

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 III 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
2. **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 organization 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 haven't yet completed 2 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, that 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)

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 date of the first invoice for sale for the said brand extension.

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
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