GUIDELINES FOR QUALIFICATION OF BRAND EXTENSION-PRODUCT OR SERVICE

In order to evaluate the genuineness of an unrestricted product, or service brand extension of a product (e.g., liquor and tobacco) whose advertising is prohibited by law, The Advertising Standards Council of India (ASCI) has decided the following objective criteria to be used to qualify a correct brand extension product or service (see Chapter Ill Clause 3.6 (a) of ASCI code):

1. Brand extension product or service should be registered with appropriate Government authority e.g., GST/FDA/FSSAI/TM etc.

   A) For a brand that is present in the market for >2 years, the following criteria would apply

   I. Sales turnover of the product or service should exceed Rs. 5 crore per annum nationally, or Rs 1 crore per annum per state, where distribution has been established.

   II. A valid certificate from an independent organisation such as NielsenIQ or category - specific industry association, or an independent and reputed CA firm would be required to prove the concerned criteria.

   B) Brand extensions which have been launched in the market, but have not yet completed two years must meet any one of the following criteria:

   I. Achieve a net sales turnover of Rs. 20 lakhs per month from launch. Such sales should not be to a subsidiary or sister concern.

   II. Demonstrate fixed asset investments which are exclusive to the advertised brand extension of not less than Rs. 10 crore. Such assets could be land, machines, factory, software, etc., in case the product is being manufactured/ developed by the advertiser. No advertising related expense should be part of such investments.

   III. In case the manufacturing/procurement of such brand extensions is being outsourced, then evidence may include board resolutions and purchase orders for long term (> 1 year) contracts with service providers/manufacturing entities, stating their capacities, and contracted volumes/Rupee value, which clearly demonstrate the possibility of achieving the turnover as laid out in criteria 2B (I).

IV. Give evidence of turnover greater than 10% of the turnover of the same brand in the restricted category (including sub brands in the restricted category).

2. The scale of advertising for such an extension should be proportionate to the sales of that extension. Hence the advertising budget for such a brand extension should not exceed 200% of sales turnover in year 1&2 of launch, 100% in year 3, 50% in year 4 and 30% thereafter. For this purpose, the advertising budget would include:

    a. Media spends across all media for the prior 12 months.

    b. Payments contracted to celebrities appearing in the ad and for brand endorsement, on annualised basis

    c. Annual average of money spent on advertising production for the brand in the previous 3 years

All the above evidence should be certified by a reputed and independent CA firm.

Irrespective of the length of time the brand has been in the market, date of launch would be considered as the date of the first invoice for sale for the said brand extension.

For the purpose of this guideline, any variants launched under the said brand extension will not be treated as a fresh extension and the original date of the first brand extension would apply.

If a brand extension cannot meet the qualification criteria, for the purpose of the ASCI code it would not be considered a genuine brand extension, but rather a surrogate created to advertise a restricted category.

Chairman,

Board of Governors, ASCI

November 23rd, 2023