

New products & Brand extensions

Chapter 12

Definition:

“ Brand extension is using the leverage of a well known brand name in one category to launch a new product in a different category.”

In a practical term- customers in a new category would believe the new brand extension is better than the existing products on an important dimension.

Growth strategies

	Current Products	New Products
Current Market	Market Penetration Strategy	Product Development Strategy
New Market	Market Development Strategy	Diversification Strategy

How does a firm grow?

A Company/ Brand can:

- **Focus on current products and markets**
 - **Market penetration strategy**
- **Put existing products into new markets**
 - **Market development strategy**
- **Put new products into existing markets**
 - **Product development strategy**
- **Put new products into new markets**
 - **Diversification strategy**

Why Brand Extension

- ▶ Leveraging brand equity/ value by introduction of logical & complementary new product categories
- ▶ Product Innovation to surpass consumer expectations
- ▶ It increases awareness of the brand name
- ▶ Increases profitability from offerings in more than one product category. (widening the net to catch new consumers.)
- ▶ It's a great way to reinforce a brand, reach out to new customers, create a BUZZ.

Brand Extensions

- ▶ Brand extension -when a firm uses an established brand to introduce a new product
- ▶ When a new brand is combined with an existing brand, the brand extension can also be called a sub-brand
- ▶ The existing brand is called the parent brand, and if associated with multiple product is called a family brand.

Brand Extensions

Brand extension can be classified as:

- ▶ **Line extensions** : when the parent brand is used to brand a new product that targets a new market segment within the same product category
- ▶ **Category extensions**: when the parent brand is used to enter a different product category



When are Brand Extensions Appropriate?

- ▶ When Prior Brand Equity exists
- ▶ Consumers must see some “connection” between the proposed extension and the parent brand.
- ▶ Eg: “Jeep/ Land Rover vehicles extending to Jeep/ Land Rover Brand outdoor clothing etc”.
- ▶ The proposed extension contributes to and reinforces the overall brand equity of the parent brand.





**HARLEY DAVIDSON
PARTS AND
ACCESSORIES**

[CLICK HERE](#)



www.visionharley.com



Advantages of Brand Extensions

- Some enhance the parent brand image
- Improve strength, favorability, and uniqueness of brand associations
- Reinforce the brand in the minds of the target group of consumers and aspiring consumers.
- Help increase “buy-in” , “consumer mind-share” and slowly progress to “share of wallet”.
- Improve consumer perceptions of company credibility
- Clarify core benefit proposition and business definition of the company

Advantages of Brand Extensions

- Bring new customers into the franchise and increase market coverage
- Facilitate new product acceptance (Nike clothing)
- Reduced risk perceived by customers (Sony PC, Apple iPhone)
- Increase the probability of gaining distribution by brand's reputation

Disadvantages of Extensions

- ▶ Extensions have risks, too.
 - ▶ They can fail over time.
 - ▶ (Example: The Virgin Megastores retail business didn't do well and now has been sold to zavvi.co.uk. Even Virgin Cola couldn't make a dent in the market place.)



Disadvantages of Extensions

- ▶ Extensions can potentially result in the following troubles/ costs:
 - ▶ They can cannibalize sales of the parent brand
 - ▶ (Eg; Amul Reduced Salt Butter is slowly eating into sales of Amul's normal Butter.)



Disadvantages of Extensions

- ▶ Extensions can also Hurt / Erode the image of the parent brand
 - ▶ Pierre Cardin extended too far by branding all sorts of un-related products with his name.)

Examples of extension failures

Frito Lay™ name is extended from potato chips into other types of snack foods and dips. An introduction of Frito Lay™ lemonade did not succeed because the fruity, sweet drink had little connection to other Frito Lay™ products.

- ◎ Other examples that did not work in the consumer market include
 - > Ben-Gay™ aspirin,
- ◎ However, M&M™ ice cream, Reese's™ peanut butter, and Minute Maid™ orange soda experienced success because the brands held direct and logical connections to their new categories.

EXAMPLES OF EXTENSION FAILURES

- ▶ Levi's Tailored Classics suits did not succeed.
- ▶ Maggi pickles - what's that??
- ▶ Amul Instant Pizza failed to inspire the Indian public

How far is too far?



- ▶ Example: Maggi.
- ▶ Core Product = 2 minute Noodles
- ▶ Extension 1 = Soup cubes and Sauces/ Ketchup
- ▶ Extension 2 = Soup Packets
- ▶ Extension 3 = Pickles
- ▶ * The first 2 extensions did well and were accepted by consumers. In these two they created a number of “product line extensions” and introduced new flavours and variants which were accepted.
- ▶ However, the third (Pickles) met with a poor response because Maggi was viewed as a “westernized ready-to-cook” concept and pickles were largely viewed as home made/ traditional.

How far is too far?



Pierre Cardin

- ▶ Example: Pierre Cardin.
- ▶ Core Product = Designer Apparel.
- ▶ Extension 1 = Fragrances and Cosmetics
- ▶ Further Extensions = Watches, Pens, Base ball caps, cigarettes etc etc.
- ▶ The first extensions did phenomenally well and were accepted by consumers because fragrances and cosmetics etc were a perfect brand fit and thus a natural extension.
- ▶ However, the other “wildly non-adjacent/ indiscriminate/ commoditized” extensions, met with a poor response on account of a sharp drop in quality as well as perception. There was no way the consumer would believe that these products stood for the same values as the original products and product extensions had.

Is it always too far?

Would it be possible for the luxury designer jewellery brand BVLGARI to successfully extend into Boutique Hotels too?

- ▶ Considering the core values of BVLGARI are “design”, “craftsmanship” and “aesthetics” - YES!
- ▶ However, a Hotel’s core values are predominantly built around “hospitality”.
- ▶ Thus, the BVLGARI designed hotel in Central Milan has RITZ-CARLTON as their “hospitality partner”.
- ▶ A natural fit, since the RITZ-CARLTON has impeccable credentials in “luxury” and “hospitality.”
- ▶ To summarize this thought, the extension will most likely succeed, provided the “right” synergies exist and there is a clear “target consumer group”.

BVLGARI



Thank you