Product Development and Brand Management

CHAPTER FIVE

BRAND EXTENSIONS

- **Learning Objectives**
  1. **Define the different types of brand extensions**
  2. **List the main advantages and disadvantages of brand extensions**
  3. **Summarize how consumers evaluate extensions and how extensions contribute to parent brand equity**
  4. **Outline the key assumptions and success criteria for brand extensions**

5.1.An overview of brand extension

An overview of brand extension

In 2009, 93 percent of the new food or beverage products with first-year sales that exceeded $7.5 million were brand extensions.

- Some notable food or beverage launches that year were
  - **Campbell's Select Harvest soups,**
  - **Bud Light Lime beer,**
  - **Arnold Select Sandwich Thins rolls, and**
  - **Kellogg's FiberPlus snack bars.**

- Some successful nonfood or beverage launches were
  - **Tide Total Care liquid laundry detergent,**
  - **Quilted Northern Ultra Plush toilet paper,**
  - **Gillette Venus Embrace razor, and**
  - **Bounty ExtraSoft paper towels.**

***All these new products were launched as extensions*.**

An overview of brand extension

- **A brand extension** occurs when a firm uses an **established brand name** to **introduce a new product.**
  - **A new brand is combined with an existing brand, the brand extension can also be a sub-brand.**
  - **An existing brand that gives birth to a brand extension is the parent brand.**
  - **If the parent brand is already associated with multiple products through brand extensions, then it may also be called a family brand.**

An overview of brand extension

- **Parent brand:** An existing brand that gives birth to a brand extension.









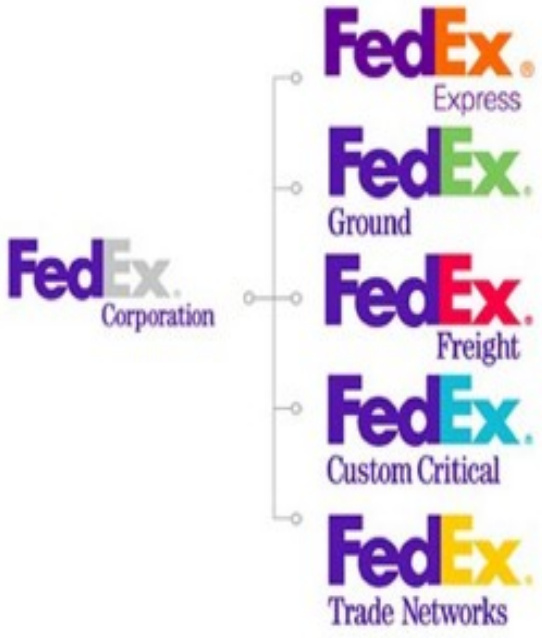




An overview of brand extension

- **Sub-brand:** New brand combined with an existing brand.





An overview of brand extension

- **Family brand:** Parent brand associated with multiple products through brand extensions.



5.2- *Types of brand extension*

Types of brand extension

- **Brand extensions fall into two general categories:**
  1. **Line extension:**
  2. **Category extension:**

Types of brand extension……contd.

- **Line extension:**
  - **Marketers apply the parent brand to a new product that targets a NEW MARKET SEGMENT within a product category the parent brand currently serves.**
  - **Using a sub-brand to target a new market segment within the same product category.**
- **A line extension often adds**
  - **a different flavor or ingredient variety,**
  - **a different form or size, or**
  - **a different application for the brand (like Head & Shoulders Dry Scalp shampoo).**

Types of brand extension……contd.

- Line extension - Adds a different variety, a different form or size, or a different application for the brand



Types of brand extension……contd.

- **Category extension:**
  - **Marketers apply the parent brand to enter a different product category from the one it currently serves (like Swiss Army watches).**
  - **Using the parent brand in a different product category**

Types of brand extension……contd.

- Category extension - Marketers apply the parent brand to enter a different product category from the one it currently serves







5.3. Advantages And Disadvantages Of Brand Extensions

5.3. 1. Advantages of Extensions

- **Facilitate New Product Acceptance**
  1. Improve brand image
  2. Reduce risk perceived by customers
  3. Increase the probability of gaining distribution and trial
  4. Increase efficiency of promotional expenditures
  5. Reduce costs of introductory and follow-up marketing programs
  6. Avoid cost of developing a new brand
  7. Allow for packaging and labeling efficiencies
  8. Permit consumer variety-seeking
- **Provide Feedback Benefits to the Parent Brand and Company**
  1. Clarify brand meaning
  2. Enhance the parent brand image
  3. Bring new customers into brand franchise and increase market coverage
  4. Revitalize the brand
  5. Permit subsequent extensions

5.3. 2. Disadvantages Of Brand Extensions

- **Brand extensions have a number of disadvantages.**
  1. **Can confuse or frustrate consumers**
  2. **Can encounter retailer resistance**
  3. **Can fail and hurt parent brand image**
  4. **Can succeed but cannibalize sales of parent brand**
  5. **Can succeed but diminish identification with any one category**
  6. **Can succeed but hurt the image of the parent brand**
  7. **Can dilute brand meaning**
  8. **Can cause the company to forgo the chance to develop a new brand**

- **Advantages of Extension**
  - **Facilitate New Product Acceptance**

Facilitate new product acceptance

- **The high failure rate of new products has been well documented.**
- **Marketing analysts estimate that**
  - **2 of 10 or 1 of 10 new products will be successful**
- **Brand extensions** can certainly suffer some of the same shortcomings as any new product.
  - **A new product introduced as a brand extension may be more likely to succeed, at least to some degree,**

Facilitate new product acceptance .....contd.

1. Improve brand image
2. Reduce risk perceived by customers
3. Increase the probability of gaining distribution and trial
4. Increase efficiency of promotional expenditures
5. Reduce costs of introductory and follow-up marketing programs
6. Avoid cost of developing a new brand
7. Allow for packaging and labeling efficiencies
8. Permit consumer variety seeking

Facilitate new product acceptance .....contd.

- **Improve Brand Image.**
  - **One of the advantages of a well-known and well-liked brand is that consumers form expectations of its performance over time.**
  - **They can form similar inferences and expectations about the likely composition and performance of a brand extension.**
  - **These inferences may improve extension's brand**
    - **Strength,**
    - **Favorability,** and
    - **Uniqueness**

Facilitate new product acceptance .....contd.

- **Reduce Risk Perceived by Customers.**
  - Study found that the most important factor for predicting initial trial of a new product was connected to a known family brand.
  - Extensions from well-known corporate brands such as General Electric, Hewlett- Packard, Motorola, or others may communicate longevity and sustainability.
  - Perceptions of CORPORATE CREDIBILITY
    1. Expertise and
    2. Trustworthiness facilitate the adoption of brand extensions.
  - Family brands stand for product quality in the minds of consumers and, by reducing perceived risk,

Facilitate new product acceptance ……..contd.

- **Increase the Probability of Gaining Distribution and Trial.**
  - **The potential for increased consumer demand for a new product introduced as an extension may convince retailers to stock and promote it.**
  - **One study indicated that brand reputation was a key screening criteria of gatekeepers making new-product decisions at supermarkets.**

Facilitate new product acceptance .....contd.

- ***Increase Efficiency of Promotional Expenditures.***
  - The introductory campaign does not have to create awareness of both the brand and the new product but instead can concentrate on only the new product itself.
  - Successful brand extensions spent less on advertising than comparable new-name entries spent.
  - The average advertising-to-sales ratio for brand extensions was 10 percent, compared with 19 percent for new brands.

Facilitate new product acceptance ……..contd.

- **Reduce Costs of Introductory and Follow-Up Marketing Programs.**
  - **Because of these push and pull considerations in distribution and promotion,**
    - ***it has been estimated that a firm can save 40–80 percent on the estimated $30–$50 million it can cost to launch a new supermarket product nationally in the United States.***
  - **Other efficiencies can result after the launch.**
    - ***For example, when a brand becomes associated with multiple products, advertising can be more cost-effective for the family brand as a whole.***

Facilitate new product acceptance .....contd.

- **Avoid Cost of Developing a New Brand**

- **To conduct the necessary consumer research and employ skilled personnel**
  - **to design high-quality brand names, logos, symbols, packages, characters, and slogans can be quite expensive, and there is no assurance of success.**

- **As the number of available—and appealing—brand names keeps shrinking, legal conflicts grow more likely.**
- **To avoid these, a global trademark search is a must for any major new brand launch or rebranding, and it can cost millions of dollars.**

Facilitate new product acceptance ……..contd.

- **Allow for Packaging and Labeling Efficiencies.**
  - **Similar or identical packages and labels for extensions can result in LOWER PRODUCTION COSTS and, if coordinated properly, more prominence in the retail store where they can create a "billboard" effect.**
- **For example,**
  - **Stouffer's offers a variety of frozen entrees with identical orange packaging that increases their visibility when they are stocked together in the freezer.**
  - **Coca-Cola soft drinks and Pepperidge Farm cookies achieve a similar effect.**

Facilitate new product acceptance .....contd.

- **Permit Consumer Variety-Seeking.**
- **If marketers offer a portfolio of brand variants within a**
  - **Product Category, consumers who need a change—because of BOREDOM or satiation—can switch without having to leave the BRAND FAMILY.**
  - **A complement of line extensions can also encourage customers to use the brand to a greater extent or in different ways.**
  - **Even to compete effectively in some categories, marketers may need to have multiple items that together form a cohesive product line.**
  - **A company that seems to offer something for everyone is L'Oréal**

- **Advantages of Extension**
  - **Provide feedback benefits to parent brand**

Provide Feedback Benefits to the Parent Brand



Advantages of Extensions

- **Provide feedback benefits to parent brand**
  1. **Clarify brand meaning**
  2. **Enhance the parent brand image**
  3. **Bring new customers into brand franchise and increase market coverage**
  4. **Revitalize the brand**
  5. **Permit subsequent extensions**

Benefits to Parent Brand……..contd.

- **Clarify Brand Meaning.**
  - ***Clarify the meaning of a brand to consumers and***
  - ***Define the kinds of markets in which it competes, an important first step in the brand architecture process.***
  - ***Brand extensions have broadened their meaning to consumers.***
- **Thus, through brand extensions,**
  - **Hunt's means "tomato,"**
  - **Clairol means "hair coloring,"**

Benefits to Parent Brand……contd.

- **For example,**
  - ***When Steelcase introduced the slogan, "A Smarter Way to Work," it reflected the fact that the company had defined its business not as manufacturing desks, chairs, file cabinets,*** *and* ***credenzas but as "helping to enhance office productivity."***

For some brands, creating broader meaning is critical and may be the only way to expand sales.

Benefits to Parent Brand……..contd.

- **Enhance the Parent Brand Image**

- **According to the CBBE model, one desirable outcome of *a successful brand extension* is that it may enhance the parent brand image by**
  1. ***Strengthening an existing brand association,***
  2. ***Improving the favorability of an existing brand association,***
  3. ***Adding a new brand association, or a combination of these.***

Example :-Nike

Benefits to Parent Brand…….. ….contd.

- **Brand extension affects the parent brand image is by helping clarify its *CORE BRAND VALUES and ASSOCIATIONS*.**
  - ***Core brand associations*, are those *attributes and benefits* that come to *CHARACTERIZE ALL THE PRODUCTS* in the *brand line* and, as a result, are those with which consumers often have the strongest associations.**
- **For example,**
  - ***Nike has expanded from RUNNING SHOES to***
    - ***other athletic shoes,***
    - ***athletic clothing, and***
    - ***athletic equipment,***
  - ***It strengthening its associations to "peak performance" and "sports" in the process.***

Benefits to Parent Brand……contd.

- **Another type of association that successful brand extensions may improve is consumer perceptions of the company's credibility.**

- ***For example,***
  - ***One research study showed that a successful corporate brand extension led to improved perceptions of the***
    - ***expertise,***
    - ***trustworthiness, and***
    - ***likability of the company.***

Benefits to Parent Brand……contd.

- **Bring New Customers into the Brand Franchise and Increase Market Coverage.**
  - ***Line extensions can benefit the parent brand by expanding market coverage, such as by offering a product benefit whose absence may have prevented consumers from trying the brand.***
- ***For example,***
  - ***when Tylenol introduced a capsule form of its acetaminophen pain reliever, it was able to attract consumers who had difficulty swallowing tablets and might have otherwise avoided the brand.***

Benefits to Parent Brand……contd.

- Through the skillful introduction of extensions,
  - Tide as a family brand has managed to maintain its market leadership and actual market share
    - roughly 40 percent in the United States from the 1950s to the present.
  - Ocean Spray has successfully introduced a wide range of extensions to offer consumers more ways to enjoy cranberries.

Benefits to Parent Brand……contd.

- **Revitalize the Brand.**
- Sometimes brand extensions can be a means to renew interest in and liking for the brand.
- A classic example
  - General Motors luxury brand Cadillac, whose sales were fading fast by the end of the 1990s.
- At that time,
  - The introduction of the sleek CTS sedan in 1999—backed by a powerful Led Zeppelin soundtrack in the launch ads—signaled that things were changing for the brand.
  - The follow-up introduction of the flashy, muscular Escalade SUV, however, completely transformed the brand's image.

- Seen as urban and edgy, the Escalade further modernized the aging brand, making it more contemporary and relevant.

Benefits to Parent Brand……contd.

- **Permit Subsequent Extensions.**
  - One benefit of a successful extension—especially a category extension—is that it may serve as the basis for subsequent extensions.
  - Consider how Billabong transcended its surfer origins to introduce products that tapped into related lifestyle activities.

5.3.2. Disadvantages Of Brand Extensions

DISADVANTAGES OF BRAND EXTENSIONS

- **Brand extensions have a number of disadvantages.**
  1. **Can confuse or frustrate consumers**
  2. **Can encounter retailer resistance**
  3. **Can fail and hurt parent brand image**
  4. **Can succeed but cannibalize sales of parent brand**
  5. **Can succeed but diminish identification with any one category**
  6. **Can succeed but hurt the image of the parent brand**
  7. **Can dilute brand meaning**
  8. **Can cause the company to forgo the chance to develop a new brand**

Disadvantages Of Extensions…….. contd.

- **Can Confuse or Frustrate Consumers**
  - Different varieties of line extensions may confuse and perhaps even frustrate consumers about which version of the product is the "right one" for them.
  - With 16 varieties of Coke and 35 versions of Crest toothpaste, consumers can easily feel overwhelmed.
- For example,
  - One study found that consumers were more likely to make a purchase after sampling a product (and being given a coupon) when there were six product flavors to sample.

Disadvantages Of Extensions…….. contd.

- **Can Encounter Retailer Resistance**
  - **The number of consumer packaged-goods stock-keeping units (SKUs) outpaces the growth of retail space in year-on-year percentage growth.**
- ***For example,***
  - ***Campbell's has introduced a number of different lines of soup , i.e. offers more than 100 FLAVORS IN ALL.***
    - ***including Condensed, Home Cookin', Chunky, Healthy Request, Select, Simply Home, Ready-to-Serve Classic, and portable Soup at Hand***

Disadvantages Of Extensions…….. contd.

- **As a result, it has become virtually impossible for a grocery store or supermarket to offer all the different varieties available across all the different brands in any one product category.**
- **Moreover, retailers often feel that many line extensions are merely "me-too" products that duplicate existing brands in a product category and should not be stocked even if there is space.**
  - ***Walmart, the biggest retailer in the United States, attempts to stock the items that sell best, dropping as many as 20 percent of slow-moving items from its shelves annually.***

Disadvantages Of Extensions…….. contd.

- **Can Fail and Hurt Parent Brand IMAGE**
- **The worst possible scenario for an extension is not only to fail, but to harm the parent brand image in the process.**
  - **Consider General Motors' experience with the Cadillac Cimarron. This model, introduced in the early 1980s, was a "relative" of models in other GM lines, such as the Pontiac 2000 and Chevrolet Cavalier.**
  - **The target market was less-affluent buyers who were seeking a small luxury car but could not really afford a full-size Cadillac.**
  - **Not only was the Cadillac Cimarron unsuccessful at generating new sales with this market segment, but existing Cadillac owners hated it.**

Disadvantages Of Extensions…….. contd.

- They felt it was inconsistent with the large size and prestige image they expected from Cadillac. As a result, Cadillac sales dropped significantly in the mid-1980s.

- Even if an extension initially succeeds, by linking the brand to multiple products, the firm increases the risk that an unexpected problem or even a tragedy with one product in the brand family can tarnish the image of some or all the remaining products. The Audi is a classic example.

- Thus, the silver lining when a brand extension fails to achieve sufficient brand awareness or distribution is that the parent brand is more likely to survive unscathed. But as we'll argue below, product failures in which the extension is found to be inadequate on the basis of performance are more likely to hurt perceptions of the parent brand than these "market" failures.

Disadvantages Of Extensions…….. contd.

- **Can Succeed but Hurt the Image of the Parent Brand**
  - ***If customers see the brand extension's attribute or benefit associations as INCONSISTENT or even CONFLICTING with the corresponding associations for the parent brand, they may change their perceptions of the parent brand as a result.***
- **In a classic example,**
  - **Miller Brewing has had much difficulty creating a "hearty" association to its flagship MILLER HIGH LIFE BEER brand, in part because of**
    - **its clear bottle and**
    - **its advertising heritage as the "champagne of bottled beer."**
  - **It has often been argued that MILLER LITE'S early success—its extension-market share climbed from in 1978 (9.5%) to 1986 (19%) —only exacerbated customers' tendency to think of MILLER HIGH LIFE as "watery" and not a full-bodied beer.**
  - **These unfavorable perceptions may have contributed to the decline of MILLER HIGH LIFE, whose market share slid from 21% to 12% during that same eight-year period**

Disadvantages of Extensions ..... contd.

- **Can Succeed but Cannibalize SALES of Parent Brand**
  - **Even if sales of a brand extension are high and meet targets, success may result merely from consumers switching from existing offerings of the parent brand—in effect cannibalizing it.**
  - **Sometimes, however, such intrabrand shifts in sales are not undesirable; we can think of them as a form of "preemptive cannibalization."**
  - **In other words, without the introduction of the line extension, consumers might have switched to a competing brand instead.**

Disadvantages of Extensions ..... contd.

- For example,
  - Diet Coke's point-of-parity of "good taste" and point-of-difference of "low calories" undoubtedly took some sales from regular Coke drinkers.
  - In fact, although U.S. sales of Coca-Cola's cola products have held steady since 1980, sales in 1980 came from Coke alone, whereas sales today include significant contributions from Diet Coke, Coke Zero, Cherry Coke, and un caffeinated and flavored forms of Coke.
  - Without the introduction of those extensions, however, some of Coke's sales might have gone to competing Pepsi products or other soft drinks or beverages instead.

Disadvantages Of Extensions…….. contd.

- **Can Succeed but Diminish Identification with any One Category**
  - **One risk of linking multiple products to a single brand is that the brand *may not be strongly identified with any one product.***
  - **Thus, brand extensions may unclear the brand's identification with its original categories, reducing brand awareness.**
  - **For example, when Cadbury became linked in the United Kingdom to mainstream food products such as Smash instant potatoes, its marketers may have run the risk of weakening its association to fine chocolates.**

Disadvantages Of Extensions…….. contd.

- **FOR EXAMPLE,**
  - **Yamaha developed a strong reputation selling an extremely diverse brand line that includes motorcycles, guitars, and pianos.**
  - **Mitsubishi uses its name to brand a bank, cars, and aircraft.**
  - **Canon has successfully marketed cameras, photocopiers, and office equipment.**
- **In all these cases, it seems the brand has been able to secure a dominant association to quality in the minds of consumers without strong product identification that might otherwise limit it.**

Disadvantages Of Extensions…….. contd.

- **Can Dilute Brand Meaning**
  - **The potential drawbacks of a brand extension's lack of identification with any one category and a weakened image may be especially evident with high-quality or prestige brands.**

- **Consider how Gucci ran into the hazards of OVEREXPANSION.**
  - ***To protect their brands from dilution, many up-and-coming fashion companies and designers seeking to establish their brand through a family of brand extensions are now forging exclusive licensing partnerships with a single retailer.***
  - ***Target started with exclusive deals with architect and designer Michael Graves and continued with later deals with Todd Oldham, Mossimo, Isaac Mizrahi, and as of the 2011 holiday season, singer Gwen Stefani.***
  - ***These exclusive licenses enable the licensor to better control the inventory, avoid discounts, and, most importantly, protect the brand.***

Disadvantages Of Extensions…….. contd.

- **Company Forgo the Chance to Develop a New Brand**

- **Introducing a new product as a brand extension, the company forgoes the chance to create a *new* brand, with its own unique image and equity.**
- **For example, consider the benefits**
- **Disney**
  - **enjoyed from introducing Touchstone Pictures films, which attracted an audience interested in more adult themes and situations than its traditional family-oriented releases,**
- **Levi's**
  - **earned from Dockers pants, which attracted a segment looking for casual pants.**
- **Amazon's**
  - **runaway success with Kindle suggests another example.**

Understanding How Consumers Evaluate Brand Extensions

How Consumers Evaluate Brand Extensions

- What determines whether a brand extension is able to capitalize on potential advantages and avoid, or at least minimize, potential disadvantages?
- Note how even leading marketing companies have sometimes failed despite their best intentions when launching a brand extension.
- This section examines
  - how consumers evaluate brand extensions and
  - to help marketing managers better forecast and improve the odds for success of a brand extension.

How Consumers Evaluate Brand Extensions

- **Managerial Assumptions**

- **To analyze potential consumer response to a brand extension, let's start with a baseline case in which consumers are evaluating the brand extension based only on**
  - **what they *already know about the parent brand* and the extension category, and before any advertising, promotion, or detailed product information is available.**
  - **This gives managers guidance about whether to proceed with an extension concept and, if so, what type of marketing program they might need.**

How Consumers Evaluate Brand Extensions

- **Under these baseline conditions,**
  - **we can expect consumers to use their existing brand knowledge, as well as what they know about the extension category,**

to try to infer what the extension product might be like.

How Consumers Evaluate Brand Extensions

- **For these inferences to result in favorable evaluations of an extension, four basic conditions must generally hold true:**
  1. ***Consumers have some awareness of and positive associations about the brand in memory***
  2. ***At least some of these positive associations are aroused/evoked by the brand extension***
  3. ***Negative associations are not transferred from the parent brand***
  4. ***Negative associations are not created by the brand extension***

If any assumption does not hold true, problems can follow.

How Consumers Evaluate Brand Extensions

1. ***Consumers have some awareness of and positive associations about the parent brand in memory.***
   - **Unless they have positive associations about the parent brand, consumers are unlikely to form favorable expectations of an extension.**
2. ***At least some of these positive associations will be aroused /evoked by the brand extension.***
   - **A number of different factors will determine which parent brand associations are evoked, but in general, consumers are likely to infer associations similar in strength, favorability, and uniqueness to the parent brand when they see the brand extension as similar or close in fit to the parent.**

How Consumers Evaluate Brand Extensions

1. Negative associations are not transferred from the parent brand.
   - Ideally, any negative associations that do exist for the parent brand will be left behind and not play a prominent role in consumers' evaluation of the extension.
2. Negative associations are not created by the brand extension.
   - Finally, any parent-brand attributes or benefits that consumers view positively—or at least neutrally—must not be seen as negative for the extension.
   - Consumers must also not infer any new attribute or benefit associations that did not characterize the parent brand but which they see as a potential drawback to the extension.

5.4.Evaluating Brand Extension Opportunities

Evaluating Brand Extension Opportunities

- **Academic research and industry experience have revealed a number of principles governing successful brand extensions.**

- **Marketers must consider their strategies carefully by systematically following the steps listed Using**

  1. Managerial judgment and

  2. Marketing research to help make *each* of these decisions.

Evaluating Brand Extension.....CONTD.

- **Steps in Successfully Introducing Brand Extensions**

1. **Define actual and desired consumer knowledge about the brand (e.g,create mental map and identify key sources of equity).**
2. **Identify possible extension candidates on basis of parent brand associations and overall similarity or fit of extension to the parent brand.**
3. **Evaluate the potential of the extension candidate to create equity according to the three-factor model:**
   - **Salience of parent brand associations**
   - **Favorability of inferred extension associations**
   - **Uniqueness of inferred extension associations**
4. **Evaluate extension candidate feedback effects according to the four-factor model:**
   - **How compelling the extension evidence is?**
   - **How relevant the extension evidence is?**
   - **How consistent the extension evidence is?**
   - **How strong the extension evidence is?**
5. **Consider possible competitive advantages as perceived by consumers and possible reactions initiated by competitors.**
6. **Design marketing campaign to maximize the likelihood of success and potential positive feedback effects.**
7. **Evaluate extension success and effects on parent brand equity**

Evaluating Brand Extension……CONTD.

- ***Steps of Evaluating Brand Extension opportunity***
  1. **Define actual and desired consumer knowledge about the brand**
  2. **Identify possible extension candidates**
  3. **Evaluate the potential of the extension candidate**
  4. **Design marketing programs to launch extension**
  5. **Evaluate extension success and effects on parent brand equity**

Step-1-

Define actual and desired consumer knowledge about the brand

Evaluating Brand Extension…….. CONTD.

- **Step-1-**
  - **Define Actual & Desired Consumer Knowledge about the Brand**
- **It's critical for marketers to fully understand**
  - **The depth and breadth of awareness of the parent brand,**
  - **The strength, favorability, and uniqueness of its associations.**
  - **What is to be the basis of positioning and core benefits satisfied by the brand.**
- **It helps**
  - **To identify possible brand extensions**
  - **To guide decisions that contribute to their success.**

Evaluating Brand Extension…… CONTD.

- A company must understand
  - where it would like to take the brand in the long run.
- Because the introduction of an extension
  - can change brand meaning,
  - it can affect consumer response to all subsequent marketing activity as well.

Step-2-

Identify Possible Extension Candidates

Evaluating Brand Extension…….. CONTD.

- **Step-2-**
  - **Identify Possible Extension Candidates**
  - **Consumer, firm, and competitor criteria for choosing which products and markets a firm should enter.**
- **With respect to consumer factors,**
  - **Marketers should consider parent brand associations—especially as they relate to brand positioning and core benefits—and product categories that might seem to fit with that brand image in the minds of consumers.**
- ***ASK consumers what products the brand should consider offering if it were to introduce a new product.***
- **BRAINSTORMING is another way to generate category extension candidates, along with CONSUMER RESEARCH.**

Evaluating Brand Extension…….. CONTD.

- **One or more associations can often serve as the basis of fit. Beecham marketed *Lucozade* in Britain for years as a glucose drink to combat dehydration and other maladies of sick children.**
- **By introducing new flavor formulas, packaging formats, and so forth, Beecham was able to capitalize on the association of the brand as a "fluid replenisher" to transform its meaning to "a healthy sports drink for people of all ages."**
  - **Reinforced by ads featuring the famous British Olympic decathlete Daley Thompson, sales and profits for the brand increased dramatically.**
- **Thus, by recognizing that Lucozade did not have to be just a pharmaceutical product but could be repositioned through brand extensions and other marketing activity as a healthy and nutritious drink, Beecham was able to credibly transform the brand.**

Step-3-

- **Evaluate the Potential of the Extension Candidate**

Evaluating Brand Extension…… CONTD.

- **Step-3-**
  - **Evaluate the Potential of the Extension Candidate**
  - **In forecasting the success of a proposed brand extension, marketers should assess—through judgment and research-----the likelihood of**
    - **the extension will realize the advantages and**
    - **the extension avoid the disadvantages.**

- **As with any new product, Analysis of the**
  - **3CS-consumer,corporate & competitive factors and**
  - **Category factors can be useful.**

Evaluating Brand Extension…… CONTD.

- **Consumer Factors.**
  - **First, marketers must forecast the strength, favorability, and uniqueness of *all* associations to the brand extension.**
    - ***Salience*** **of parent brand associations in the minds of consumers in the extension context**
    - ***Favorability*** **of any inferred associations in the extension context**
    - ***Uniqueness*** **of any inferred associations in the extension context**

- ***What will be the strength, salience, favorability, or uniqueness of parent brand associations in the proposed extension context?***

Evaluating Brand Extension…….. CONTD.

- **To narrow down the list of possible extensions, we often need consumer research**
- **We can ask consumers directly for**
  - **How well does the proposed extension fit with the parent brand?**
  - **Would you expect such a new product from the parent brand?**
  - **What comes into your mind when you think of the brand extension?**
  - **What are your first impressions on hearing that the parent brand is introducing the extension?**
- ***As well as ratings scales based on reactions to concept statements.***

Evaluating Brand Extension…… CONTD.

- **Corporate Factors.**
  - ***How effectively are the corporate assets leveraged in the extension setting?***
  - ***How relevant are existing marketing programs, perceived benefits, and target customers to the extension?***

Evaluating Brand Extension…….. CONTD.

- **Competitive Factors.**
  - ***What are the competitive advantages to the extension as consumers perceive them, and possible reactions initiated by competitors as a result?***
- **Brand counter extensions**
  - ***Whereby a competing brand in the extension category chooses to launch its own extension into the parent brand's category—can pose a significant threat.***
- **For example**
  - ***Arm & Hammer's brand extension met resistance in categories such as deodorants when existing competitors fought back.***
  - ***Dixie paper plates*** *was followed by* ***Chinet paper cups.***

Evaluating Brand Extension…… CONTD.

- ***Competitive Factors.***
  - ***Hershey's strawberry syrup was followed by Smucker's chocolate syrup;***



Evaluating Brand Extension…….. CONTD.

- **Category Factors.**
  - **Marketers must determine the optimal product line strategy for their brand.**
  - **This in turn means examining the percentage of sales and profits contributed by**
    - **Each item in the product line and**
    - **Its ability to withstand competition and address consumer needs.**
  - **A product line is too short if the manager can increase long-term profits by adding items;**
  - **the line is too long if the manager can increase profits by dropping items.**
  - **Increasing the length of the product line by adding new variants or items typically expands market coverage and therefore market share, but it also increases costs.**

Evaluating Brand Extension…….. CONTD.

- **Despite the pitfalls of line extensions and the many considerations necessary to properly manage extensions, the allure of line extensions for companies remains strong, primarily due to the cost and risk incurred in launching an entirely new brand.**

- **One report showed that line extensions take**
  - ***Half as long to develop*,**
  - ***Cost far less to market*, and**
  - ***Enjoy twice the success rate* of major new brand launches.54**

Step-4-

- **Design Marketing Programs to Launch Extension**

Evaluating Brand Extension…… CONTD.

- **Step-4-**
  - **Design Marketing Programs to Launch Extension**

- **Companies use extensions as**
  - ***a shortcut means of introducing a new product and***
  - ***pay insufficient attention to developing a branding and marketing strategy***
- **That will maximize the equity of the brand extension as well as enhance the equity of the parent brand.**

Evaluating Brand Extension…… CONTD.

- ***As is the case with a new brand, building brand equity for a brand extension requires***

  1.Choosing Brand Elements

  2.Designing Optimal Marketing Program to launch the extension,

  3.Leveraging Secondary Brand Associations

Evaluating Brand Extension…….. CONTD.

- **Choosing Brand Elements.**
  - **Brand extensions retain one or more elements from an existing brand.**
  - **They do not have to leverage only the brand name but can use other brand elements too.**
  - **Sometimes packaging is such a critical component of brand equity that it is hard to imagine an extension without it.**
- **Brand managers are in a real dilemma in such cases, because**
  - ***If they choose the same type of packaging, they run the risk that the extension will not be well distinguished.***
  - ***If they use different packaging, they may leave a key source of brand equity behind.***

Evaluating Brand Extension…… CONTD.

- A brand extension can retain or modify one or more brand elements from the parent brand as well as adopt its own brand elements.

- In creating new brand elements for an extension, marketers should follow the same guidelines of
  - Memorability,
  - Meaningfulness,
  - Likeability,
  - Protectability,
  - Adaptability, and
  - Transferability

Evaluating Brand Extension…… CONTD.

- **Designing Optimal Marketing Program.**
  - **4PS Decisions**
    - **Consumer perceptions of value must guide pricing decisions,**
    - **Distribution strategies must blend push and pull considerations, and**
    - **The firm must integrate marketing communications by mixing and matching communication options.**

Evaluating Brand Extension…… CONTD.

- **Positioning Decisions**
  - **The less similar the extension is to the parent brand, the more important it typically is to establish necessary and competitive points-of-parity.**
  - **The points-of-difference for a category extension in many cases directly follow from the points-of-difference for the parent brand, and consumers readily perceive them.**

- ***Thus, when Nivea extended into shampoos and conditioners, deodorants, and cosmetics and other beauty products, its key "gentleness" point-of-difference transferred relatively easily.***
- ***With line extensions, on the other hand, marketers have to create a new association that can serve as an additional point-of-difference and help distinguish the extension from the parent brand too.***

Evaluating Brand Extension…… CONTD.

- **Leveraging Secondary Brand Associations.**
  - **Brand extensions will often leverage the same secondary associations as the parent brand, although competing in the extension category may require some additional protection like linking to other entities.**
  - **A brand extension differs in that, by definition, there is always some leveraging of another brand or company.**
  - **The extent to which these other associations become linked to the extension, however, depends on the branding strategy the firm adopts and how it brands the extension.**
  - **As we've seen, the more common the brand elements and the more prominence they receive, the more likely it is that parent brand associations will transfer.**

Step-5-

- **Evaluate Extension Success and Effects on Parent Brand Equity**

Evaluating Brand Extension…….. CONTD.

- **Step-5-**
  - **Evaluate Extension Success and Effects On Parent Brand Equity**

- **The final step is to assess the extent to which an extension is able**
  - **to achieve its own equity**
  - **to contribute to the equity of the parent brand.**

- **To help measure its success, we can use brand tracking based on the**
  - **Customer-Based Brand Equity Model**
  - **Other key measures of consumer response, centered on both the extension and the parent brand as a whole.**
  - **Scoring Brand Extensions: Checklist and describes a more detailed scorecard to help in evaluating brand extension opportunities.**

Evaluating Brand Extension Opportunities

- **Successful Extensions**
  1. Must create points-of-parity and points-of-difference in extension category
  2. Must recognize competitive reactions
  3. Must enhance points-of-parity and points-of-difference of parent brand
  4. Must maximize the advantages and minimize the disadvantages of brand extensions

Evaluating Brand Extension Opportunities

Customer-Based Brand Equity Model

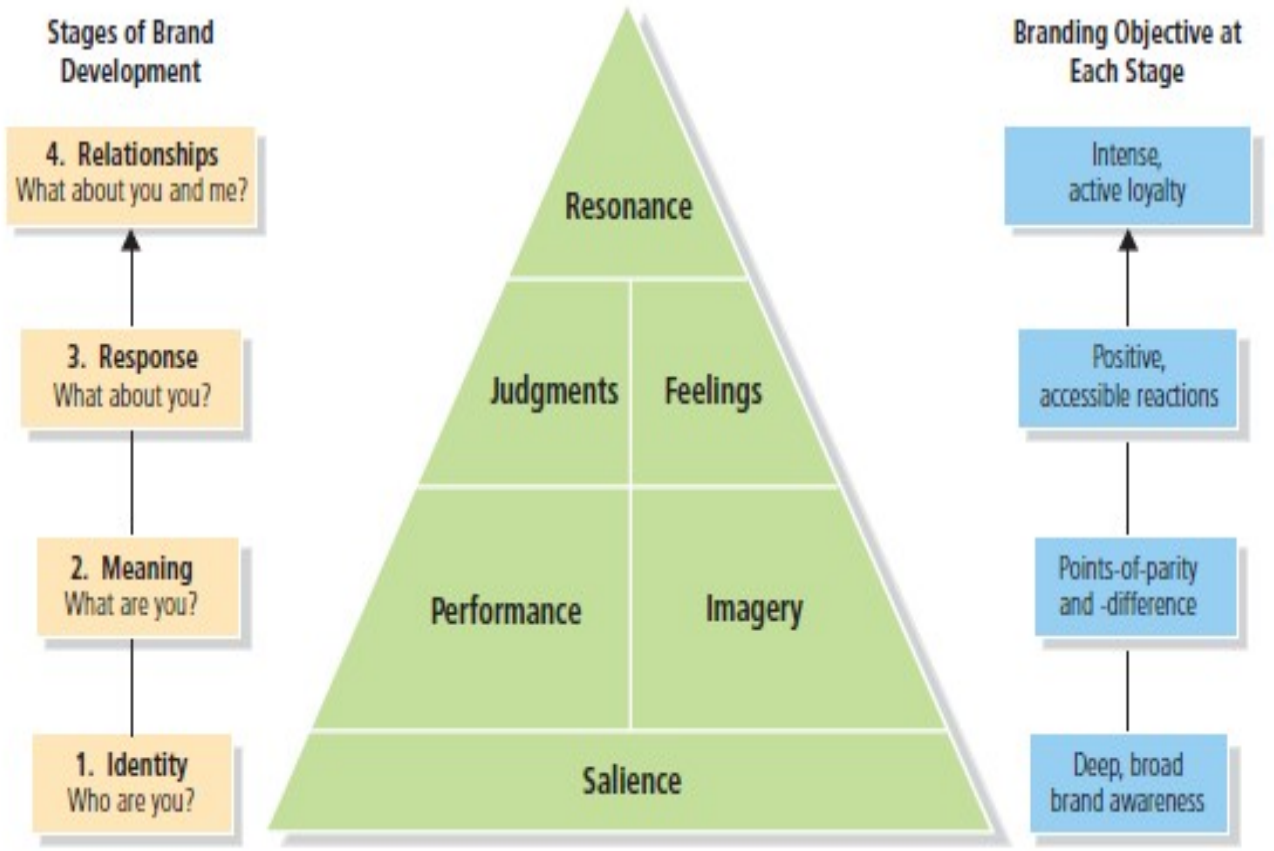


FIGURE 3-1
Brand Resonance Pyramid

Evaluating Brand Extension Opportunities

Customer-Based Brand Equity Model

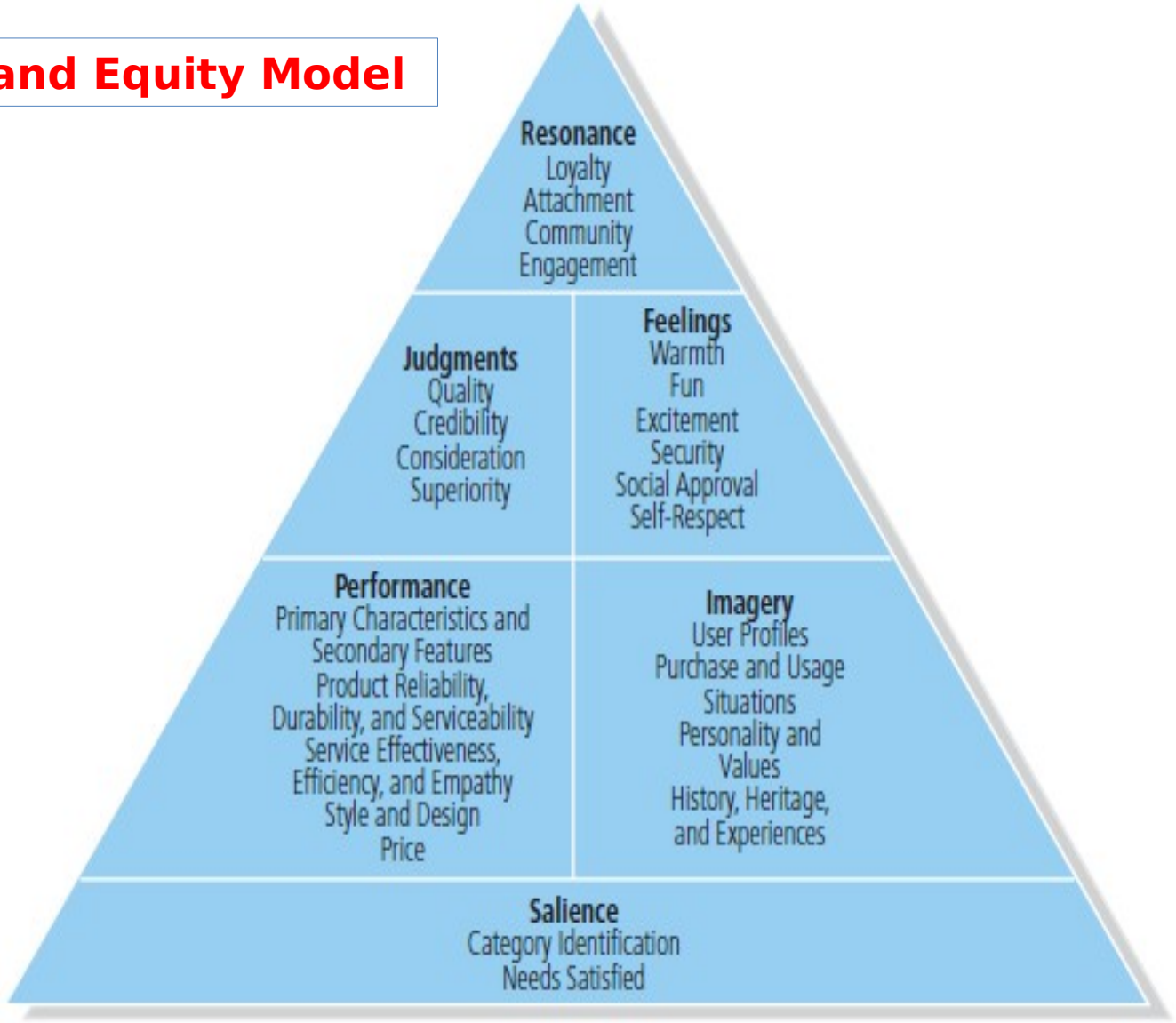


FIGURE 3-2
Subdimensions of Brand Building Blocks

Evaluating Brand Extension Opportunities

- **Scoring Brand Extensions**
  - **When identifying and evaluating brand extensions, it is helpful to have a summary tool to judge their viability.**

- **The following checklist can provide some guidance:**
  1. ***Does the parent brand have strong equity?***
  2. ***Is there a strong basis of extension fit?***
  3. ***Will the extension have necessary points-of-parity and points-of-difference?***
  4. ***How can marketing programs enhance extension equity?***
  5. ***What implications will the extension have on parent brand equity and profitability?***
  6. ***How should feedback effects best be managed?***

Evaluating Brand Extension Opportunities

- **Brand Extendibility Scorecard**
  - **Allocate points according to how well the new product concept rates on the specific dimensions in the following areas:**
- **Consumer Perspectives: Desirability**
  - 10 pts. _____ Product category appeal (size, growth potential)
  - 10 pts. _____ Equity transfer (perceived brand fit)
  - 5 pts. _____ Perceived consumer target fit
- **Company Perspectives: Deliverability**
  - 10 pts. _____ Asset leverage (product technology, organizational skills, marketing effectiveness via channels and communications)
  - 10 pts. _____ Profit potential
  - 5 pts. _____ Launch feasibility
- **Competitive Perspectives: Differentiability**
  - 10 pts. _____ Comparative appeal (many advantages, few disadvantages)
  - 10 pts. _____ Competitive response (likelihood, immunity or invulnerability from)
  - 5 pts. _____ Legal/regulatory/institutional barriers
- **Brand Perspectives: Equity Feedback**
  - 10 pts. _____ Strengthens parent brand equity
  - 10 pts. _____ Facilitates additional brand extension opportunities
  - 5 pts. _____ Improves asset base
- TOTAL _____ pts

End

of

CH5