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A semiotic analysis of the extendibility of luxury brands

Structured abstract

Purpose: Considering a long-term perspective and the discourse directly emitted by brands, the aim is to study how can brand extension potential be predicted through the analysis of brand contracts?

Design/methodology/approach: Using a structural semiotic approach, we analyse the discourse of twelve luxury brands. We first define the brand narratives and we categorise them in three types of contracts: delimitation, determination and mastery. Thus we analyse the openness of each brand contract, using the oppositions “open – closed” and “continuous – discontinuous”. Finally, we study simultaneously the openness of several contracts.

Findings: Three groups of brands are identified. -Brands anchored in both determination and mastery contracts defined as open (high extendibility); -Brands anchored in a determination contract defined as open, as well as in a mastery contract defined as closed (low extendibility); - Brands anchored in a mastery contract defined as open as well as in a determination contract defined as not closed (high extendibility, but risks of diluting the brand value).

Research limitations/implications: Compared with extensions actually developed by these brands, the results are discussed and strategies are proposed to maximize the long-term brand development when the brand extension potential is low. Only studied on products, it would be interesting to complete this analysis in services.

Originality/value: The main contribution is the focus on brand narratives and contracts to predict the brand extensibility of luxury brands. Structural semiotics provides another original insight.

Keywords Brand extension potential; brand extendibility; luxury; brand narratives and contracts; semiotics

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Introduction

Maintaining sustainable growth is a challenge for any brand. Faced with increased competition in mature markets, brands have more difficulties to continue their development. Brands can no longer rely solely on their core activities to generate new profits and thus are trying to expand their business into new product categories, which is particularly the case of luxury brands (Keller, 2009; Kapferer and Bastien, 2009).

Brand extension strategies, i.e., the introduction of the brand into new product categories, are very common. However, not all brand extension strategies lead to the expected success. These extensions may not be accepted by consumers and may have a negative impact on the brand. Thus, the question of how to ensure the chances of successful extensions arises.

Academic research has analysed the key factors of extension success. Research highlights the role of fit between the parent brand and the extension to evaluate the launch of a new product category under the brand's name. An extension will be more successful if it is considered relevant to the brand (Aaker and Keller, 1990; Park *et al.*, 1991; Keller and Aaker, 1992; Loken and Roedder John, 1993; Roux and Boush, 1996; Martinez and Chernatony, 2004; Buil *et al.*, 2007; Keller, 2009; Hagtvedt and Patrick, 2009; Jung and Tey, 2010; Roper *et al.*, 2013). Recent research suggests also considering brand extension authenticity, referring to the consumer's sense that "a brand extension is legitimate and culturally consistent" with the parent brand (Spiggle *et al.*, 2012). This research is particularly in line with the recommendations of scholars regarding luxury brands (Lipovetsky and Roux, 2005; Keller, 2009; Kapferer and Bastien, 2009; Reddy *et al.*, 2009; Ricca and Robins, 2012). While such studies are essential to analyse the likelihood of

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success of a new product in a new extension category, these studies are focusing only on the message received by consumers and on consumers' evaluations. However, it is useful to have a complementary approach to analyse such brand extension strategies based on messages directly issued by the brands, i.e., their narratives and their contracts (Aaker, 1996; Kapferer, 2004). Indeed brands are the cultural imaginary whose consumption is primarily emotional and desirable (Belk and *al.*, 2003; Remaury, 2004). They are containers of meaning, structured in the form of contracts. The contracts are then brand promises that the brands make to the consumer on the basis of their narratives, and beyond their products (Chevalier and Mazzolovo, 2003; Thompson, 2004). So the brands are contractual in nature. They are open proposals that consumers are free to accept or not. Thus such an approach, based on the meaning directly emitted by brands, guarantees confidentiality and prevents any strategic instability due to possible changes in consumer perceptions.

The study of the brand extension potential according to the brands narratives and contracts is essential to better manage brand extension strategies in a long-term perspective. Moreover, very few studies have focused on the concept of brand contract, i.e., the discourse directly emitted by the brand, and the relevant methodology to analyse brand extendibility. Therefore, this article aims at answering the following question: How can brand extension potential be predicted through the analysis of brand contracts? More specifically, the objective is to study how to establish a structured and synthetic diagnosis of brands from their narratives and contracts to assess the extent to which the brands can expand their territories consistently.

This article proposes a three-step procedure to analyse the brand extension potential in the luxury sector. This procedure is based on a structural semiotic methodology. This analysis focuses on twelve cases of luxury brands. The choice of this sector is principally motivated by the fact that

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extensions are a common practice, while few studies have studied extensions of luxury brands (Roux and Boush 1996; Hagtvedt and Patrick, 2009; Reddy *et al.*, 2009; Magnoni and Roux, 2012).

First, we justify the relevance of a semiotic analysis of brand narratives and contracts; subsequently, we introduce the degree of openness of these narratives and contracts. Second, we apply this analysis to twelve luxury brands to study their extension potential. This analysis is then compared to actual extensions of these brands. Finally, the conclusion discusses the implications of this research.

Theoretical background

Semiotic approach to brand narratives and contracts

A brand needs to be managed consistently over time. The aim is to edit a specific and unique universe for consumers that they can easily refer to in their decision-making process and purchasing behaviours (Kapferer, 2004). Despite inherent changes due to societal and technological evolutions, a brand must maintain a fundamental and stable narrative to manage various strategies (Floch, 2001). Thus, the first step in analysing the brand extension potential corresponds to the study of brand narratives and contracts.

Semioticians suggest the following definitions of brand narratives. For Greimas and Courtès (1993, p.307), “the term narrative is often used to describe the nature of figurative discourse (with characters that perform actions)”. Following Propp (1968), other semioticians define the narrative as a temporal sequence of functions (in the sense of actions). According to Courtès

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(1991 p. 70), “what seems to characterize the story, is simply the fact that “something happens” ...and “to be a bit more precise, we could define the narrative as the passage from one state to another state”.

The concept of brand contract is used because it refers to the "truth believing" established at the two extremities of a communication between the enunciator and the enunciate (Floch, 2000). Indeed, the brand is inherently relational (Hatch and Shulz, 2002). It is an equilibrium resulting from a genuine exchange: a gift/counter gift (Floch, 2000). The notion of contract is used here in the sense that a relationship of values, based on culture and communication, is established between the brand and consumers.

Narratives and contracts of brands have been analysed by anthropologists (McCracken 1993; Stern, 1995) and used by semioticians (Floch, 2000; Oswald, 2012). Narratives and cultural values can help marketing researchers and managers to consider and analyse brands. According to anthropologists and semioticians, a brand can be anchored in six brand narrative dimensions: a time (date of creation, temporal anchorage), a place (city, country or mythical space), a state or stage of life (corresponding to a particular life situation or feelings that can be staged by brands), a gender (male or female), a passage (ugly to beautiful, oldest to youngest), a character (archetypal people, celebrity), a know-how (traditional manufacturing or technological processes) and a material (natural or technological). These six dimensions can be grouped in pairs, forming three brand contract categories (Table 1). These three categories are the following: (1) a contract of delimitation, formed by narratives related to time and place; (2) a contract of determination, formed by narratives related to a state or stage of life and a character; and (3) a contract of mastery, formed by narratives related to know-how and a material (Remaury, 2004).

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Insert Table 1

Brand contracts and the concept of legitimacy

Defined through their contracts, brands are considered to be forms of legends and myths on which they have built all or part of their narrative framework and on which they base their legitimacy (Holt, 2004). Levi's advertising is a good example. With the claim "Enter into the legend", this advertising sketches a man in jeans and boots, holding a saddle, all of these signs identifying the conquest of the West (Remaury, 2004). These signs also refer to the codes of masculinity and of men of action, in reaction "to the modern middle-class organization man" (Holt and Cameron, 2012, p.170).

The concept of legitimacy means devoted or permitted by law. This concept is also consistent with equity, justice or reason. We owe to Max Weber (1956) an essential analysis of the concept of legitimacy and its foundations. Weber distinguishes three types of legitimacy based on distinct bases of domination: the rational-legal type, the traditional type and the charismatic type. By transferring Weber's typology to luxury brands, it is possible to infer that the legitimacy of these brands derives from either the tradition (traditional legitimacy) or the creation (charismatic legitimacy):

- Tradition and know-how are related to the control of "mastery" and to a specific quality of execution applied to precious materials. Tradition and know-how are often associated with a craftsmanship and/or a manufacturing tradition. This craftsmanship and artisanal savoir-faire refers, for example, to the core profession of "saddler" for Hermes, "trunk maker" for Vuitton, and "jeweller" for Cartier.

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- The unique creative talent of the designer recognised as unique and constantly renewed is the basis of charismatic legitimacy (Lipovetsky and Roux, 2003; Dion and Arnould, 2011). Charismatic legitimacy applies to fashion brands with designers such as Christian Dior. Such a brand benefits from the aura of the successive artistic directors that were selected to pursue the aesthetic and stylistic identity of the brand's founder. Faced with the inappropriate behaviour of John Galliano, and while searching for the new Dior artistic director, "the brand has compensated the deficit in charismatic legitimacy by emphasising" the above-mentioned legitimacy basis, i.e., traditional and artisanal savoir-faire (Dion and Arnould, 2011, p. 515). Thus, Dior management emphasised the craft and workmanship of Dior's haute couture ateliers.

Because brands in general and luxury brands in particular are constructed by considering these features, their development strategies need to be based on the brands' legitimacy, i.e., on these brands' contracts and their legitimacy (Weber, 1956; Lipovetsky and Roux, 2005; Dion and Arnould, 2011). This legitimacy leads to the links that these brands have with their own history and heritage. Brand heritage is considered the combination of the history and culture of a brand (Penaloza, 2000; Brown *et al.*, 2003). According to Banerjee (2008), the four pillars of a brand's heritage are its history, image, expectancy and equity.

Brand heritage also stresses the consistency and continuity of the company's core values, product brands and use of symbols (Urde *et al.*, 2007; Banerjee, 2008; Hakala *et al.*, 2011). Heritage brands do tell stories, i.e., they have brand contracts about time, place, event, character, know-how, and materials (see above). Such narratives can be illustrated by the case of luxury wines (Beverland, 2005). Heritage brands' narratives thus aim at bridging the past to the present of the brand, creating continuity in the brand identity as well as consistency between the core brand and

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its extension categories. Therefore, brand extensions that deny brand narratives should be avoided (Reddy *et al.*, 2009).

It is therefore essential to study the characteristics of brand contracts to define their legitimacy to integrate new product categories and to investigate their extension potential. Thus, in addition to their dimension of continuity vs. discontinuity, the concept of openness of such brand contracts is considered (Rokeach, 1960).

Openness of brand contracts and extension potential in a semiotic approach

The concept of openness, derived from psychology, analyses the ability to integrate innovations based on traits of people (Rokeach, 1960). Transposing openness to marketing and brand contracts allows studying the ability of the brand to include new brand extensions by examining the openness of each brand contract (delimitation, determination and mastery).

To analyse in depth the openness of each brand contract, structural semiotics is used. The semiotics perspective is a particularly appropriate approach because “*it analyzes the structures of meaning-producing events, both verbal and nonverbal and the system of signification that underlies them*” (Mick, 1986, p. 197; Stuart and Fuller, 1991; Humphreys, 2010) and favours the word-for-word decoding of the corpus of spatio-temporal relations (Hetzl and Aubert, 1993; Floch, 1988, 2001). Semiotics also offers insight on how to analyse visual systems. The first step, the paradigmatic analysis (Courtès 1995; Saussure 1968), consists of drawing out similarities and differences across the corpus to designate invariants. The second step, the syntagmatic analysis (Saussure, 1968; Courtès 1991), shows how visual signs combine to provide meanings and values

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(Greimas and Courtès, 1982). In our study, the meanings are classified according to the three types of brand contracts (delimitation, determination and mastery contracts).

The semiotic square is also used to define the openness of each brand contract. The semiotic square is a tool contributing to marketing research in brand management (Hetzl and Marion, 1995; Mick, 1986; Floch, 2000, 2001; Mick and Oswald, 2006; Oswald, 2012). The interest of the semiotic square lies in “its ability to organise a universe coherently” and to allow the anticipation of the ways the meaning may follow (Floch, 1988, p. 239). The semiotic square is a visual representation of the relations between the distinctive features of a given semantic category (Floch, 1988) and defines four analytical positions. The semiotic square is constructed following three types of relationships: the relationship of contrariety or semantic opposition, represented by horizontal lines; the relation of contradiction, represented by a slash, corresponding to a negation; and the complementary relationship, represented by the vertical, corresponding to the operation of assertion (Figure 1).

The opposition "open - closed" is used to analyse the openness of each brand contract and to define the brand extension potential. Added to the opposition “continuous – discontinuous”, the semiotic square considers not only the spatial but also the temporal dimension of brand management (Floch, 2000, 2001). The semiotic square of openness and the definition of its four positions are illustrated by Figure 1 below.

Insert Figure 1

An open contract (associated with discontinuous) values the integration of new product categories to enrich its system of values without changing it. Tradition and innovation are mixed. The open contract may make changes. The contract retains its meaning but modernises it.

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In contrast, a closed contract (associated with continuity) values tradition only. The contract does not include a new category of products. Therefore, the contract remains the same through time. The contract preserves and strengthens its system of meanings by launching only new ranges of products within a category that already exists.

A not closed contract (associated with non-continuous) refuses tradition. The contract promotes the integration of anything new, even if it changes the brand's meaning. This type of integration of new product categories is close to a process where enrichment and changing value systems are concurrent. Disruptions of brand values are recurrent.

Finally, a not open contract (associated with non-discontinuous) refuses novelty. The contract remains the same and ignores the integration of all types of new product categories or new lines of products. The contract was like this before; it is the same today and will continue tomorrow. The not open contract transmits its code without any effect of breaking.

Because a brand can be anchored in one, two or three types of contract, it is important to analyse the openness of each contract separately and then simultaneously. Each contract (delimitation, determination and mastery) will be projected on a different semiotic square (Figure 2). Then, once done, the different semiotic squares are crossed. For example, if a brand is linked to a determination contract and a mastery contract, the openness of the determination and mastery contracts will be defined separately. Thus, a crossing semiotic square will be created to represent the openness of both brand contracts. Only after this crossing analysis will it be possible to define the extension potential of a brand.

Insert Figure 2

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Semiotic methodology for the analysis of luxury brands' extension potential

The objective of the research methodology is to study the extension potential of luxury brands.

Twelve luxury brands are studied. These brands are selected to represent a variety of core businesses: jewellery - watches (Audemars Piguet, Cartier, Rolex), - fashion and accessories (Burberry, Chanel, Dior, Dolce & Gabbana, Gucci, Hermes, Hugo Boss, Louis Vuitton, Montblanc). These brands also represent a diversity of countries of origin: France, Italy, Switzerland, Germany and England.

Through the theoretical analysis above, a three-step analysis was defined to investigate the extension potential.

Step 1: The first step is to define the narratives of a brand. These narratives are defined by analysing similarities and differences across a corpus. We have created a corpus of communication including old and recent advertising, visuals of products developed since the creation of the brand, shops' interior design visuals or any other communication available such as brand events, exhibitions, and museums. This approach allows studying how signs provide meanings. All recurring signs, plastics, and figurative and linguistic signifiers were recorded in a summary table (see Table 2). These signs were analysed according to their meanings and their symbols, i.e., their signification (Greimas and Courtès, 1982; Floch, 2000, 2001). The meanings are then structured according to the three types of brand contracts (see Table 1): the contract of delimitation, formed by narratives related to time and place; the contract of determination, formed by narratives related to a state or stage of life and a character; and the contract of mastery, formed by narratives related to know-how and a material.

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Step 2: The second step consists of analysing the openness (i.e., the ability to integrate novelty) of each contract in which the brand is anchored. To define the openness of each brand contract, a semiotic square was created on the basis of the semantic oppositions open / closed and continuous / discontinuous (see Figure 1). Each brand contract will be positioned on a different semiotic square of openness. The analysis of the openness of each contract is thus done separately in this second stage. If the brand is linked to a delimitation contract, it will be positioned on a first semiotic square of openness and so on for the delimitation contract and the mastery contract.

Step 3: The last step in the analysis of the brand extension potential in the semiotic approach is to consider simultaneously the openness of several contracts in which the brand is anchored. For this step, the openness semiotic squares of the different brand contracts are crossed in pairs (see Figure 2). A diagnosis can then be made about the ability of the brand to integrate new product categories in a coherent and legitimate way.

An expert in semiotics at the University of Limoges was asked to evaluate the relevance of the analysis based on a sub sample of two brands. He confirmed that the methodology corresponds to the academic standards of the semiotic discipline.

Finally, we compare the brand extension potential defined by the semiotic approach with the extensions actually developed by the brands.

Results: Classification of brands according to the semiotic analysis of their extension potential

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A typology of brands developed according to the semiotic methodology is presented. The analysis refers to the openness analysis of each brand contract (delimitation, determination and mastery), separately and simultaneously, following the three-step approach. Below, the example of Cartier is presented to better illustrate the analysis process.

Cartier and the semiotic analysis of its brand extension potential

Cartier is a brand anchored in two contracts: a determination contract, linked to high social status, and a mastery contract, related to jewellery expertise.

The high social status is represented in most advertisements of Cartier. Notably, in several visuals and multiple media, the brand is defined as "The art of being unique." In advertisements, jewel cases, representing the protection of valuable objects, are represented. The red colour refers to power, such as the panther, a symbol of majesty. The brand is the "jeweller of kings". This contract allows the integration of new features. Jewellery is not the only product to promote dominance and high social status. Other products, such as watches and writing instruments, can strengthen these values, while maintaining the brand identity. Because of its ability to integrate new product categories, this determination contract is defined as open.

The expertise of the brand is linked to jewellery. Cartier puts forward only jewellery products (necklaces, bracelets, earrings) in most of its visuals (Figure 3). These products are represented in large size and in the centre of advertising to certify their quality. Cartier is "Jeweller since 1847". The brand excels in the "art" of creating "exceptional pieces". Cartier is the "wizard of stones." This contract of jewellery mastery enhances the know-how of precise and meticulous gestures to develop collections of jewellery in the highest quality. The tradition of this know-how is

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constantly reaffirmed by the brand. Therefore, the mastery contract does not allow integrating new product categories that would not strengthen jewellery. Only new jewellery collections launched by the brand value this narrative. This mastery contract is defined as closed.

Thus, Cartier is anchored in an open determination contract (linked to the high social status) and a closed mastery contract (related to the know-how of jewellery). The latter can then severely limit Cartier's extension potential into new product categories.

Insert Table 2

Insert Figure 3

Brands and the contracts of delimitation

Three of the twelve brands studied are related to a contract of delimitation: Burberry, Dolce & Gabbana and Hermès. These delimitation contracts are defined as open. These brands are respectively attached to England, Italy and France, and these countries encourage the introduction of new product categories that enrich their cultural roots and update their values without changing them.

Brands and the contract of determination

All brands studied are related to a determination contract. All these contracts of determination value the enrichment and the integration of new product categories; that is to say, these contracts are on the left side of the semiotic square (Figure 1). Whether it is a gender, a character or a state

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such as the “art de vivre à la française”, these contracts assimilate new product categories to develop and strengthen the brand narratives - either by remaining the same (open determination contract) such as Burberry, Hermès, Louis Vuitton, Cartier, Chanel, Gucci, Hugo Boss, Dior, Audemars Piguet, Rolex and Montblanc, - or by changing (not closed determination contract) such as Dolce & Gabbana. For example, “l’art de vivre à la française” of Hermès can be represented across many product categories related, e.g., to appearance, home and dining receptions. The mixture of values proposed by Dolce & Gabbana can be reinforced by all products that are, by definition, not included in the system of brand discourse.

Brands and the contract of mastery

All brands that we analysed are anchored in a mastery contract. However, not all brand contracts have the same status regarding their openness. Some of these brand contracts are open, while others are closed.

The mastery contracts defined as open are contracts related to reusable materials, e.g., Burberry with its raincoats, Hermès with leather and silk, and Louis Vuitton with leather and its famous canvas; or contracts related to a more general expertise, e.g., Gucci, Chanel, Dior, Dolce & Gabbana, and Hugo Boss, which are linked to the world of fashion. These contracts promote innovation and enrich their values by integrating new product categories while remaining the same. Leather, canvas or silk can be used not only for leather goods but also for ready-to-wear, shoes, fashion accessories or decoration. Similarly, the fashion world can be represented by clothing but also by jewellery, shoes or handbags.

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The mastery contracts defined as closed are related to a specific and traditional expertise: Audemars Piguet and Rolex with watch making, Cartier with jewellery and Montblanc with writing instruments. These closed contracts value tradition, particularly in the brands' manufacturing processes. According to this semiotic analysis, these contracts could not be enriched by the development of new product categories. This type of contract can be reinforced by innovations in the same product category only.

Simultaneous analysis of brands and the different contracts

After analysing the brands' position in each of the three types of contracts separately, it is possible to study the contracts simultaneously to define the brand extension potential. The delimitation contract being present only for three of the twelve brands (Burberry, Dolce & Gabbana and Hermes), we focus the analysis on the intersection between the determination contract and the mastery contract. Three groups of brands can then be differentiated (Figure 4).

The first group includes the brands anchored in a determination contract defined as open (contracts that enriched their brand narratives with the introduction of new product categories) and a mastery contract defined as closed (contracts that value tradition), the latter limiting the extension potential into new product categories. We find in this group the following brands: Audemars Piguet, Rolex and Montblanc, referring to traditional expertise (watches or writing instruments) and a gender (male); and Cartier, related to a specific craftsmanship (jewellery) and a status (social status).

The second group regroups brands with a mastery contract defined as open and a determination contract defined as open (both being enriched with the integration of new product categories,

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while remaining the same). We find in this group: Burberry, Hermes and Louis Vuitton, attached to reusable materials (raincoats, leather, canvas, silk) and a general state (English values, “savoir-vivre à la française” or travel spirit). Burberry and Hermès are also linked to a delimitation contract defined as open (also promoting the integration of new product categories). Chanel, Hugo Boss and Gucci are related to more general skills (fashion) and a particular character (an exclusive archetype of women and / or men), and Dior is linked to a general know-how (fashion) and two characters (a woman and a man).

Finally, the third group includes only Dolce & Gabbana, anchored in a mastery contract defined as open (being enriched with the integration of new product categories while remaining the same) and a determination contract defined as not closed (rejecting the tradition and integrating new products while changing). This configuration facilitates the potential to develop but involves the risk of being inconsistent over time. Dolce & Gabbana is linked to a general know-how, fashion and a specific state: a mixture of opposing values.

Comparison between the semiotic analysis of extension potential and the actual brand extensions

To discuss the results of the semiotic analysis of the extension potential, a comparison with the actual extensions is performed for each brand.

Insert Table 3

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For the group of brands based on a contract determination defined as open and a mastery contract defined as closed, the actual number of extensions is relatively low. This finding is in line with the semiotic analysis. Audemars Piguet and Rolex have no brand extension in their product line. In 1998, Audemars Piguet presented its first jewellery collection. In 2004, the brand formalises its extension into this product category. For several years, the Audemars Piguet brand communicated watches as well as jewellery. The brand had a desire to develop its collections in these two product lines. However, this launch has now been stopped. Audemars Piguet no longer communicates jewellery, neither in the press nor on its website. Only some pieces are sporadically presented in some shops. Montblanc and Cartier have developed five and seven brand extensions, respectively. However, the success of Montblanc is mitigated. If a turnover increase has been observed during the period of the launch of the brand extensions (leather goods, eyewear, watches, and perfumes) and until 2002, this increase came to a halt after 2002. In fact, the turnover was 3.860 million euros in 2002 and 3.375 million euros in 2004. This declining trend is also reflected in the operating results, which declined from 712 million euros in 2001 to 296 million euros in 2004 (Source: Richemont). These results may reflect a dilution of the brand image. Montblanc has grown from a single product house, renowned for its writing instruments, to a brand with many activities. This brand dilution has an impact on the brand results: in 2012, the sale of pens made up only 60% of the total turnover, and experts believe that in the next few years the sales of watches will represent more than 50% of Montblanc's turnover.

For the brands anchored in two open contracts (determination and mastery), the number of actual extensions is high. These brands have extended in a minimum of eight product categories, in addition to their original business. Burberry has expanded into leather goods, shoes, perfumes, makeup, jewellery and watches, glasses and other accessories (e.g., scarves, belts). Gucci (whose

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core business was leather) extended in fashion, perfumes, jewellery, watches, shoes, sunglasses and other accessories and even restaurants and hotels. The success of these brands is acknowledged. With exceptional growth rates (30% in the first semester 2011 for Burberry and 18.7% for the year 2011 for Gucci), these brands prove that their development strategies have been favourably accepted by their customers. These results are therefore in line with the semiotic analysis of the brand extension potential.

Finally, for Dolce & Gabbana, the only brand of the sample to be anchored in a mastery contract defined as open and in a determination contract defined as not closed, the number of actual extensions is also high. This brand, whose core business is fashion, has expanded into eight product categories: glasses, leather goods, shoes, perfumes, jewellery, watches, accessories and restoration. Similar to the previous group, the study of actual extensions of Dolce & Gabbana is in line with the results of the semiotic analysis of the brand extension potential. However, attention should be paid to maintaining the overall coherence of the brand. In the long term, the dilution of brand values could have a negative impact.

Discussion and Conclusion

The analysis of the brand extension potential is essential. This analysis facilitates the brand management in the long-term perspective. To increase the chances of success of new product launches, managers need to know beforehand in which new territories they may extend their brands in a consistent and legitimate manner. The semiotic analysis of the brand extension potential can anticipate such possibilities. The three-step methodology developed in this article is

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based on an in-depth study of brand narratives and contracts and their openness. The twelve luxury brands that have been studied help to highlight a number of important results.

The determination contracts of the twelve brands analysed are all situated on the left side of the semiotic square, highlighting the brand contracts enrichment by incorporating new product categories. More precisely, a difference between determination contracts defined as open and determination contracts defined as not closed can be drawn. Most brands have determination contracts defined as open, considering the need for consistency while moving and stretching. Dolce & Gabbana is based on a determination contract defined as not closed that values product extensions; however, this contract does not consider the brand consistency (Kapferer, 2004).

The mastery contracts are situated on both sides of the square. Some of these contracts value enrichment (mastery contracts defined as open), and others value continuity and perpetuity (mastery contracts defined as closed). If the mastery contract is defined as open (including fashion), then the brand will expand into other product categories (accessories, glasses, jewellery) in a consistent way. In contrast, if the mastery contract is defined as closed, i.e., associated with a specific expertise (such as jewellery and watches), the brand cannot easily be expanded into new territories.

In comparison with previous research, this article does not consider consumer perceptions to study brand extensions at a time "t". It considers the discourse directly emitted by the brand and also the long-term approach of brand management.

Some authors had previously worked on the concept of potential extensions. They state that the more brands are linked to abstract values, the more they have a high extendibility (Park *et al.*, 1991). These results are essential but focus only on the level of abstraction. However, brands are more complex (Holt, 2002). Brands can be anchored in a variety of different abstract values that

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may influence the brand extension potential differently. This paper allows going beyond these limitations by introducing the concept of brand contract openness and developing a proper semiotics methodology.

Research implications

The research results lead to several managerial and methodological implications.

According to the low extension potential in the case where the brand is anchored in a mastery contract defined as closed, there are several options available to pursue the brand development in new product categories. First, the brand could develop a branding strategy by creating an independent brand, a sub-brand or an umbrella brand. Because a single name supports several products in different markets, with a particular structure such as an umbrella brand and with several communications, universes and promises, a brand can grow in very different areas. This is particularly true for Yamaha, which is not only in the motorcycle market, but also in the piano market. Second, the brand could begin a strategy of inserting a second mastery contract defined as open, allowing it to legitimately integrate brand extensions. This solution is interesting but takes time to implement and is also very expensive. Finally, the brand might try to put forward its values related to a state or a character (contract of determination defined as open) to justify the integration of a brand extension. This approach is followed by the high jewellery brand Van Cleef & Arpels. Willing to develop the market of watches, brand managers realised that they could not extend in this category of products based on their mastery contract, jewellery. Indeed, although often associated, these two activities (watches and jewels) correspond to two very specific professions that are very distinct. Van Cleef & Arpels has decided to develop a watch

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collection based on its values of poetry, fairy tales and imagination (determination contract defined as open). The brand has created watches with complications called "poetic" and has developed a fantasy and mystery world of watch making. This strategic choice has allowed Van Cleef & Arpels to legitimise its extension via its narrative, bypassing the restriction of the mastery contract, which was defined as closed. In this perspective, Baccarat developed a new ad slogan: "Beauty has its reasons." The goal is not to focus only on the crystal but to develop a whole new feminine universe to legitimise brand extensions, particularly in the jewellery sector. An analysis of this new campaign indicated that 87% of the women targeted by the campaign evaluated Baccarat as sophisticated, and 85% evaluated the brand as sensual. The jewellery line that was launched in 1993 realised 18% of Baccarat's turnover in 2000 and now contributes to the profitability of the company.

In addition to the desire to extend the brand into new product categories, another interesting and significant strategy would be to remain focused on the original know-how of the brand and its core activity. This logic of continuity does not mean that these brands should not innovate. They should constantly rethink their products, developing new lines in their area of expertise. The logic of this development is to reinvest the codes of the brand by reinforcing its image of authenticity. Audemars Piguet appears to adopt this strategy. While the brand had tried to expand into jewellery, Audemars Piguet now wants to strengthen its universe to better capture and exploit it. Expertise again becomes a key factor for success and long-term growth.

In addition to the managerial implications developed above, it appears important to note that the semiotic approach is an essential contribution to this article. The semiotic approach provides an alternative to the analysis of consumer perceptions, which is commonly used but may also have a

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number of biases and limitations. Although these approaches that analyse the attitudes of individuals regarding one or more extensions and that thus assess the extensions' potential for success or failure at time "t" are essential, they do not consider the brands' legitimacy to extend depending on what they are. Indeed, consumers can evaluate an extension positively in the short-term (e.g., because the product is attractive, beautiful, or innovative); however, this extension can have a negative long-term impact by diluting the brand values. In addition, extension tests always bear the risk of being disseminated; thus, extensions may be copied and imitated too quickly by competitors. The semiotic approach should be considered a complementary analysis by brands to anticipate their legitimacy to expand into new product categories. Another approach to be explored could be the model of "figural analysis of communications" that highlights the links between the transmitted message and the received message in order to make sense. The semiotician who performs a comprehensive analysis of the corpus of communication can integrate the different interpretations of the public, who see a selection of emitted signs.

Research limitations and further research

Several limitations of the study suggest areas for future research.

First, this analysis has focused on luxury brands. The analysis procedure has been applied to twelve luxury brands. However, the mass consumer brands are also faced to development strategies. Future research can study the extension potential of mass consumer brands by analysing their brand narratives and their openness.

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Second, the study has focused on brand extension (i.e. extensions in new product categories). To go a step further, it would be interesting to consider other types of extensions that are available for brands such as horizontal line extensions from "man to woman", that is to say, the development of products for men if the brand has grown with products for women (e.g., Lancôme and Chanel) or vice versa from "woman to man" (e.g., Nickel or Boss). Based on the methodology developed, it would be interesting to analyse the brands for which there is a real potential for expansion into new lines "man - woman."

Finally, the study has focused on jewellery, watches, fashion and accessories. But in the luxury market, there is an increasing development of services brands (i.e. luxury hotels and resorts, spas, personal assistants, concierges) and high technology brands (i.e. luxury mobilphone, computer and others accessories). Thus the proposed method could be applied to these types of brands.

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