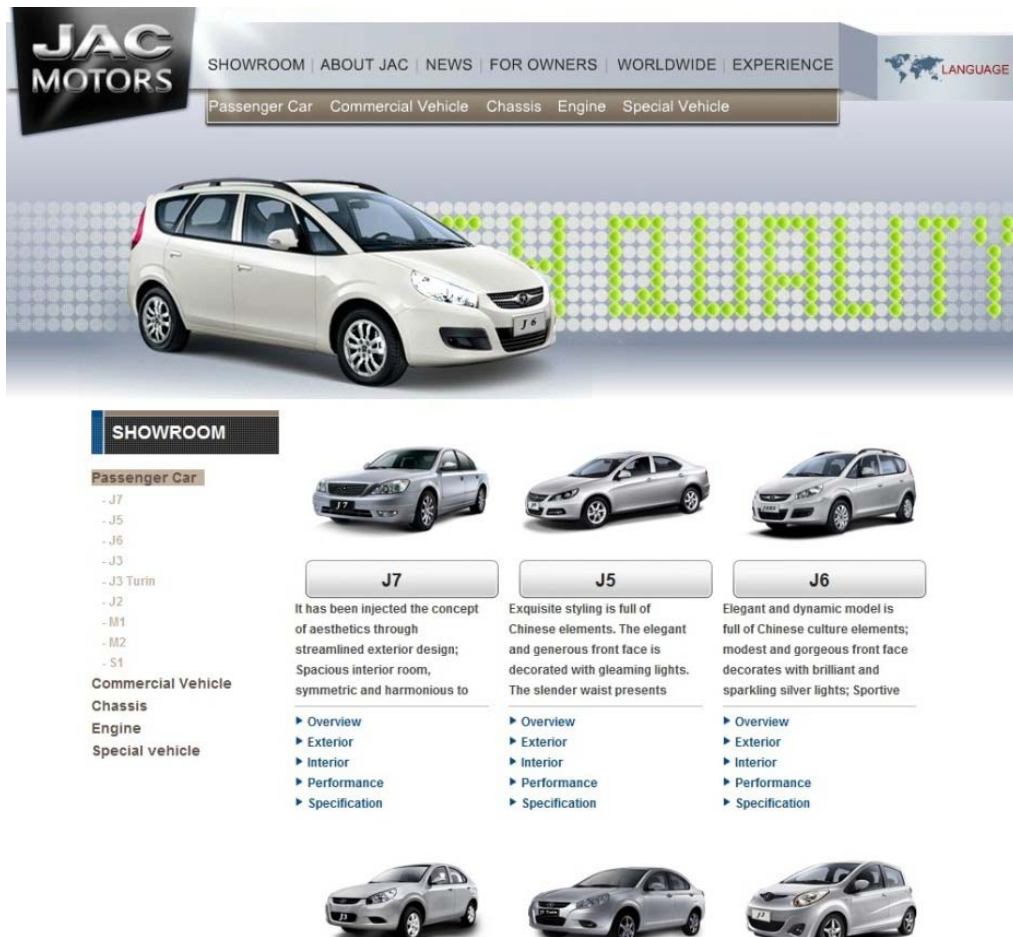


Figure 5 International Version of Online Show Room in JAC's Website.

The second reason is even more important compared to the first reason. As far as I have noticed, JAC is the only automobile brand that has the original place on the brand name. The JAC's stretched product e.g. t-shirt will definitely be beloved by all people from Anhui. The online survey also shows that more than 90 per cent people know JAC and that all the people who did not know JAC did not take higher education. Thus in my point of view, the effect of JAC logo t-shirt can be compared with the University of Cambridge logo t-shirt and Nokia logo t-shirt.

The third reason is the high quality of its original products. JAC does have an impression of high quality. According to the online survey, there is more half people highly agree (4 or higher score) JAC's brand stretching.

The positive impression of JAC would definitely affect the brand stretching

work since people would be quite likely to put the impression to new products. In a word, the core brand value for JAC is quality and local advantage. By catching the core value of JAC, the stretching plan could be plausible, effective, and in the right path.

2.4.3. JAC Brand Association

It is critical for marketers to get information about the brand image and brand association before stretching a brand to other industries. The way customers treat the brand decided the possible stretched methods.

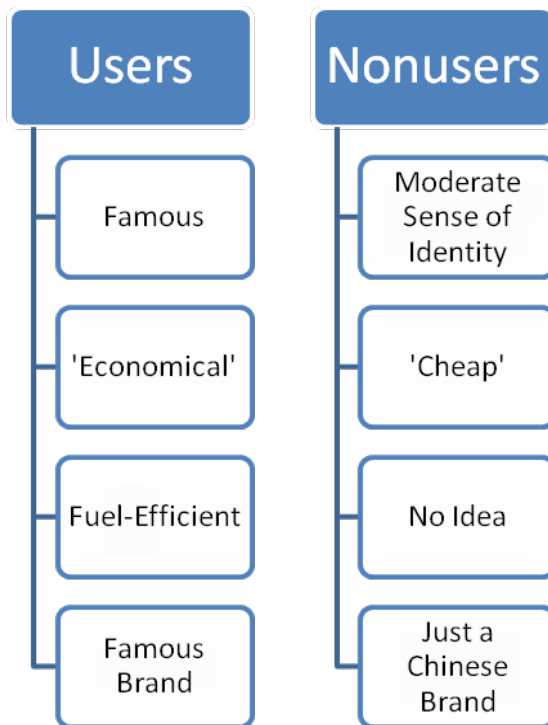


Figure 6 Differences of JAC's Brand Association Keywords

According to interviews with a JAC car owner and nonuser (Hu, JJ & Ou 2012), the brand JAC has following brand association. The JAC car users consider JAC as a high quality and well-known brand. JAC car users used the word 'economical' in describing JAC's price, whereas most strangers said JAC is a 'cheap' brand. However, most interviewees know JAC as a state-owned automobile manufacturer; they seem to be quite confident about the future development of JAC. Some JAC car users reported that JAC is 'no big problem

in quality but is constantly with small problem'. For example, the 'small problem' could be unfixed bond in unimportant junction. JAC car users also listed benefits for practical use such as fuel-efficient and low repair fees. However, the overall impression of JAC's cars remains good. The online survey reported that more than half people think JAC is a high quality brand. In performance accessing, JAC's non users seem to know little about fuel-efficient. JAC car users additionally claimed their support to the hometown brand like what is mentioned above. Besides, JAC car users think JAC is well marketed and sold and is a famous brand, whereas people from other place do not think so. It could be speculated that only certain customers care the brand much. For example, people who are in need of relatively low price cars may pay more attention on JAC than other people; the result from online survey shows that people with salary less than 8000 yuan a month are quite interesting in buying JAC's cars.

In sum, figure 6 shows the differences of brand association keywords between JAC car user and nonuser. Figure 7 shows the same point of view of users and nonusers.



Figure 7 Same Point of View of Users and Nonusers

Consequently, the analysis of the interview with JAC car owners and the sales manager of JAC has demonstrated the brand association keywords that can be utilized for brand stretching plan, namely cheap, practical, and state owned. Therefore, JAC should stretch its product line to something cheap, something

practical, and something that is beneficial from state owned.

Consequently, three possibilities of the stretched brands have been listed below.

- A. Automobile Derivatives
- B. Car Rental Company
- C. Advertisement Agency

2.4.4. Possible Brand Stretching Plans

2.4.4.1. Automobile Derivatives

The first possibility of the stretched product is automobile derivatives. Automobile derivatives are what car fans like and use. For example, figure 8 demonstrates an example of an automobile derivative. The sunglasses were bought in an ordinary petrol station. JAC could make a similar product like what Ferrari does. The price should surely be lower than Ferrari's. Products from plan A should have a large logo so that stretched products could be attractive for people who like JAC.



Figure 8 Ferrari Sunglasses

The factory for the derivatives could be built by JAC. Nevertheless, the

investment for a new site producing stretched products is extremely high. OEM (original equipment manufacturer) is a solution. Excellent designers such as Apple have already made quite successful precedent for OEM.

2.4.4.2. Car Rental Company

Car rental company could be the most possible and profitable stretched product and service for JAC at the present. The prime reason for doing car rental business is the automobile source JAC has. Most the rental car could be taken from JAC itself. By doing this, the rental fee will be much lower than all other competitors. All the car JAC needs is some luxury cars. The rental agency could be JAC's sales points. Consequently, the investment for the car rental company would not be large.

Besides, as a state owned company, the reputation for JAC is high. Car rental fee is relatively high compared with other rental fee. The most common problem customers concern is the provider's creditworthiness and reputation. JAC does have sufficient good company image.

2.4.4.3. Advertisement Agency

The advertisement agency may not be an appropriate choice for brand stretching for an automobile manufacturer. However, the situation would be totally different if automobile manufactures has already own a taxi company. The main business for JAC's advertisement is delivering advertisements on taxi. Figure 9 and 10 respectively shows example for interior taxi advertisements and exterior taxi advertisement. The JAC advertisement agency would easily put advertisement on its own taxis and, in the next stage, put advertisement by client's needs. Using JAC's own taxi company, the investment for plan C could be the lowest among the three possible brand stretching plans.



Figure 9 Interior Taxi Advertisement (China Digital Sign Net 2009)



Figure 10 Taxi Advertisement (taxiadvertising 2012)

2.5. Evaluation of the Possible Brand Stretching Plans

2.5.1. Customer Factors

The above analysis has already showed that most customers have positive impression to JAC. However, for evaluating customer factors, some detailed information still needs to be demonstrated and analysed from the result of the online survey. First of all, most people think JAC is replaceable since only 40 per cent people chose lower mark (less than 3) for the question 'you will not choose other brands even there are other similar cars compared with JAC' in the online survey. The phenomenon means that JAC must increase its specialty in the future. In this case, plan A benefits JAC much. In another hand,

products for plan A must be relatively unique compared with products for other plans.

Secondly, more than 60 per cent people chose price as the most attractive and different factors compared with other automobile manufacturers. Thus for plan A, B, and C, the price should be acceptable for all customers to keep the market competitiveness.

Thirdly, the last two questions in the online survey showed that most customers accept JAC's products in the automobile industry.

2.5.2. Company Factors

Considering the company's actual financial and personnel situation, plan B and C is practically more feasible for JAC than plan A. Plan B needs little investment since producing cars is what JAC does best. Advertisement agent needs even less than creating a car rental company. Therefore, plan B and C are the priority for brand stretching. Plan A could act as the back for plan B and C since plan A has a high profit margin.

2.5.3. Competitive Factors

It can be said that there is no competitor for automobile derivatives in China; only overseas automobile manufacturers have such business. In this case, plan A has a huge competitive advantage.

Car rental companies do not have a drastic competitive environment either. There are only two large cross-province car rental companies in China --- eHai and China Auto Rental (CAR).

There is large number of advertisement agents today. The competition among advertisement agents may be drastic. For plan C, competitors is possibly a lot.

2.5.4. Conclusion of the Evaluation

Plan B and C has relatively low investment, and carrying out plan B would not be a threat to other car rental companies, therefore plan B and C are the most possible brand stretching plan. Plan A has its own advantage. Firstly, none of automobile manufacturers is producing their own automobile derivatives, and secondly, automobile derivatives, like mentioned above, will somewhat improve the company's image, inducing the positive effect on automobile selling. However, the risk for plan A is big too. For instance, the theoretical part has introduced the correlation between the original product and the stretched production, saying that fail in producing high quality stretched products would cause negative effect to the original product. Already indicated in above analysis, investment for plan A is large as well. Thus plan A is a good brand stretching plan only if the company has prepared well.

3. CONCLUSION

With advantages such as low cost, high efficiency, and low risk, brand stretching is a common strategy for companies to enter a new industry today. By controlling factors such as brand association, brand equity, and perceived quality, brand stretching can be quite successful. The theory of 6 steps and 4 ways to stretch the brand helps marketers quickly analysing and applying as well. Although there are disadvantages for brand stretching strategy, the number of successful cases still overpasses of unsuccessful case. Additionally, relatively small investment for stretching a brand would not make a company fall in crisis.

JAC, as a giant in its local automobile market, is suitable for brand stretching. The most important things for JAC in brand stretching are catching customers' evaluation and using its own resources.

However, the challenges are sufficiently big too. The sales manager of JAC

also revealed that the competition between automobile manufacturers is still quite intensive. He had quite a lot tasks to do this year. Therefore, an appropriate level of investment to brand stretching strategy should be noticed.

In the future, there is still a lot thing for JAC to do. With lunch of electronic cars, JAC may need much more marketing funds than previous years. The sales manager of JAC said JAC is seeking differentiation, thus electronic cars are the priority of JAC now. He also said international marketing is blooming. For example, he even went Mali for market investigation last month.

As a formal bus and classis manufacturer, some people even do not noticed JAC's sedan. The result from the online survey proved that above hypothesis; 28 per cent people do not noticed JAC's sedan. Brand stretching is always about customer; therefore further marketing campaigns should be even more intensive than before. Additionally, the phase for JAC's brand stretching is critical too. The brand stretching plan would be not fast-executed since that fast brand stretching would cause serial problems introduced in theoretical part and crisis in the capital chain.

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APPENDICES

Questions Used in the Online Survey

Appendix 1/1

Questions about JAC's Brand Stretching

Age

A. 18-22 B. 22-26 C. 26-30 D. 30-45 E. 45 and More

Gender

A. Female B. Male

Education

A. High School B. Graduate C. Postgraduate D. Doctor or Higher

Earning (in Yuan, 1 Euro \approx 8.5 Yuan)

A. 1000 or Lower B. 1000-3000 C. 3000-8000 D. 8000-12000 E. 12000 or Higher

Do you know JAC?

A. Yes B. No

Do you know JAC is producing sedan?

A. Yes B. No

What is the most attractive fact for you to buy JAC's cars?

A. Price B. Brand C. Performance D. Appearance

What is the biggest difference do you think for JAC compared with other Chinese cars?

A. Price B. Brand C. Performance D. Appearance

Your first impression to JAC is good. (5 means strong aggression, hereinafter)

1 2 3 4 5

For what extent do you agree with that all JAC's products are good?

1 2 3 4 5

You will not choose other brands even there are other similar cars compared with JAC.

1 2 3 4 5

You think JAC should develop more products which are not related to automobile.

1 2 3 4 5

You accept JAC to develop car rental business.

1 2 3 4 5

You accept JAC to develop advertising business.

1 2 3 4 5

INTERVIEW

Hu Dazhi

Sales Manager of JAC

Time of Interview: 16.03.2012

Place of Interview: Hefei, China

1. What was the sales situation last year?
2. Who is more likely to buy JAC's car?
3. Which car is the customer's favorite last year?
4. Is competition intensive nowadays?
5. Which one is the company's future, passenger cars or business cars?
6. What is the possible marketing plan for the future?
7. What are the future cars the company will introduce?