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SCHOOL OF BUSINESS, ECONOMICS AND LAW

# How can Brand Equity serve as a platform for Brand Extension? Case study Salomon

**Bachelor thesis in Business Administration**

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## Bachelor Thesis in Business Administration

**Title:** How can Brand Equity serve as a platform for Brand Extension?

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### Abstract

**Main topic:** How can Brand Equity serve as a platform for Brand Extension? A case study on Salomon.

**Purpose:** The purpose of our thesis is to research and analyze through interviews at Salomon's headquarters how brand equity can serve as a platform for brand extension.

**Method:** Our bachelor thesis report as a whole is based on information from existing academic research and interviews at Salomon's headquarters in Annecy France, to be able to answer our research question. Both the theoretical, empirical data and analysis are arranged through coded material based on Aaker's brand equity model, enabling a clear structure throughout the thesis. There are later weighted together, and acts as the foundation for our conclusions and final discussion.

**Conclusion:** If you assess Aaker's model as a whole, all components are needed as a platform for brand extension (Aaker, 1991). What we have found is that there must exist a strong link between brand associations and perceived quality for brand equity to serve as a platform for brand extension. Even if all four components separately are high, and some connections exist between the assets it is not enough. If the link between brand associations and perceived quality fails to exist brand equity cannot serve as a platform for brand extension.

## Acknowledgments

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Elin Simonsson & Louise Jernow

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## 1. Introduction

“Our business is like the fashion industry. You can be hot one day and cold the next and it is a competition very much like surfing. Sports companies must catch the right wave at the right time, and to be able to swim as fast as possible to catch the next one. It is as simple as that. So if you are on the wrong wave you are fucked. We have to keep being able to recatch the right one, and it can be linked with a brand extension.”

*(Levet,2012)*

### 1.1 Background

*This chapter aims to raise interest for our topic. First we start with a background of Salomon's past brand extension, and to give the reader a sense of how important brand extension is for companies today we have addressed why companies partake in brand extension. Further we also include problem discussion, purpose and delimitations.*

### 1.2 Background of Salomon's past brand extensions

Today Salomon is a Mountain Sports Company, with its headquarters in Annecy, France. Its core sports are alpine skiing, cross country skiing, snowboarding, and athletic outdoor sports such as hiking and trail running.

Salomon was founded in Annecy, France in 1947 by François Salomon. Together with his son Georges, they owned and operated a saw blade workshop, implying that the company's original know-how was within the mechanical engineering industry (Vial, Bornling, Pena, 2005). The business later grew into additionally manufacturing ski edges when the alpine industry grew in the 1950's, thus making this the companies first brand extension.

Salomon's workshop enabled this by being able to use the same material and machinery during both processes. After introducing automated machinery in Salomon's workshop in 1952, the company also enabled larger quantities of production to take place (Vial, Bornling,

Pena, 2005). In 1955 G. Salomon created the first security toe piece, and later purchased a patent for a cable binding from well known skier Emile Allais. The company was therefore able to launch its second brand extension in the form of bindings in 1957 (Vial, Bornling, Pena, 2005). Salomon refers to this extension as an instant success, and the start of a 30 year period of innovation and market leadership within ski bindings (Bornling, 2012). During this period Salomon could sign among others' top skier Sylvian Saudan to their team (Vial, Bornling, Pena, 2005).

The fourth brand extension Salomon partook in was that of alpine ski boots in 1979 (Vial, Bornling, Pena, 2005). Salomon addresses the reasons behind this as; already understanding and having the distribution in place within the winter business segment, as well as having market credibility and know-how to achieve this (Diard, 2012). The fifth and sixth brand extension at this time was then in order of Nordic boots and bindings.

Salomon's seventh brand extension was into the world of summer sports and golf when acquiring TaylorMade Golf in 1984 (Vial, Bornling, Pena, 2005). Salomon themselves claim however that the company never officially launched any golf equipment or apparel (Diard, Bornling, 2012). Equally the company's eighth and ninth extension consisted of alpine skies in 1989 and hiking shoes in 1992 (Vial, Bornling, Pena, 2005). Salomon also states that the company purchased cycling component specialist Mavic in 1994 (Vial, Bornling, Pena, Diard, 2005) but puts forth that this was merely to add this image to the brand portfolio, and did not launch any brand extensions as a result of this (Bornling, 2012). Salomon also acquired snowboard apparel company Bonfire in 1995 (Vial, Bornling, Pena, 2005), as well as Canadian outdoor apparel expert Arc'teryx Equipment Inc. later in 2001. Salomon also launched its tenth, eleventh and twelfth extension in the form of complete set of snowboard boards, boots and bindings, as well as snowblades in 1997. The consecutive year of 1998 the fourteenth extension that the company had been working on for a longer period was launched in the form of inlines skates for fitness and street skating (Vial, Bornling, Pena, 2005). During 2001 Salomon partakes in their fifteenth and sixteenth brand extensions in the form of trail running shoes and outdoor apparel, and during 2002 with surfboards. Surfing wetsuits were equally introduced in 2003 (Vial, Bornling, Pena, 2005).

Salomon addresses this as their last extension before returning back to solemnly the mountain environment (Bornling, 2012). This is described to us as Salomon ending the production of



extensions such as surfing, inline skates and snowblades (Bornling, 2012) and today wanting to use their heritage more clearly as a company enabling their customer's to progress within their choice of mountain sport(s).

### 1.3 Background of why company's partake in brand extensions

Aaker and Keller (1990) claims that the cost of introducing new brands in the market has increased significantly. Brand extension is therefore an alternative for companies to grow in a cost effective way. Barwise (1993) in line with Aaker and Keller argue as well that, brand extension generally has lower start-up costs compared with products that are introduced with new names.

Springen and Miller (1990) illustrates brand extension as a vehicle of growth. Brand extension is sometimes a necessary action to execute, to enlarge and penetrate the target group additionally. The extension of a brand is over and over again the incubator for future corporate success. Kapferer (2000) claims that extension is a crucial part of the brands life because it represents growth, range and market adaptability and this is some of the most important factors that earlier researchers have included as reasons for companies to participate in brand extension. Further Aaker (1991) states that brand extensions are a natural strategy for a firm looking to grow by exploiting its assets.

However, one must be careful because history has showed an enormous failure rate among new product launches (Kapferer 2001). Aaker (1991) states that companies must understand that there are risks, which include that the brand might be extended so far that its core associations are weakened. He underlines that the brand should be seen as an asset, and must be managed well. Short-term profit can be substantial if the reserve is depleted without regard to the future but the asset, the brand, can be destroyed in the process. Further, Dacin and Smith (1994) criticize brand extension, because adding products to the brand can damage the equity of the core brand.

Aaker (1991) raises a host of issues in the extension decision. For example, to what product should the brand be extended? How far can the brand be extended before brand equity is affected? And will the new associations of an extension be helpful or harmful? There is no



clear answer to these questions, and different companies use different strategic approaches concerning how to tackle this.

Every company must identify the right time, place and content for a brand extension. Companies should equally consider brand extensions as long-term logic, because all brand extensions have an effect on the nature, scope and status of the brand's equity. Kapferer (2000) illustrates a brand extension as a staircase including questions and considerations a company must assess, discuss and balance, one step at a time. Questions that should be asked when faced with a proposed extension, concern the extensions ultimate objectives and goals. Is the extension product a logic step for the company and where will it lead? Other important questions that must be taken into consideration include; will the extension contribute to the brand's reputation on existing attributes and/or additional benefits that will enrich the brand with something new? For example when the Nestlé brand that specialized in dry products entered the refrigerated goods sector, the brand acquired the image of freshness that had been lacking (Kapferer, 2000).

## 1.4 Problem discussion

There are several opportunities for a company to grow and brand extension is one of them. It is a way for many companies of leveraging their most valuable assets, namely their brand (Kotler, P & Keller, K.L, 2009). Some companies stretch its brand and product offerings too far and some too little. However, both ways resulting in a potential danger for the survival of the company going forward (Uggla, 2002).

Kapferer (2000) claims that no aspect of brand management is quite so hotly discussed as that of brand extension. This due to the fact that brand extension now is an indispensable part of the life of a brand.

When a company has decided to participate in brand extension, what remains is to identify the right time, place and content for the extension, as well as the methods to be implemented for the launch (Kapferer, 2002). Brand equity can serve as a platform when participating in brand extension and it is important to assess how they affect one another (Aaker, 1991). As research in the academic world shows, the context and definition of brand equity as well as brand extension are both highly discussed and complex.

## 1.5 Research question

Our research question is therefore:

- How can brand equity serve as a platform for brand extension?

## 1.6 Purpose

The purpose of our thesis is to research and analyze through interviews at Salomon's headquarters how brand equity can serve as a platform for brand extension. This report is intended not only for Salomon and the sports industry, thus our intention is through a case study to submit to a general understanding of the link between and importance of brand equity and brand extension. With help of the case study Salomon, companies are able to apply our understanding and conclusions within the subject upon their own corporate strategies.

## 1.7 Delimitations

When writing our bachelor thesis report we have chosen to apply one recognized model as well as an international company for our case study. Naturally if choosing several case study companies for comparison within both the same and other industries, our conclusions when weighed together, would be even more applicable for the many companies. Due to our both time and student budget limitations, we found it most beneficial and realistic to give readers deep insight and understanding for one particular case study, namely Salomon. The same applies for our choice of one instead of several models, hence the ability to code our empirical data under one instead of differing models. We understood after intense reading that the subject is broad and includes both corporate and consumer based perspectives/models. Our chosen model stresses both perspectives, and was beneficial to apply upon our case study, giving a comprehensive view enabling us to answer our research question and fulfill our purpose.

During our time at Salomon we had the intention of finding as well as analyzing our empirical data with help of also past protocols and financial statements. This was harder than we thought, due to both confidential reasons as well as not being easy to obtain. We see this as delimitation, having to rely heavily on our interviews and the figures Salomon presented during these.

## 1.8 Outline of the thesis

*Chapter 1 aims to raise interest for our topic. Equally the intension is to give the reader a sense of how important brand extension is for companies today. Further we give a background of our thesis, problem discussion, purpose and delimitations.*

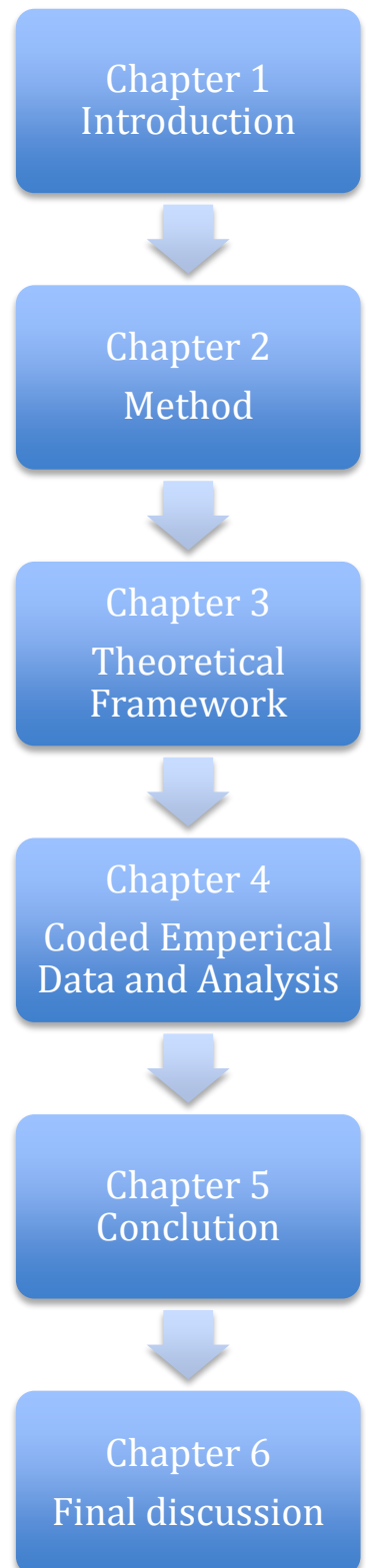
*Chapter 2 describes the relevance and chosen method of our thesis, and equally why we have chosen it.*

*Chapter 3 presents and describes relevant theories within our area of research, in order to gain the understanding needed to achieve our purpose. After reading this chapter, the reader shall have obtained a clear as well as thorough understanding of our chosen model.*

*Chapter 4 presents as well as provides an analysis derived through our empirical findings. The findings are organized according to the theoretical framework.*

*Chapter 5 includes the conclusion based on the analysis, in order to fulfill our purpose.*

*Chapter 6 provides a final discussion of our area, as well as in what other ways or which other areas could equally have been studied to serve our purpose.*



## 2. Method

### 2.1 Research approach

To be able to gain as much understanding of our research area as possible, we decided that the best way was to contact a company and see what alternatives were within reach. We are both interested in the sports industry and decided therefore to contact the company Salomon. Global Brand Director Niclas Bornling agreed to the possibility for us to write our thesis from their headquarters in Annecy, France. Therefore we were consequently in Annecy during six weeks, working on our thesis at their headquarters. This case study's opportunity to experience the company's culture gives our thesis a deeper insight when answering our purpose. This as well as understanding the complexity and sensitivity these types of questions imply for a company. A case study is furthermore widely used in organizational context studies, as a detailed investigation of data collected over a period of time. There are naturally other methods that can be used when collecting data to understand the actions within a company, but case studies are a key way to proceed (Hartley, 2005).

Our bachelor thesis report as a whole is based on information from literature, articles, material from Salomon and interviews in order to answer our research question. The interviews are later arranged in order to give the reader coded empirical material based on Aaker's brand equity model. We have combined the empirical data with our analysis, containing the same structure as the theory. This structure furthermore enables the reader to gain a clear view from beginning to end, based on Aaker's model.

### 2.2 Choice of company

We find Salomon to be an interesting case study, as the company has built its story upon ways in which it can stretch its brand through product- and segment offerings. As with most companies, it has a journey of both ups and downs. Salomon started their journey as a manufacturer within steel edges and when alpine skiing evolved in the 1950's they claim to have become a leader in technical ski bindings, to today earning approximately 70 percent of

its profitability in shoes, and more specifically trail running shoes made for the mountain (Vial, Bornling, Pena, 2005). Salomon's current target equity is within mountain sports, after many years of designing and manufacturing in multiple segments/sport areas such as surfing and inline skating to returning back exclusively to the mountain environment (Confidential, Brand Equity Pyramid 2012).

We also wanted to choose a company within the sporting industry. This industry also differs from what many may associate with brand extension; namely fast moving consumer goods (Kotler & Keller, 2009). This, as well as finding the sporting industry and Salomon to be highly inspirational and an industry we would like to work with in the future.

### 2.3 The process of writing our thesis

Our process and main research questions when writing our thesis during the six weeks have taught us plenty. Both within the area of research, interviewing and research techniques as well as managing to change our research questions the more we learned about the subject. As mentioned in the problem discussion, the art of brand extension and ways to describe brand equity are several and highly complex. When arriving at Salomon we had decided to be as open as possible in terms of company history and extensions. This in order to code their actions according to brand equity and brand extension through interviews. Initially, we had the purpose of wanting to find what factors could influence if a brand extension could be successful or not by coding all our empirical data, consisting of actions Salomon has carried through, into factors. We did so by using the old school way of cutting and placing the material into different piles. Through this process we realized that all the relevant factors could be understood as brand equity, a term that we initially saw as a separate factor.

We also had to assess what material to include as well as exclude for confidentiality purposes. Additionally we discussed if it would be more beneficial to focus on a few particular extensions, or give the reader an overview of how the company's brand equity has served as a platform for a wide amount of Salomon's extensions. As shown through the thesis, we have decided to give the reader plentiful of examples of actions taken regarding brand equity and brand extension. We find this way to be the best way to be able to fulfill our purpose.

## 2.4 Why we have chosen Aaker's Brand Equity Model

We are using Aaker's Brand Equity model to understand how brand equity can serve as a platform for brand extension. We are using the model to interpret, code and analysis Salomon's actions. The choice of Aaker is based upon his importance within the research community, and Aaker being an author that is often referred to (Kapferer, 1997 & Melin, 1999).

Another reason for choosing this model is, that in contrast to pure consumer behavior theory that is concerned only with psychological means of the buying decision process. Brand equity theory on the other hand deals with if and how brands can contribute to the creation of brand value and brand extension (Aaker, 1991 & Melin, 1997). We also find it interesting that Aaker's model also views brand equity as a long term planning perspective related to brand extension (Aaker, 1991). Furthermore Aaker's definition of brand equity is accounting oriented, and can be seen as a balance sheet with an asset side and a liability side (Aaker, 1996). This is thus an interesting aspect and model for both of us to focus on, having chosen separate disciplines for our bachelor level, namely Marketing as well as Management Control/Management Accounting.

## 2.5 Choice of interview employees

Our empirical material is based on a qualitative research approach; consisting of twelve interviewed Salomon employees, former employees, as well as a sponsored Salomon athlete. We have equally chosen individuals from different positions within the Marketing and Communications Department. This enabled us to gain a more in depth understanding of employees differentiated point of view, as well as a holistic understanding of the sports categories. We were particularly interested in employees working transversally within the sports categories, as well as those whom were involved in Salomon's past extensions. Equally employees with a deeper insight in the company's history, heritage, customer segmentation as well as other aspects that influence Salomon's brand equity.



## 2.6 Credibility of the interviewed employees and reflections upon literature

As we decided to build our case study on Salomon, we have consequently based all our empirical data and findings from interviews as well as documents received from former and present Salomon employees. This builds great credibility, as the employees naturally know the company better than outsiders and/or literature. Many of our interviewed employees have also been working for the company during longer periods, thus being able to assess company actions and consequences over time. Those employees newly employed by Salomon have worked with brand equity and brand extension matters for other companies like Procter & Gamble, Patagonia and Nike. When we have chosen to interview a larger number, this has resulted in not having to rely as heavily on the credibility of each individual interview. This as well as being able to compare the stated course of actions and be able to understand how Salomon proceeded. As employees can interpret, not recall and/or the risk of modifying Salomon's state of actions as time as well as we, as stated, compared this/these statements to several interviews. This as well as comparing these actions with, whenever possible, protocols during the time period we asked for.

When choosing Aaker's model from year 1991 we were aware that further research had been done within the area. As we stated above our choice is based upon several variables, including Aaker being an important contributor whom many refer to (Kapferer, 1997 & Melin, 1999).

## 2.7 Interviews and disposition

In our interviews, as well as prior to our arrival at Salomon, we wanted to keep questions within brand equity and brand extension as open as possible. This to enable Salomon to use their own vocabulary as well as company story and course of actions in an as unbiased fashion as possible for us to later code and interpret the empirical data with help of Aaker's (1991) model. We figured that through asking for historical actions taken instead of asking for what their personal opinions, we were able to get a more unbiased empirical data to build our analysis upon.

## 2.8 Validity and Reliability

When considering the problem and the purpose of this thesis we decided to use a qualitative research method, namely interviews, to understand our area of research. Implicitly, building a case study on one company and internal words and/or documents of Salomon thus enabled us to gain deep understanding of its historical actions. This research method differs from a quantitative research method in many ways; however the largest difference being that a qualitative research method uses fewer respondents enabling a deeper understanding compared to a quantitative method that uses many respondents to enable a more generalized understanding and result (Darmer & Frevtag, 1995). Interviews therefore allow people to convey their own perspective through their own words, and although this may not lead to objective information as in quantitative data, it however leads to more in depth and meaningful relations that can be interpreted (Kvale, 1996). To show that we are aware of this fact, we present our case study based primarily upon actions rather than upon opinions.

As stated, we chose to understand our empirical material with help of Aaker's model. This naturally implies not including and later comparing other models upon our case study. We are aware that various theories may lead to different interpretations, and possibility of comparing their validity amongst one another, in order to gain a more comprehensive understanding within our area of research.

By conducting our thesis upon one model and company also enables reducibility, and/or possibility to choose a differing company and later compare it with the case of Salomon.

### 3. Theoretical framework

*In this chapter the theoretical framework concerning brand, brand extension and brand equity. The theoretical framework is the foundation for the empirical findings and analysis in the thesis. We will use the existing academic research within this field as a tool to create a holistic overview as means to interpret, categorize and lastly analyze our empirical data. This in order to create and pass on important insights within our subject to the reader and as a foundation for further research.*

#### 3.1 Brand

The well-known professor of marketing strategy David A. Aaker and other researchers often introduce their understanding of brand as an asset more than a product for the company by using Stephen Kinds words; “A product is something that is made in a factory; a brand is something that is bought by a consumer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless” (King in Aaker, 1991).

A brand represents a pact between brand owner and consumers, implying that the brand offers the consumer a guarantee and a promise of quality, value, product satisfaction and it is undertaking that the costumer will get what they see (Stobart, P, 1994).

Kotler and Keller define a brand as “a name, term, symbol, sign, or a design, or a combination of them, intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors” (Kotler, P & Keller, K.L, 2009). Aaker further claim that the brand name is the most real and marketable assets of many firms that they have developed. The brand name includes letters, numbers, or words and is the part of the brand that can be spoken (Aaker, 1991)

The idea has been to move beyond commodities to branded products, to reduce the primacy of price upon the purchase decision and accentuate the base of differentiation. The power of brands and the difficulty and expense of establishing them is reflected upon the price firms are willing to pay for them (Aaker, 1991). Ugglå (2002) illustrated the brand as an asset with

Coca-Cola as an example; in 2001 the brand's value was set to fifty percent of the total market value.

### 3.2 Brand Extension

There are numerous definitions of brand extension and what brand extension can imply is often indistinct, as well as in what context it can be used. Aaker (1996) separated between three ways of extending the brand recourse, namely: line extension, vertical brand stretch and brand extension in different product classes. In our thesis we are focusing on the third type of extension.

Aaker (1991) defines brand extension as the use of a brand name established in one product class to enter another product class. To clarify he discusses that it is when the brand is used for more products than it was originally made for, which imply extending the brand to a new product category (Aaker 1996). This is in line with Keller's understanding of brand extension when he defines it as category extension, which is when the parent brand is used to enter a different product category from that currently served by the parent brand (Keller, 1998).

The definition of brand extension that we will use in this thesis is when a company establishes themselves in a new product category where they have not been present before and chooses to use their already existing brand name (Aaker, 1991).

### 3.3 Brand equity

David A. Aaker, one of the leading authorities on brand equity, has developed a brand equity model that provides the groundwork for many following researcher's findings and results. The model has become the standard template for researchers such as Kapferer (1997) and Melin (1999) and they have built their models upon similar factors.

Even though Melin (1999) argues that brand equity is closely related to added value and claims that it is the consumers brand loyalty that shows if brand creates added value, Melin has not summarized this into one complete definition. Upshaw (1995) has created a lexicon of branding in his book *Building Brand Identity* and defines brand equity as the total accumulated value or worth of a brand; the tangible and intangible assets that the brand

contributes to its corporate parent, both financial and in terms of selling leverage. A more contemporary definition of brand equity is American Marketing Association's definition. Namely, brand equity as the value of a brand, and from a consumer perspective, brand equity is based on consumer attitudes about positive brand attributes and favorable consequences of brand use.

However, Aaker (1991) defines brand equity as a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to the firm's customers. In his model the fundamental assets that build brand equity are clustered into five categories: brand loyalty, brand awareness, perceived quality, brand associations and other proprietary brand assets. These intangible factors are together the foundation for company's brand equity. In the process of enhancing brand equity it is essential for a company to create a network and establish connection between these five categories. The network symbolizes the glue that ties the five assets together and enhances solidity to the brand. The more the assets are linked together as a whole the more value is achieved (Aaker, 1991).

The idea of brand equity can generally be divided between the values a brand creates for costumers, which implies the actual added value of the brand, and on the other hand the value it creates for the brand owner/company. This is also shown in Aaker's (1991) brand equity model, even if it does not present a strict distinction between the provided added value to the consumer and to that of the firm. Melin (1997) also puts forward that brand equity can be discussed from the brand owner's perspective, as well as the consumer's perspective. In addition, he states that if the brand equity creates value for the consumer, it also helps to create value for the brand owner. This is also illustrated in Aaker's model.

Brand equity helps the consumer's processing of information and interpretation. At the same time it enhances the consumer's confidence in the purchase decision and also the use satisfaction. Knowing that a piece of jewellery came from Tiffany can affect the experience of wearing it, extend to which brand added value makes the user actually feel different (Aaker, 1991).

Brand equity can provide benefits for the company in many different ways. The value can be expressed in financial terms, for example generating marginal cash flow as well as strategic and management benefits. In our thesis, to be able to accomplish our purpose, we find Aaker's (1991) way of combining brand equity and brand extension useful. This when Aaker (1991) states that brand equity can provide as a platform for brand extension. This shows that one of the ways for brand equity to provide value for the firm is when enhancing the ability to succeed when participating in brand extension (Aaker, 1991).

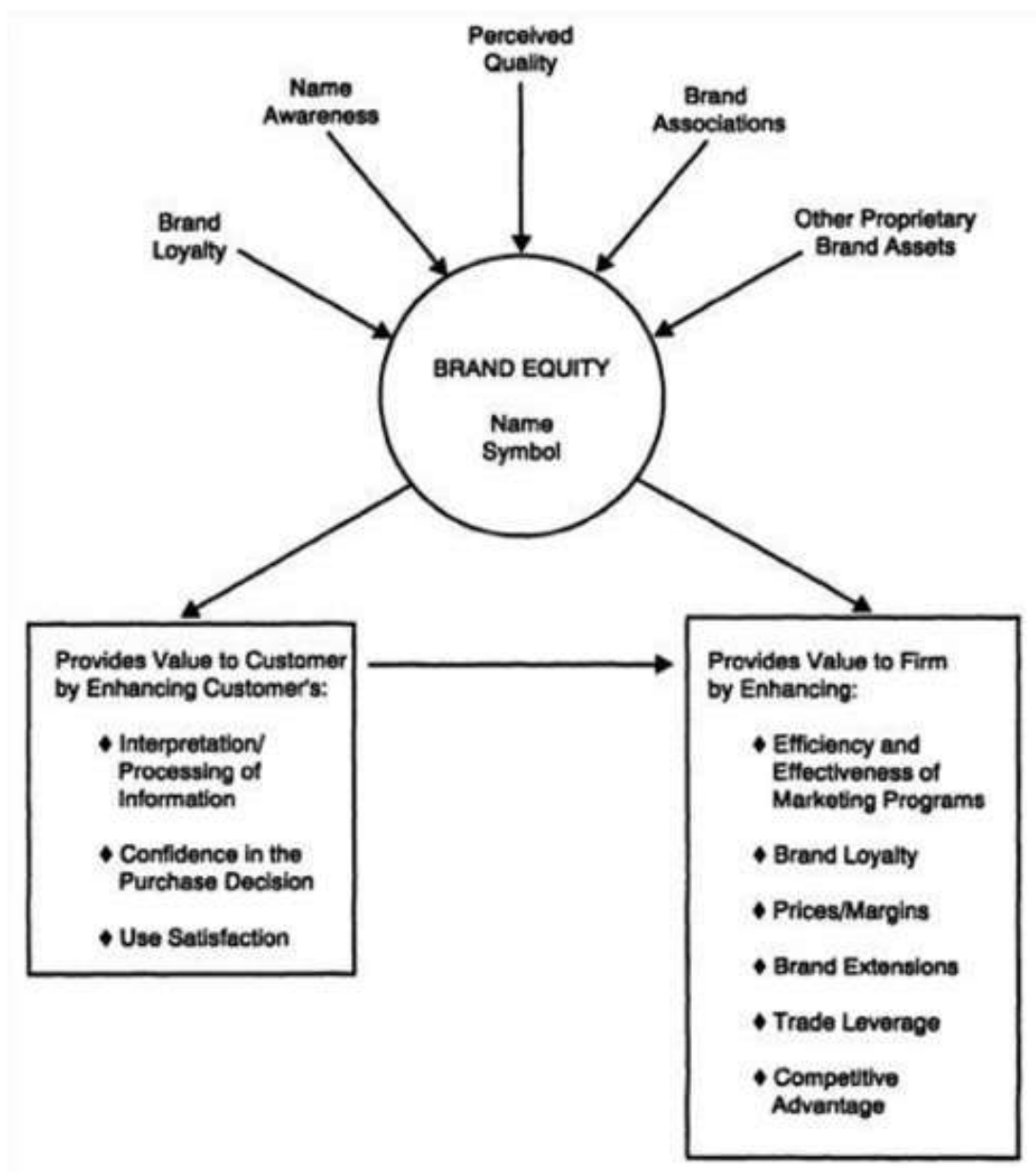
Further Aaker states that an extension should "fit" the brand, which means that there should be a fit or coherence between the brand and the extension. Kapferer (2000), in line with Aaker's point of view, claims that earlier experience shows that a conceptual fit between the brand and the extension enable to lower the risk of dilution of brand image. The fit could be based upon a mixture of linking elements (Aaker 1991). One basis of fit can be links between the two product categories.

However, Aaker (1991) claims that brand equity does not just happen. Its creation, maintenance, and protection need to be managed all the time. Including both strategic as well as tactical programs and policies (Aaker, 1991).

As research in the academic world shows, brand equity is both highly discussed and complex. There is therefore one part of Aaker's model of brand equity that is less considered in our study, namely other proprietary assets. Aaker (1991) states himself also that the various dimensions of brand equity are not equally important in all markets.

### 3.4 Aaker's Brand Equity Model

We will now turn to the first four of Aaker's (1991) five categories of assets that underlie brand equity, which makes it clear that brand equity assets require investment to create, and will dissolve over time unless maintained. Furthermore, we will consider in what way or ways Aaker (1991) claims the categories to be considered as a platform for extension.



Source: Aaker, 1991



### 3.5 Brand Loyalty

*Reputation, reputation, reputation! O! I have lost my reputation. I have lost the immortal part of myself and what remains is bestial. (Shakespeare in Aaker, 1991)*

The brand loyalty of the consumer is often the core of a brand's equity. Loyalty represents a favorable attitude toward a brand resulting in consistent purchase of the brand over time (Aaker, 1991).

Aaker (1991) states that the company with extremely high equity will have a large number of committed customers, which implies brand loyalty. The brand loyalty of existing consumers represents a strategic asset and demands a long term strategy to position and presents the brand as a necessary choice in the minds of consumers. It is something that is deserved not something that is bought or gained by pure luck, and will provide value in several ways if managed and exploited properly.

In particular Aaker (1991) describes four main areas of values in which brand loyalty can provide benefits for the firm. The first value is the potential of reducing marketing costs of doing business. It is more costly to attain new customers than to maintain existing consumers. This is due to the fact that new consumers need to change from their current brand, and it is up to the company to create that motivation. The existing consumers, by contrast, usually are relatively easy to hold and far less costly to keep satisfied. The challenge is to constantly address customer's problems and concerns, otherwise the risk of the consumers leaving to one of its competitors rises. If this is managed well, loyal consumers will not be looking for new products and they will have little incentive to change even if they are exposed to new superior products. The consumers will allow the firm time needed for their products to develop and improve to higher level or to the same. This enables firms to use a less risky follower strategy. Aaker (1991) also state that loyalty of existing customers, builds an entry barrier for new competitors. Conversely, entering a market where existing customers are loyal to an established brand, implies that the consumers must be convinced to switch, which can require significant recourses. Aaker (1991) argues that to enable this entry barrier to be an advantage for a company, potential competitors must know about the already existing brand loyalty. One way to manage this is through advertisement of customer loyalty documents or product

quality.

The second way that brand loyalty creates value is through providing trade leverage. Brand loyalty may dominate store's brand choice decisions. Stores know that consumers want brands with strong loyalty such as Cheerios or Nabisco Premium Saltines and will therefore ensure ideal shelf space for them. Aaker (1991) further states that trade leverage is especially important when introducing new sizes, varieties, variations or brand extensions. In addition, brand loyalty also has the function of attracting new consumers. Aaker (1991) states that this is especially the case within new product areas. By using the acceptance of the brand among already existing consumers through advertisement, this can be an effective way to attract new consumers. This therefore shows that a company can use already existing consumers to sell to new consumers. Aaker (1991) further states that this technique can be managed by having a consumer base divided into sections of customers whom firstly are satisfied with the brand, and secondly others whom like the brand. This also provides an image of the brand as an accepted, successful product and will be able to afford service backup and product improvements. In industries that require follow up service such as the computer- and automobile industry this is even more important.

It is an important task for the firm to maintain and enhance loyalty. This, Aaker (1991) underlines, is due to customers needing reasons to change. He drives this point far when arguing that a business often actually has to be rude, uncaring, unresponsive and even disrespectful to drive consumers away. This can seem easy to assess, but consumers still experience that companies fail to treat customers equally and at times fairly, even though the goal from a business perspective naturally is to treat customers with the highest levels of respect.

### 3.6 Brand Awareness

*Ever since Morton's put a little girl in a yellow sticker and declared "When it rains, it pours" no advertising person worth his or her salt has had any excuse to think of a product as having parity with anything (MacDougal & McGrath in Aaker, 1991).*

Aaker (1991) describes the nature and function of brand awareness as a component within

brand equity. He defines brand awareness as the ability of a potential buyer to recognize or recall that a brand is a member of a certain product category, and that a link between product class and brand is involved (Aaker, 1991). Further Aaker (1991) argues that the connection between the product and the product class is highly vital for the brand to be successful. For instance, if a person feels thirsty and wants to buy a beverage, an awareness study showed Coca-Cola to be the dominant brand that pops up in the buyer's mind. This makes Coca-Cola the selected brand, and will increase the company's position in the buyer's mind-set. The brand that holds the highest recall- and recognition rate in a product class has a remarkable advantage when it comes to capitalizing the brand further, for example in terms of extensions (Aaker, 1991).

Achieving awareness, in terms of both recognition and recall rates, involves two tasks according to Aaker (1991), namely gaining brand name identity and linking it to the product class. Further Aaker (1991) illustrates achieving brand awareness through an example with a balloon with the word Levi's on it, which may make the Levi name more salient, but it will not necessarily help improve name awareness. On the other hand if the balloon is shaped as a pair of Levi's 301 jeans, the link to the product is provided, and the balloon's effectiveness at creating awareness is enhanced. This shows that the aim of creating brand awareness from the brand owner's perspective is to conquer a place in the buyer consideration set, which Aaker (1991) defines as the cluster of positional brands retrieved from long-term memory in the buying situation.

Aaker (1991) furthermore address the question of; how should awareness be achieved, maintained, or improved? His answer to this question is that the best approach will depend upon context, but Aaker (1991) states several helpful guidelines that are based upon former studies within both psychology and advertising. This as well as observing brands over time that have done well in creating and maintaining a high level of awareness. The first guideline is to be different, because too many product classes have brands with very similar communication approaches. At the same time, as the above example with the balloon illustrates that it is necessary to create a link between the brand and the product class.

The above example equally presents the second guideline, namely a way of achieving

awareness through advertising. Another way to achieving awareness is through a slogan or jingle. The link to the slogan might be stronger because it involves for example a product characteristic or it can be visualized, as the slogan “You Deserve a Break Today”. Symbol exposure is another way of involving a visual image which is much easier to learn and to recall than a word or a phrase. Aaker (1991) considers brand extension as a way to gain brand recall, and also make the brand more salient. Brands such as SONY, Honda and Yamaha use their names on all their products. At the same time he states that there is always a trade-off. Even if using the same brand name often enhances recall, different names can for example provide the opportunity to developing different associations for each name. Using cues help remind people of the link developed in the advertising, for example a person like Andre Agassi can cue a product class such as tennis rackets. The last guideline, Aaker (1991) states, is to use event sponsorship to create or maintain awareness.

Aaker (1991) distinguishes between four levels of awareness, ranging from a situation where the consumer is unaware of the brand, to recognition, brand recall and lastly to the highest level a top of mind position. Virtually all models attempting to forecast new product success have brand recognition as a key initial construct, which implies that only rarely does a purchasing decision occur without recognition.

Furthermore, Aaker (1991) states that brand awareness can also, like brand loyalty, be generated from the consumer base. For example friends and colleagues of users will enhance recognition just by seeing it. Further Aaker (1991) claims that this kind of exposure, actually seeing the product in action, will have much more impact than for example seeing an ad a number of times. This implying that the particular ad is not extremely effective or unusual when compared to the company’s previous campaigns. This is due to seeing a friend using a product generates the kind of memory links to user context, and is something that any advertisement would have great difficulty in doing. This potential to create visibility and awareness for the brand should be considered when selecting target market.

Although Aaker (Aaker) states that awareness is a key brand asset he also discusses that it cannot by itself create sales, especially not for a new product. Even though the recognition level is extremely high, the actual core product and brand extension has to be related to the

recognition of the brand in order to achieve brand equity (Aaker, 1991).

### 3.7 Perceived Quality

*Quality is the only parent protection we've got. (Robinson, in Aaker, 1991)*

The third asset category within Aaker's (1991) framework is perceived quality. He defines perceived quality as the consumer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives (Aaker, 1991). Perceived quality is all about consumer's perception, which not necessarily is based upon the products actual and objective quality, because perceived quality is an intangible overall feeling the consumer has of a brand. After all, consumers differ sharply in their personalities, needs, and preferences. Harvard's David A. Aaker (Aaker, 1991), proposes seven product-quality dimensions, namely the product's performance, features, the absence of defects, reliability, the economic life of the product, the ability to service the product and at last, the appearance or feel of quality.

Aaker (1991) further argues that perceived quality is essential when enhancing brand equity in a long-term perspective, in several ways. Through perceived quality Aaker (1991) suggests that the brand owner could downsize the importance of price, because perceived quality of a brand provides a key reason-to-buy, and the brand that is to be selected in the end. A premium price can be charged, which resulting in increased profit and create resources that can be reinvested in the brand, for example in activities as enhancing awareness or associations, or in R&D that develop and improve the products. Channel member such as retailers and distributors want to include brands that consumers like and will buy, implying that perceived quality has an important effect for them as well. In addition, a strong brand with respect to perceived quality provides a basis for brand extensions to succeed compared to a weaker brand.

As shown above perceived quality is a key strategic variable and highly correlated with the financial performance of the company, by increased market share, affecting the price and though its own direct impact on profitability. In addition, perceived quality does not affect the

cost at all. Aaker (1991) states that the concept “quality is free” may be part of the reason.

### 3.8 Brand Associations

*Apple produced a good computer, the Apple II, but created a great distinction. It made using a computer a “friendly”, unintimidating process. Everything at Apple, from its logo to its down-to-earth founders, underscores its uniqueness. (Peters in Aaker, 1991)*

Aaker (1991) defines brand association as anything “linked” through memory to a brand. McDonalds is an excellent company to use to illustrate brand associations. Young kids may associate McDonalds with the character Ronald McDonald and the “free” toy included in the happy meal. Adults may instead associate McDonalds with satisfied kids and effective service. Further Aaker (1991) states that associations not only exist, they can be divided into different level of strengths. The more positive experiences the associations are based on, the stronger will the link to the brand be. The link between kids and McDonalds will be much stronger if an ad involves a complex mental network of a birthday-party at McDonald’s, Roland McDonalds, and McDonald’s toys instead of only being based upon advertising involving kids at McDonald’s (Aaker, 1991).

Brand image is a set of associations, often organized in a meaningful way. Both associations and images represent perceptions, which may or may not reflect objective reality. Positioning is also closely related to both association and image. “Positioning strategy” can be used to reflect how a brand is trying to be perceived and “brand positioning” reflects how individuals perceive a brand. A well-positioned brand will have a competitive position supported by strong associations, and resulting in bases for purchasing decisions and for brand loyalty (Aaker, 1991).

Brand associations create value to the firm and consumers in several ways. To start with, it helps customers to process and access a set of facts and also to recall information during decision making. Further, brand associations help differentiating the brand, which can be a key competitive advantage. Thus, an association can build entry barriers to competitors. Many brand associations are connected with product attributes or consumer benefits, leading to reasons to buy a particular brand. For example, Mercedes and American Express Gold card

associates with social positioning, implying added status to their user. Other associations that products use to express are life-style and professional roles, and other will reflect associations involving stores that carry the product or the person who uses the product. In the case of buying a new tennis racket, the endorsement of a name player is crucial. A Wimbledon champion that use a certain tennis racket, will provide the brand with associations including credibility and confidence, resulting in that consumers feel more comfortable with the brand and will influence purchase decisions. Associations that are liked by people creating positive feelings that are later connected with the brand. Some associations create positive feelings during the act when the product is used, and transfers it into something that otherwise would not be interpreted as positive. For example, in good advertising, the experience of drinking Pepsi could seem more fun than it would be without the advertising (Aaker, 1991).

Furthermore, the name, symbol, and slogan are indications of the brand but at the same time important associations. For a brand extension, an association can provide the basis by creating a sense of fit between the brand name and the new product. Moreover, it also gives reasons to buy the extension. Sunkist, as an example, is associated with healthy outdoor life and at the same time associations with oranges, which enable the brand name to fit a variety of products. Sunkist's range of products includes fruit bars, soft drinks and vitamin C tablets. Aaker (1991) further states that firms are particularly interested in associations that in some ways influence the buying behavior. Firms not only want to know which the brand associations are, but also whether they are strong and shared by many. A firm's task of developing and improving associations as well as driving the position and image of the brand is very important and a challenge. In the mid-eighties, Nike faced a challenge from Reebok, who entered the aerobic craze with the goal to take over first place in the athletic-shoe market. Nike had to act and developed Air Jordan's basketball shoes with superior technology. The shoes became an enormous success and the reason for that was the endorsement of the basketball player Michael Jordan by his electrifying demonstrations in the Nike advertising (Aaker 1991).



## 4. Coded Empirical Data and Analysis

*This chapter aims to present and analyze the empirical material. Our empirical data is organized in accordance with Aaker's (1991) brand equity model, as presented in the theoretical framework, and simultaneously analyzed. The empirical data derives from our observations and interviews at Salomon's headquarters.*

### 4.1 Brand Loyalty

Aaker (1991) states that loyalty represents a favorable attitude toward a brand resulting in consistent purchase of the brand over time. Salomon perceives the sporting industry to differ from the fast moving consumer goods industry in both daily usage and price; Salomon cannot sell for example skiing equipment to the same customer every year as Procter & Gamble sells shampoo to its costumers regularly (O'Conchuir, 2012). Instead Salomon claims to be able to use the same customer base consisting of already loyal consumers, to create cross purchase decisions (Thompson, 2012). The company names an example of this type of action in terms of selling trail running shoes to Salomon's consumer base of cross country skiers in the summer (Vollet, Bornling, 2012). Salomon has used the technique of portraying well known cross country skiers practicing trail running, to explicitly show that a link exists and mutual benefits of that both sports enhance the performance of one another (Vollet, 2012). This equally, Salomon further describes, attracts the wider selection of consumers as well as directly speaking to their targeted group of loyal cross country skiers (Bornling, 2012). By using Salomon's already loyal consumers, Aaker (1991) claims that these customers are far less costly to keep satisfied, as well as easier to retain for the company. We understand this by Salomon not having to convince their existing customers that they are a good brand, unlike their requirements when attempting to gain new customers.

Aaker (1991) states that the challenge is to constantly address consumer's problems and concerns. If this is managed well, Aaker (1991) concludes, that loyal customers will not be looking for new products and they will have little incentives to change even if they are exposed to competitor's new and superior products. One way Salmon is trying to address the consumer's opinions and concerns regarding the products is through Facebook, live chat

rooms, their website as well as call centre (Aiden, Bornling, 2012). While in Annecy we were able to observe employees working with these forums daily, and which the examples of discussions between Salomon and the market were. The questions the call centre received ranged from something very specific and technical in a product, to something as simple as where their nearest retailer is located.

As we will describe further under awareness and associations, Salomon are sponsoring athletes with soft- and hard goods. The company also sponsors brand ambassadors within their targeted customer group whom are already loyal to the brand (Bornling, Åhnebrink, 2012). These, Salomon puts forth, have great influence within their social network and by wearing new products become strategic advertisement for the company (Bornling, Vollet, Dufournet, 2012). This action of using the acceptance for the brand among already consisting consumers to sell to new consumers, Aaker (1991) describes, is a way to use the asset brand loyalty. Aaker (1991) further states that having loyal consumers provides an image of the brand as being accepted. As stated, image is a set of associations which implicitly states that Salomon simultaneously creates positive association to the brand by exposing their targeted customer group to new products through ambassadors.

Aaker (1991) describes that brand loyalty among consumers also dominates what the retailers carry in their stores. Salomon depicts their biggest markets North America, France and Germany (Bornling, 2012) equally contains their most loyal consumer base, and is where most of the demand for the products comes from (Åhnebrink, Bornling 2012). This leads to, as Aaker (1991) describes, that the retailers according to the company also carry the most Salomon products in their assortment, compared to other market's retailers (Thompson, 2012). Aaker (1991) states that this kind of trade leverage is especially important when the company partakes in brand extension.

Furthermore, what matters to Salomon's equity is equally if the brand has retained market share in terms of loyalty within the right channel (Joire, 2012). As we will mention further on, Salomon's brand equity pyramid illustrates the right channel, which in turn depends on what core values Salomon has chosen to build its brand upon within the brand equity pyramid (Bornling, 2012). When observing their actions, together with what has previously been stated

regarding Salomon's brand equity, we consider Salomon to view their equity as either on or off track. A well defined brand equity pyramid, to be able to serve as a platform for brand extension, shall not include a grey zone. This as additionally being managed so well that it can be equal to consumer perception and brand associations.

## 4.2 Brand Awareness

Aaker (1991) presents that one way to achieve awareness is through the use of a slogan or logo. During the years when Salomon partook in most of its extensions, Salomon explains the company vision as: "To become the Leading Freedom Action Sports Brand in the World" (Diard, Bornling, 2012) The company equally recalls its mission at the time was: "To create Pure Products For Freedom Action Sports Enthusiasts Around the World to Fuel Their Instinct" (Diard, Bornling, 2012). This, Salomon puts forth could be summarized in the slogan "Fuel Your Instinct" (Diard, 2012). The link to a slogan might be stronger when people can visualize something more than brand name, Aaker (1991) states. We can therefore interpret Salomon's use of this slogan as a concrete action to create awareness when partaking in several extensions. Even though Aaker (1991) states that awareness is one of the key assets, it cannot by itself create sales, and especially not for a new product. Naturally, awareness is an aspect that must exist, because if a consumer does not know about the product he/she cannot purchase the item.

Salomon describes the company logos to both have been plentiful, as well as varied in terms of usage areas over the years (Bornling, 2012). The company clarifies this statement by describing that different logos were used between product categories, as well as during events and/or in combination with new extensions (Diard, Bornling, 2012). Salomon describes therefore the importance of unifying all these logos into one transversally used logo from 2013, and puts forth that this has been an ongoing project for a long period of time (Bornling, Thomson, 2012). This action can be understood from Aaker's brand equity model (1991), as described above, to achieve a clear and unified link, when creating awareness, between the logo and company's products. Furthermore as Aaker (1991) states the name, symbol or slogan, are indicators of the brand in the way that they create awareness, and also additionally acting as important associations. We can therefore see the action of Salomon having used the slogan "Fuel your Instinct" as well as the importance of one unified logo as an important link

not only in form of awareness but also to create associations that are perceived the same both for Salomon, as well as in consumer's minds.

Aaker (1991) states that another way awareness can be achieved is through differentiating a company's brand through communication approaches. When Salomon extended into surfboards, an employee was assigned one year to create a launching plan for the project. Surfing as a sport, Salomon puts forth, is difficult to enter as an outsider (Joire, 2012). It is very conservative, in the way that the most famous shaper Al Merrick, producing for among others pro surfer Kelly Slater, yearly production is merely 8000 boards (Joire, Diard, 2012). To succeed, the company must contribute with something new to the market. The only way Salomon perceived as successful was to initially approach the shapers (Joire, Bornling, 2012). The shapers as Salomon explains, are building and shaping the boards by hand. Salomon claims to have traveled to the homes of a chosen amount of shapers to initiate cooperation with the help of the company's technology as well as the shapers handcraft and expertise (Joire, Diard, 2012). The company states that if Salomon could gain credibility by building awareness of their know-how within the community of shapers, they could also assess all the major pro surfers in the world, as the shapers deliver their final product to them. Salomon describes after having analyzed the market (Dufournet, 2012) that when pros later used the boards during competitions and events, the rest of the surfing community and its customers will also become aware of the boards. Salomon claims therefore to have used a differentiating communication approach relative to its competitors, by not approaching the market in a commercial way. Instead, Salomon states as described, to have gone through the shapers, letting them talk about the product and officially launching the boards during a sponsored surf event in Australia (Joire, Diard, 2010). This is in accordance to one of Aaker's (1991) ways' of building awareness by using a different approach to create word-of-mouth in the marketplace.

Aaker (1991) however concludes that a link must exist between the brand and the product class in order for success within the communication approach. Merely attaining brand awareness in the marketplace is therefore not sufficient for a brand extension. When Salomon furthermore uses the image of pro athletes as means of gaining awareness for their surfboards, we found this implying that the company also wanted to gain brand associations through the athletes' credibility. This can be compared with an example Aaker (1991) uses, as stated in

the theoretical framework, that a Wimbledon champion using a certain tennis racket will provide the brand with certain associations, that later come to influence the consumers purchasing decisions.

In his model, Aaker (1991) further addresses event sponsorship as a guideline that can be used to create or maintain awareness. Salomon puts forth that a way of showing as well as raising awareness among global citizens that trail running as a sports category in growing, is through not only promoting and/or sponsoring Salomon's trail running division, but equally the whole industry (Vollet, 2012). Salomon describes using many ways to achieve this. One is presented by Salomon through sponsorship of big races as a way to expose the company logo. Another is by creating own events that gather the Salomon's trail running team members and later display the event through their own channel; Salomon Running TV (Vollet, 2012). This is naturally done, the company explains, within Salomon's other sports categories as well, such as skiing, snowboarding, racing and nordic skiing across all five continents (Aidan, Bornling, 2012). Salomon later uses this exposure, through media and channels such as social media, and claims to have noticed the industry trends having moved from initially a business to business focus, towards instead a business to consumer focus and forum (Aidan, 2012). Through social media and Salomon TV the company therefore states having created awareness within communities such as forums, inspirational "cool kids in the park" as well as young athletes (Aidan, Dufournet, Bornling, 2012). Aaker (1991) describes that brand awareness, like brand loyalty, can be generated from the consumer base. For the friends of the "cool kids in the park," they will in turn gain enhanced awareness by seeing their peers with Salomon gear.

Today Salomon creates live stream events when launching a new product, where people can participate from across the globe, and during a recent extension Salomon had close to ten thousand people watching online (Aidan, 2012). The way Salomon states to have wanted to launch the product was in order to gain awareness together with Salomon's athletes (Aidan, Bornling, 2012). This is more consumer facing and transparent Salomon perceives (Aidan, Bornling, 2012). This can also imply that furthers associations in terms of credibility can be achieved when the athletes are using the products (Aaker, 1991).

Salomon puts forth that many people within the communities, whom look up to pro athletes use word-of-mouth, through forums, as well as also working within the retailing industry, and to influence customers to buy Salomon's products (Levet, 2012). This implies Salomon gaining even further awareness in the marketplace. Salomon describes these workers within the distribution system, facing the customers, as being referred to as "kids on the floor" and a person that every company wants as their best friend (Levet, 2012). Salmon explains this relationship as if the "kid on the floor" likes Salomon's brand, he/she will also sell it. The "kid on the floor" equally has the credibility of using the product as a consumer themselves, as well as a wide range of other brands to choose from in the store, before giving out advice to the customers (Levet, Bornling, O'Conchuir, 2012). We can therefore see "the kid on the floor's" point of view towards the consumer as more authentic and valuable, than for example an internal sales personnel at Salomon. This even thought a Salomon employee may have a deeper understanding of the products qualities, durability and technological aspects. As Aaker (1991) claims, this kind of exposure, seeing the product in action upon an athlete, peer and/or "kid on the floor", will have much more impact than for example seeing an ad a number of times.

Salomon addresses the possibility of giving away pre-launched products to athletes and journalists during events as ways to create brand awareness in the marketplace ahead of time. This can be understood by Aaker's (1991) brand equity model as ways to create visibility and awareness, and to create memory links to user contexts. Aaker (1991) furthermore states that awareness in itself is a key brand asset, but cannot by itself create sales, especially not for new products. Aaker (1991) continues by stating that consumers naturally must be aware of the brand through the importance of reorganization, recall and high top of mind position. If the products however later never are purchased, Salomon will not achieve higher sales numbers (Aaker, 1991).

Salomon equally believes that to gain further information based on their equity; the company can assess how many doors the business can open in terms of new categories, as well as the number of customers you can gain (Levet, 2012). Brand awareness has equally, in the past as well as present, been measured by talking to customers as well as following through retail barometers. Salomon's main measurement tool is thus today described as a pure business

measurement tool, Salomon conveys. Even if things have changed over the years, Salomon has been and still is today strongly driven by sales (Levet, 2012).

### 4.3 Perceived Quality

Aaker (1991) describes perceived quality as the consumer's perception of the overall quality or superiority of a product with respect to its intended purpose, related to alternatives. The overall feeling the consumer has of a brand (Aaker 1991).

Salomon addresses one way to achieve a sense of quality is through events when combining all Salomon's best trail running athletes and internal R&D department (Vollet, 2012). Salomon describes further that the company can use the athlete's know-how and what the pros feel is missing in terms of the sports development, to be able to meet the demands the market has in a better way than Salomon's competitors (Vollet, Dufournet, 2012). These events are by Salomon to equally be documented, as stated above in order to raise awareness, through live stream TV and footage, so the market themselves are not only aware of the brand and its events, but also assess that Salomon together with their athletes are developing and improving the products together to create superior quality (Vollet, O'Conchuir, 2012). We therefore interpret this as a simultaneous contribution to the sport as a whole, and to Salomon's own products. When assessing Aaker's (1991) brand equity model, perceived quality is about consumer perception and feelings, and is an overall feeling the consumer has of the brand. Through Aaker's definition, Salomon cannot decide over the consumer's minds. Salomon however describes that they through events are able to show the community that they are working as a team, with hopes of being able to build and acquire perceived quality over time (Vollet, 2012). During these events, Salomon describes, the team athletes are continuously testing new gear and extensions within trail running in order to develop the sport. The company thus explains that their next extension then will have been tested and implicitly approved by their athletes, resulting in the consumer may gain an overall feeling of the extension to be successful (Vollet, 2012). This is shown, Salomon explains, for example through Salomon Running TV, and footage (Episode 1 – Season 2 Work & Play) during 2011s event in Athens, Greece where the event is documented and the athlete's feelings for the products are expressed (Vollet, 2012). Pro Salomon trail running athlete Rickey Gates describes during an interview that "I have tried some really crazy products, and some of the



stuff you will see a new version of next year, and some you will never see again, and I think that is really admirable of the company to try stuff out that may not be successful” (Episode 1 – Season 2 Work & Play). Salomon equally uses the feedback from the athletes to acquire modifications on the existing as well as future products (Leick, 2012).

Zackrisson illustrates in the end of our interview, a concrete example of his influence on the products during different stages of their lifecycle (Zackrisson, 2012). The example in this case being after having testing one of Salomon’s jackets and learning that the zipper was hard to close, directly delivering this feedback to Salomon and its R&D division for further adjustments and improvements of the products. Zackrisson describes that Salomon through the action of being on site during competitions as well as training, enables them to interact and develop the products in the athletes natural, and more relaxed environment, then at the company’s headquarters (Zackrisson, 2012). Zackrisson further explains that from an athlete’s point of view, this leads to a sense of respect and raised perceived quality towards the company’s products (Zackrisson, 2012). This teamwork is something that Zackrisson highlights, later conveys to different communities such as distributors, local managers, “kids on the floor” and fellow athletes, and that equally reaches consumers in a third stage (Zackrisson, 2012). Aaker (1991) states that perceived quality is all about consumer perceptions; and this type of action can be one way of affecting consumer perception. We can interpret this as a circle of influence; the pros are influencing the “kids on the floor”, the “kids on the floor” are influencing consumers, and the consumers are influencing what the retailers will purchase in next year’s buy in, and we see this as a commercial relationship. We however believe that the model can be dangerous if today’s companies are pushing products without managing to create substance and/or quality of perception within the circle, to continue to increase Salomon’s brand equity. Brand awareness is merely not enough to serve as a platform for brand extension, and has to also be combined with the other brand equity assets. This in order to create strong enough links between each stage and/or participant within the circle of influence in order also to serve as a platform for extension.

Salomon addresses an additional way of gaining perceived quality of their products and testing, as well as for the sport, is to show united commitment from the sponsors of the sport (Vollet, Borning, Aidan, 2012). Salomon explains naturally not being the only company

wanting to be perceived as trustworthy within the sport of trail running (Vollet, 2012). Salomon puts forth the topic as not having to be seen as a hinder by showing respect through the action of printing individualized post cards for their athletes with not only Salomon's name and logo printed on the backside, but also all the athlete's other sponsors as well (Vollet, 2012). This way, Salomon describes their postcards to be not only used during their own events, but also shown within the communities of their competitors (Vollet, Bornling, 2012). We also find Salomon's initiative to additionally fall under the category of increased as well as maintained awareness through the use of the postcards, by Aaker's (1991) statement, when a link, the postcard, between product class and brand is involved.

Looking back, Salomon claims to have utilized their perceived quality within one product category to help extend the brand into another (Bornling, Diard, 2012). The company explains that this synergy was used when Salomon took its expertise and high quality of products within cross country ski boots into another category, namely inline skates (Bornling, 2012). As Aaker (1991) claims the perceived quality is highly correlated to the financial performance of the company. Salomon explains the sales numbers of cross country ski boots to having portrayed high figures over many years (Bornling, 2012) and Salomon could therefore implicitly draw the conclusion of the consumer's perceived quality being high (Dufournet, 2012). We therefore assess this correlation, understood through Aaker's (1991) model, to have enabled Salomon to partake in the extension of inline skates. This due to the similarities Salomon assessed between the sports, as inline skating can be seen as cross country skiing on asphalt as well as Salomon's already strong credibility within boots and bindings (Bornling, Diard, 2012). This association was however not perceived in the same way by Salomon's customers. Perceived quality also faltered as the overall feeling the consumers had with inlines did not correlate with the rest of Salomon's product base. The link between associations and perceived quality was therefore not as strong as required by Salomon's customers for brand equity to serve as a platform for brand extension. An example where there instead existed a link between perceived quality and associations was during Salomon's first brand extension, namely from being a saw blade workshop and later going into ski edges. During three year the company had built high quality associations around the handcraft of steel, and this was deeply rooted within the consumer's mind when Salomon extended into ski edges.

Salomon states that monitoring brand equity is a long-term engagement (Bornling, 2012). The company equally puts forth that year on year comparisons are consequently not regarded to be as valuable as a long term view (Bornling, 2012). This even though Salomon yearly has partaken in the action of monitoring individual's perception of Salomon's brand equity within all sports categories since the 1960's (Bornling, 2012). In order to do this, the company claims to use the same questions, in the same format to talk to a large enough samples in order to be valid over time. In these surveys, firstly Salomon studies the awareness of the entire market, and later proceeding within each category in turn for a further and more in depth findings (Thomson, 2012). Salomon's surveys therefore show the facts and/or finding regarding what people say or do, to later gain the insights of why people say and do the things they do (Brand Equity Survey, 2009, 2010, 2011). This to, as Salomon describes seeing it, to detect the subtle or not so subtle shifts over time (Thomson, 2012). Through Aaker's model we can understand Salomon's actions when getting the insight of what people think about the company as well as their shifts over time, to later use these to enable perceived quality to act as a platform for brand extension (Aaker, 2012).

Furthermore, Salomon describes the result to be what people understand of a company (Dufournet, 2012). Regardless of what Salomon wants to be, or says it is, it is the people; the customers and/or non-customers whom define the equity over time and experience. That equity is also different in every country and region in the world (Brand Equity Survey, 2009, 2010, 2011). Salomon further depicts when looking into past extensions and strategies that they have not had the insight, vision and discipline to unify that equity over time. Because most of the equity is built through the products that people see, for what purpose and in what environment and community (Dufournet, Thomson, 2012). A by Salomon concrete example of this was during the extension of snowblades (Thompson, 2012). When Salomon launched the alpine activity snowblades, the company claims to having sold millions of pairs. The extension was by Salomon described to be seen as fun and popular in the marketplace (Thompson, Bornling, Diard, 2012). However, Salomon continues, to this day the company still asks if this was good for our alpine core credibility? Salomon assesses this as a negative answer. Furthermore Salomon gives a negative response also to if this was good for our snowboard core credibility (Thompson, 2012). Salomon summarizes the extension of snowblades to have been bad for its equity, but claims that Salomon at that time weighed the

balance of an investment and short term profitability, of it being an additional toy, with the long term of credibility for the brand which could suffer over time (Thomson, Diard, 2012). And the company still claims to be suffering from this extension in terms of Alpine skiing equity, as there is a million snowblades out there somewhere still affecting the brands equity today (Thompson, 2012). Salomon recalls there arising an absolute surge one day when the alpine accessories catalogue with all the spare parts, was printed and later distributed to all Salomon's retailers with a guy on snowblades on the cover (Thompson, Bornling, 2012). The company summaries the consequences of this as the phones were ringing off the hook from every retailer in the world selling Salomon skis, exclaiming that Salomon themselves were damaging their own equity. Of all the photos the company could put on the cover, this one ended up making fun of the brand and was, as the company portrays today, a good example of two employee's decision making, resulting in the whole brand equity to suffer (Thompson, 2012). We therefore interpret that the extension of snowblades gained high brand awareness for the company. Customers equally showed brand loyalty for Salomon when repurchasing a Salomon product. Where brand equity failed to serve as a platform for this particular brand extension was when customers associated Salomon with something other than what the company themselves considered their brand equity to be. The link between brand associations and perceived quality can therefore be seen as weak when snowblades created a different picture in the minds of consumers then what its remaining product portfolio produced.

Salomon describes that sales numbers along with recognition and market share is naturally ways to see their brand equity. At the end of the day within the corporate environment, the business is a numbers game (Thomson, 2012). We can interpret and understand this action by Aaker's (1991) statement that the category perceived quality found in his model is highly correlated with the financial performance of the company.

Salomon puts forth that brand representatives must weigh short-term increase in sales ambitions and/or strategy with long-term brand equity objectives (Bornling, 2012). We have through several interviews understood that market-share and numbers are one thing, and vary between countries (Joire, O'Conchuir, Thomson 2012). A company shall thus not only focus on sales, because if Salomon has low sales and high profitability this can be beneficial, but the reverse; high sales and a negative percentage in profitability when driving sales through low pricing can be critical in the long run (Joire, 2012).

Aaker (1991) states that, brand equity does not just happen; it must be managed consistently over time. As in all companies, a strategy shall lie ahead of reality (Aaker, 1991), and thus illustrate what Salomon's brand equity should be in the years ahead. Salomon uses a brand equity pyramid to build and consolidate a positioning strategy internally, and acts as a roadmap for future extensions. The pyramid is built upon six stages, starting from the top; the core brand essence, brand preference statement, target customers, brand characters, Product Point of Difference and lastly Product Point of Purchase. Salomon's equity pyramid limits the company's ability to expand into areas that are not in line with their core essence, implying that a very open essence statement makes it possible for the brand to extend beyond its limitations (Bornling, 2012). While Salomon had the core essence Freedom Action Sports, with slogan "Fuel your Instinct" the brand partook in several of their brand extensions, namely inline skating, snowblades, surfing and snowboarding. Today Salomon puts forth their core essence statement as more narrow, implying that they cannot extend beyond this limited sports area (Confidential, Brand Equity Pyramid 2012). All the extensions resulting from the previous brand equity pyramid have been shut down, and its current product portfolio includes purely products that are in line with their current brand equity pyramid. This is the reason why Salomon is a mountain sports focused company today (Bornling, 2012).

#### 4.4 Brand Associations

As Aaker (1991) defines above, brand associations are anything that can be linked, through memory, to a brand. Salomon shows several examples of this by the use of individuals as well as teams of athletes according to the sports category. Salomon expresses pro free skier Kaj Zackrisson to have been a part of Salomon's free ski team since 1998 (Bertrand, 2012). This sponsorship, Salomon describes, implies the company to equip Zackrisson with hard- and soft goods, and Zackrisson later being a representative for the company, on and off the mountain stage (Bertrand, Bornling, 2012). Zackrisson explains that Salomon therefore never has to present him as their team rider, or have their logo clearly portrayed by a ski photo shoot Zackrisson was involved in (Zackrisson, 2012). Merely Zackrisson's appearance makes consumers, as well as others within the sports industry, associate directly to Salomon (Zackrisson, Bertrand, Bornling, 2012). We believe that the action of providing athletes with sponsorship can from Salomon's perspective can be understood through Aaker's (1991) brand equity model as use of Zackrisson providing the brand with associations such as credibility

and confidence. This can later result in consumers feeling more comfortable with the brand and thus help influence a purchasing decision. Zackrisson represents for most people free skiing, happiness and expertise (Bornling, 2012). These associations are later directly transferred to Salomon's brand and range of products (Bornling, Thompson, 2012). Salomon as mentioned above also produces Free-ski TV (Aidan, Bornling, Bertrand, 2012), and Zackrisson claims to not having skied one day during the season of 2011-2012 without also having been filmed or photographed (Zackrisson, 2012). Aaker's (1991) claims that some associations create positive feelings during the act when the product is used. We therefore can draw the conclusion that when consumers see pro athletes like Zackrisson using the products in the intended setting, thus showing what the product can help you achieve as a skier, it will enhance purchasing decisions. Salomon describes that those consumers who have been following the sport and industry for many years know that Zackrisson has been using the brand's skis and equipment throughout his entire career as a free skier (Bornling, Zackrisson, 2012). Salomon further describes that this enables associations of credibility towards the company's products (Bornling, Thompson, 2012).

In the theoretical framework above, Aaker's (1991) example that advertising makes the act of drinking Pepsi seem much more fun than otherwise, can by us be used to explain Salomon's sponsorship decision. We believe that by consumers actually seeing Zackrisson skiing in Salomon products can make the experience of using the brands soft- and hard goods much more thrilling. This, in comparison to if the products would be shown outside the context of Zackrisson in the mountain environment, for example on a printed ad. Salomon's products and brand thus feels more select and exclusive this way, and can be compared to the example shown through Tiffany in the theoretical framework by consumers feeling different using the products, due to the brands added value.

Another explicit example of the importance of brand associations is during Salomon's extension into trail running shoes. Salomon has strong credibility from its heritage of boots and bindings (Bornling, 2012) and trail running shoes are thus in line with both Salomon's brand equity pyramid and the overall feeling the consumer has of the brand. In other words, a link between brand association and perceived quality exists in Salomon's extension of trail running shoes. Equally one of Salomon's early brand extensions, alpine ski boot, also had a link between brand association and perceived quality, due to earlier expertise and know-how

within handcraft and mechanical fitting (Diard, 2012). There was also a shared perception within consumer's minds, implying that the extension had a good platform going forward (Bornling, Diard, 2012).

Aaker (1991) illustrates brand positioning to be closely related to both associations and image, and the positioning strategy can be used to reflect how the brand is trying to be perceived. Salomon states that another way to describe equity is as a position the brand holds in hearts and minds of customers; being both emotional and rational (O'Conchuir, 2012). Salomon addresses that it is very seldom that your consumers will say your exact equity; that's corporate language and is supposed to be something extremely specific. What Salomon however states wanting their consumers to express are the products- and brand benefits (O'Conchuir, 2012). Salomon describes furthermore that the brand is built upon many different values grouped together, as mentioned in the brand equity pyramid, and that everything the company does affects its equity if it is repeated continuously over time (Bornling, 2012). The company's values and heritage have grown Salomon into the mountain sports company many identify it with, including values of authenticity, innovation, progressiveness as well as commitment (Confidential, Brand Equity Pyramid 2012). Salomon furthermore describes the understanding of evolutions to be slow and drawn out processes, making brand image and values stick over time (Dufournet, 2012).

Salomon recalls the time when the company was planning to partake in the brand extension snowboarding, seeing the industry as a lively and existing industry within North America (Joire, 2012). Salomon continues by explaining that in order to compete in the lifestyle and understanding of the snowboarding industry the company acquired already established North American snowboard company Bonfire in 1995 (Joire, Bornling, Diard, 2012). Salomon describes this acquisition to enable the company, as newcomers, a chance of being perceived to have the market understanding to offer high qualitative as well as technical range of products and equipment (Joire, Diard, 2012). When applying Aaker's (1991) description of brand positioning above, we can understand from Salomon's brand equity studies (Confidential Brand Equity Studies 1994, 1995, 1996), that the company wanted to be perceived as highly credible, being associated with Bonfire, and thus positioning themselves as a humble European contributor on the North American market. Salomon describes the result of their action as establishing themselves as the second biggest player on the North

American market, tightly followed by around 125 domestic brands from the US (Joire, Diard, 2012).

Aaker (1991) states that a company's positioning strategy can be used to reflect how the brand is trying to be perceived. Salomon recalls that when entering the market with a clear product-focused positioning strategy, enjoyment for the sport and slogan "ride for real", the company was set to only offer enhancements of their products in order to improve their consumers and athletes riding (Joire, 2012). Salomon describes wanting to avoid many competitors approach of being loud through political means and showing an opposition towards the skiing community, which is still evident on the market today (Joire, 2012). Aaker (1991) states that a well- positioned brand will have a competitive position supported by strong associations, and resulting in bases for purchasing decisions and for brand loyalty. We therefore identify that Salomon's course of actions are in line with Aaker's (1991) description of a well-positioned brand, and assess this as the reason for snowboarding being able to gain such great market acceptance in North America.

Salomon puts forth that post the launch of snowboarding, and to further enable reaching a wider range of consumers, the company states using athletes by letting them design, sign and later ride the boards (Joire, 2012). Salomon continues that when athletes are seen using Salomon's products within their everyday training, advertisements, movies, competitions as well as further connections to other events, both brand awareness and brand associations are enhanced (Joire, Bornling, O'Conchuir, 2012). A concrete example that Salomon puts forth regarding their understanding of athletes being an influential factor to consumers buying behavior and overall feeling of the brand is by letting them influence their snowboards in many different ways. The result of Salomon's action is shown through the sales figures on these boards being the highest, and most successful among their selection (Joire, 2012). Aaker (1991) illustrates image to be a set of associations, and therefore we can deduce that Salomon tried to organize all of these associations in a meaningful way to create even further associations, in order to build a stronger image within the snowboard industry. Aaker (1991) states that brand associations can provide a platform for brand extension by creating a sense of fit between the brand and a new product. These result in reasons to buy the extension, Aaker (1991) concludes.



## 5. Conclusion

*The purpose of our thesis has been to research and analyze through interviews at Salomon's headquarters how brand equity can serve as a platform for brand extensions.*

When we applied Aaker's (1991) brand equity model upon Salomon we coded their actions under the same structure as Aaker. As Aaker (1991) states it is essential to create a network and establish connection between the categories in his model, and we can see through Salomon that there is no fine line between Aaker's categories; brand awareness, brand associations, perceived quality and brand loyalty. The actions instead in most cases fall and can be applied under more than one category.

For brand loyalty to serve as a platform for brand extension customers shall consider purchasing an already purchased product once more in the future (Aaker, 1991). What Salomon's case study showed was that it was equally, if not more important for customers to also purchase Salomon's products within different categories. This due to Salomon competing within the sports industry, thus not having the same pricing, product usage and repurchasing habits than that of the fast moving consumer goods industry.

Aaker (1991) states that awareness is one of the key assets, although it cannot by itself create sales, and especially not for a new product. Naturally, awareness is an aspect that must exist, because if a consumer does not know about the product he/she cannot purchase the item.

If you assess the model as a whole, all components are needed as a platform for brand extension (Aaker, 1991). What we have found is that there must exist a strong link between brand associations and perceived quality for brand equity to serve as a platform for brand extension. Even if all four components separately are high, and some connections exist between the assets, but the link between brand associations and perceived quality however fails to exist, it is not enough. As Aaker (1991) states, perceived quality is an overall feeling the consumer has of a brand. Associations represent perceptions which may or may not reflect objective reality (Aaker, 1991). In our case study we have seen that Salomon is using their brand equity pyramid as a positioning strategy, representing their target equity and how they

wish to be perceived. Salomon's brand positioning, also by Aaker (1991) allocated within brand associations, reflects how individuals perceive the brand. We have through our case study found brand positioning to also be tightly incorporated with the brand's perceived quality. To be able to serve as a platform for brand extension, Salomon's brand equity pyramid must be both by the company and the consumer, understood and perceived in the same way.

Today Salomon has a brand equity pyramid limiting the brand within mountain sports. If the consumers do not agree, and instead perceive the company for example as a water sports company, Salomon's core credibility is questioned. During an extension such as inlines, Salomon could build upon the credibility within boots and cross country skiing. This association was however not perceived in the same way by Salomon's customers. Perceived quality also faltered as the overall feeling the consumers had with inlines did not correlate with the rest of Salomon's product base. The link between associations and perceived quality was therefore not as strong as required by Salomon's customers for brand equity to serve as a platform for brand extension.

Another extension where Salomon's associations and perceived quality furthermore did not correspond with its brand equity pyramid, and the link between brand associations and perceived quality weakened, was with snowblades. For Salomon the extension of snowblades gained high brand awareness and customers equally showed brand loyalty for Salomon when repurchasing a Salomon product. Where the extension however faulted was by customers associating Salomon with something other than what the company themselves thought their brand equity pyramid was perceived. This as well as the link between brand associations and perceived quality weakening when snowblades created a different picture in the minds of consumers than what its remaining product portfolio produced.

One example where Salomon has managed to create and manage a strong link between brand association and perceived quality is that of trail running shoes. Salomon has credibility within bindings and boots, all including the same associations of technology and mountain sports that trail running shoes equally have. Trail running shoes are thus in line with both Salomon's brand equity pyramid and the overall feeling the consumer has of the brand.

## 6. Final Discussion

*In this final discussion, we will add to our final conclusions derived from the theoretical and empirical material. This chapter will also assess suggestions for further research.*

Brand equity has to constantly be maintained in order for it to be strong enough to enable a brand extension. A clearly defined brand equity pyramid thus helps define a brand's positioning strategy and enables a road map for the future extensions. We have through our empirical data and analysis shown many actions taken in which Salomon must maintain their equity in order to partake in an extension. Many employees have when being interviewed regarding brand extension, spoken very broadly about how they contribute to maintaining equity and why this is important. Clearly, for a company to always have strong brand equity will help when partaking in brand extension.

If a company's brand equity is weak and the links between all four assets, and especially that of brand association and perceived quality, are low the key focus should concern how to strengthen a brand, not stretch it. This means that if a brand's equity is not strong enough it will not serve as a platform for brand extension.

### 6.1 Suggestions for further research

During the process of writing this thesis we have reflected upon further studies that could of interest. We have throughout the study strived to achieve a deeper understanding of Salomon's actions within brand equity and brand extension through Aaker's (1991) model. As our time limit did not enable us to apply additional and more recent studies derived from Aaker's findings, it could be interesting for further research to include these models. This to assess if recent studies derived from Aaker's findings could result in deeper understanding for the company's actions, and additionally if the results would differ and/or additional conclusions can become relevant.

As extension decisions as well as the understanding of equity for a company includes decision making within higher levels of the company, this resulted in our most used empirical data resulting from employees between 35-55 years of age. Further research can however include

an even wider selection of junior employees, when assessing if the brand equity pyramid and thus the base of the company's actions regarding equity and extension are perceived as well as shared in all levels. Even if the younger point of view may not today be the most used ideas and inputs within a company, it is their perception of past and present actions that will influence the company's direction, brand equity and possible extensions within the years to come.

As mentioned, we have interviewed employees from the Global Marketing and Communication Department. To gain deeper understanding for the actions taken during brand extension and brand equity within Salomon, it could be interesting for continued studies to include interviews with employees from all departments of the company. This due to our understanding through Salomon's actions that brand equity is something that all departments have influence upon, and are greatly influenced by.

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