

Strategic Brand Management

Prepared by Dr. Perihan Salah

MKT733

INTRODUCING AND NAMING NEW PRODUCTS
AND BRAND EXTENSIONS

Lecture 9





مجموعة جامعة
الجميع الذكية
للتعليم القابضة



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INTRODUCING AND NAMING NEW
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Chapter

09

LEARNING OBJECTIVES

- Define the different types of brand extensions
- List the main advantages and disadvantages of brand extensions
- Summarize how consumers evaluate extensions and how extensions contribute to parent brand equity
- Outline the key assumptions and success criteria for brand extensions

- **Brand extension:** When a firm uses an established brand name to introduce a new product
 - ▣ Line extension - Adds a different variety, a different form or size, or a different application for the brand
 - ▣ Category extension - Marketers apply the parent brand to enter a different product category from the one it currently serves

Google Workspace



Broad Classification

- **Line Extension:**
Extension of the **parent brand** to a new market segment within the **existing product category**

Example:



Head & Shoulders Dry Scalp Shampoo

Broad Classification

- **Brand Extension** - Extension of the Parent Brand to a new product category

Examples:



Porsche Bicycles

Types of Brand Extensions

- **Line Extensions:**
The parent brand is used to brand a new product that targets a new segment within a product category currently served by the parent brand.

Examples:



Colgate in different ingredients



Sunsilk in different colors of shampoo

Types of Brand Extensions

1. Similar product in a different form from the parent product

Example: Dettol

The original Dettol liquid to Liquid Soap to a Regular soap all based on the same promise of killing germs.



BRANDED HOUSE OR HOUSE OF BRANDS

BRANDED HOUSE

FedEx
Corporation

FedEx
Express

FedEx
Freight

FedEx
Ground

SUB-BRANDS



iPad Pro

iPhone

Apple WATCH

Apple MUSIC

Apple Pay

ENDORSED BRAND

Kellogg's

Special
K

Kellogg's
**mini
MAX**
ORIGINAL

Kellogg's
**CRUNCHY
NUT**

HOUSE OF BRANDS

P&G

Gillette

Pampers

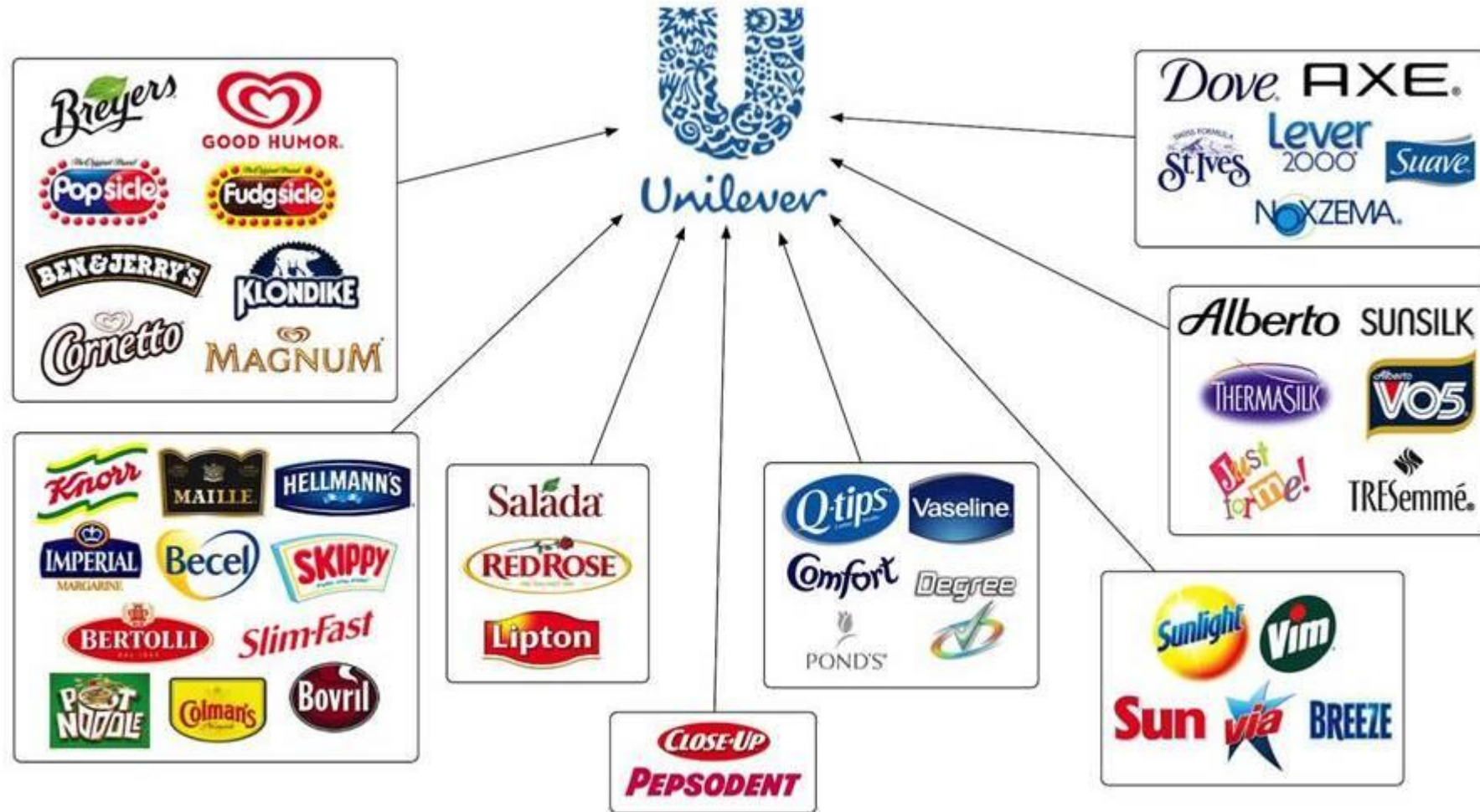


FAIRY



ARIEL

New Products and Brand Extensions







Virgin



Virgin HOTELS



virgin atlantic



SPORT



amazon

prime

amazon.com

aws



prime video



LINE EXTENSION

BRAND EXTENSION



BRANDED HOUSE



FedEx Corporation

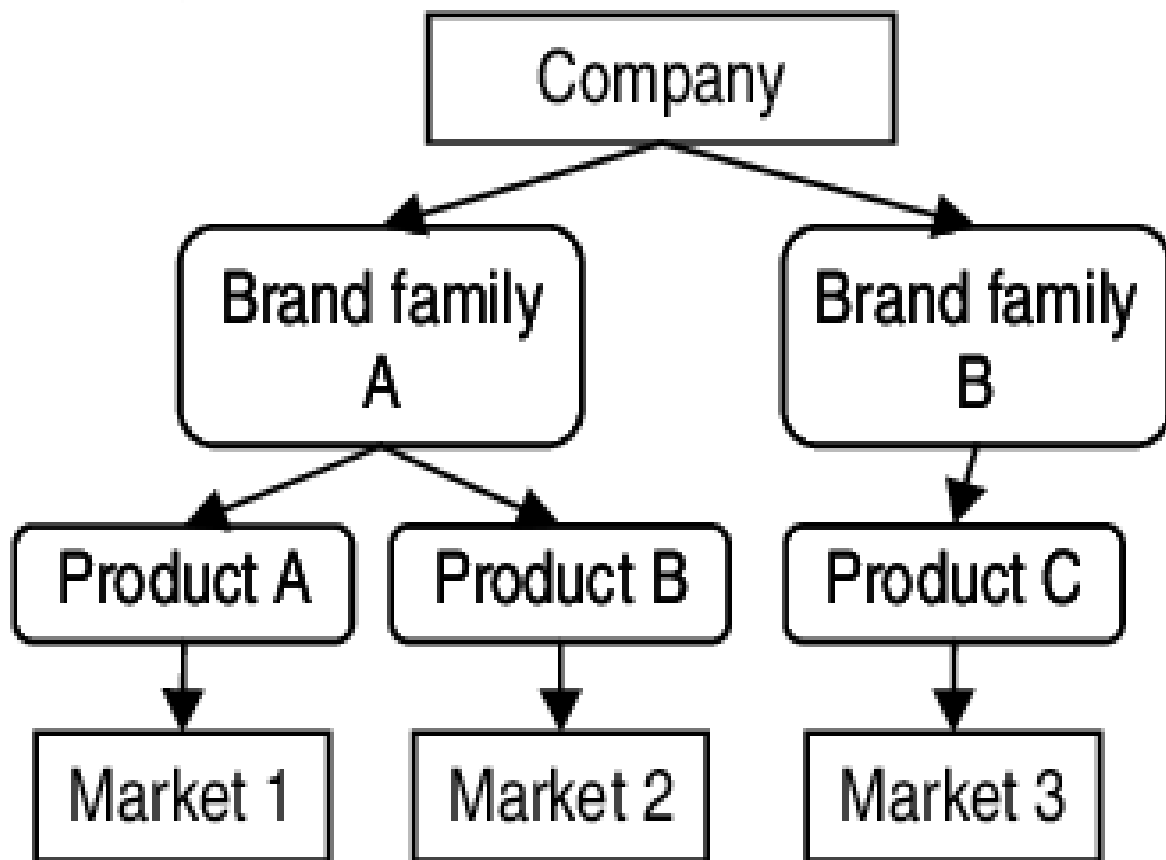


□ New products and brand extensions

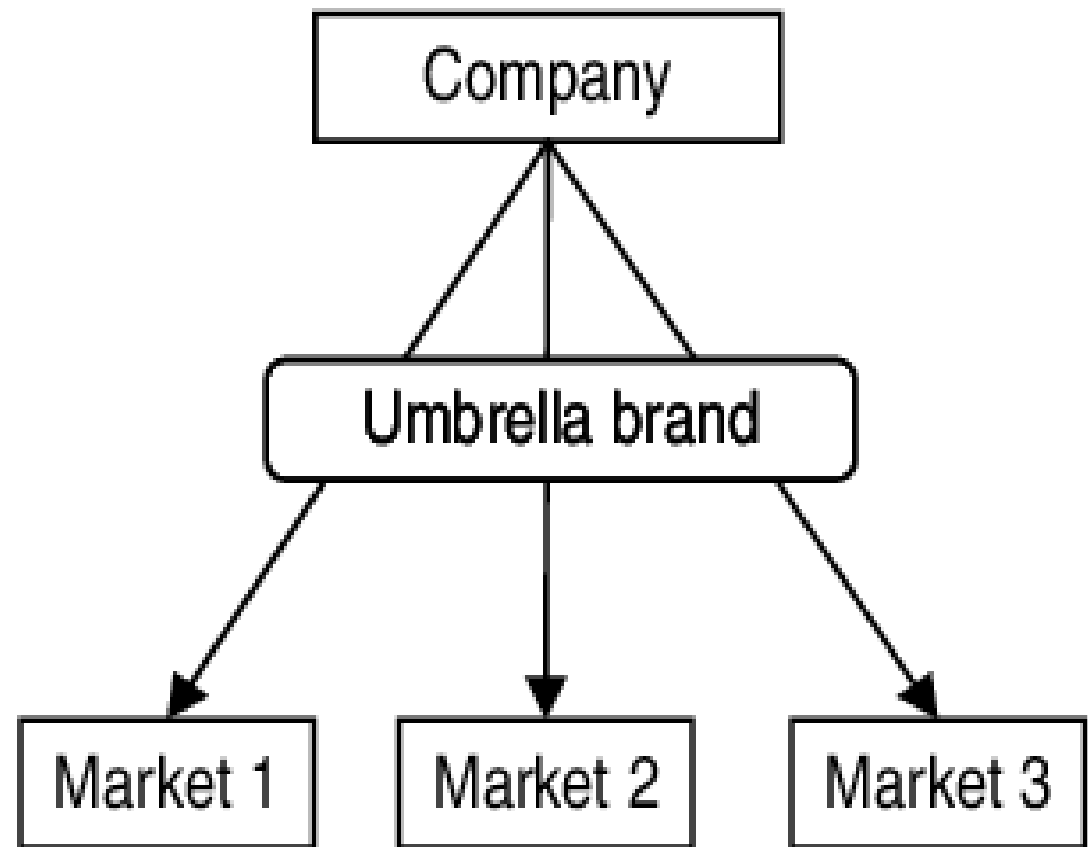
- **Sub-brand:** New brand combined with an existing brand.
- **Parent brand:** An existing brand that gives birth to a brand extension.
- **Family brand:** Parent brand associated with multiple products through brand extensions.



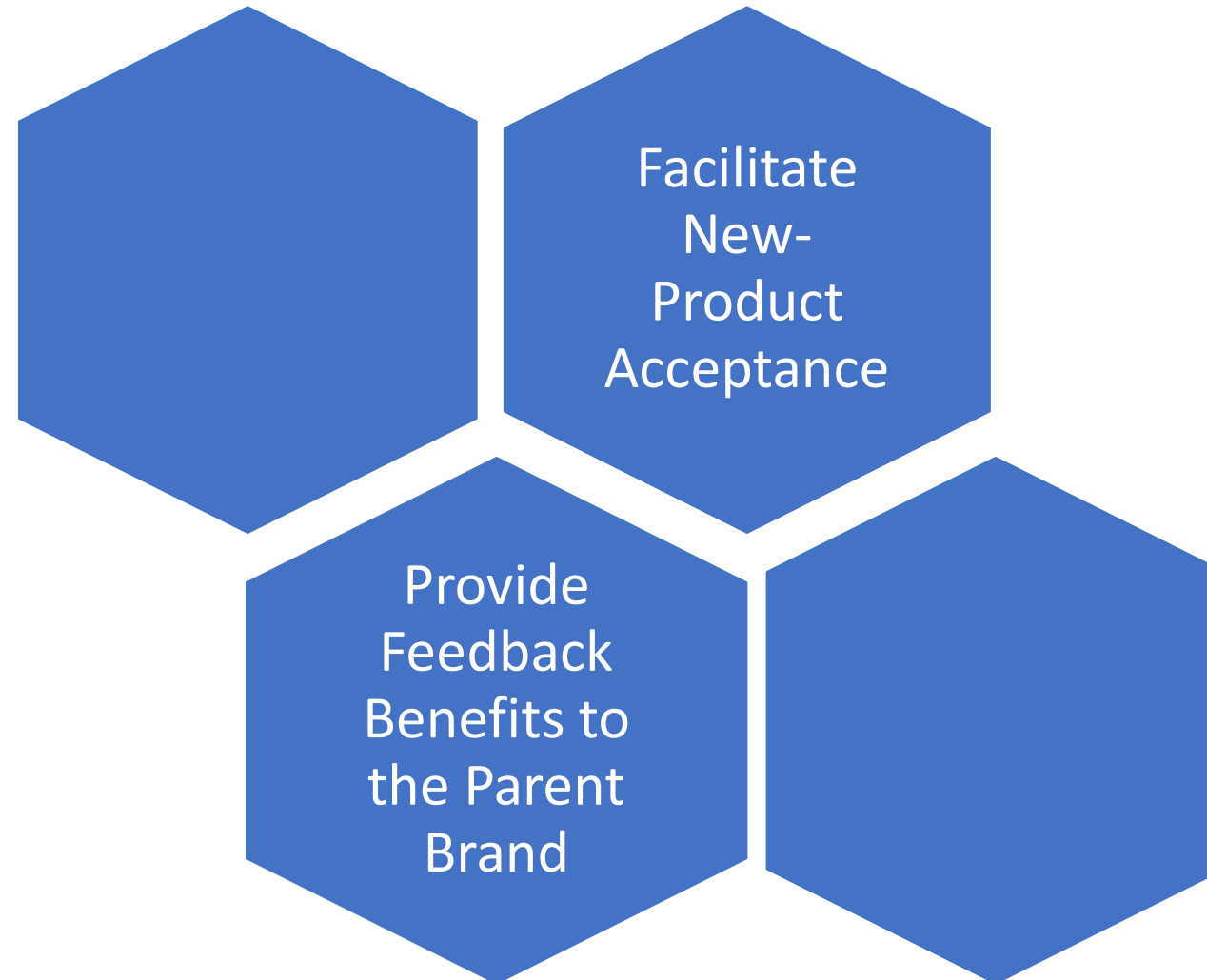
Brand family strategy



Umbrella brand strategy



Advantages of Extensions



Facilitate New-Product Acceptance

Improve Brand
Image

Reduce Risk
Perceived by
Customers

Increase the
Probability of
Gaining Distribution
and Trial

Increase Efficiency
of Promotional
Expenditures

Reduce Costs of
Introductory and
Follow-Up
Marketing Programs

Avoid Cost of
Developing a New
Brand

Allow for Packaging
and Labeling
Efficiencies

Permit Consumer
Variety-Seeking

Provide Feedback Benefits to the Parent Brand

Clarify Brand Meaning

Enhance the Parent
Brand Image

Bring New Customers
into the Brand
Franchise and Increase
Market Coverage

Revitalize the Brand

Permit Subsequent
Extensions

Disadvantages of Brand Extensions

Can Confuse or Frustrate Consumers

Can Encounter Retailer Resistance

Can Fail and Hurt Parent Brand Image

Can Succeed but Cannibalize Sales of Parent Brand

Disadvantages of Brand Extensions

Can Succeed but Diminish Identification with Any One Category

Can Succeed but Hurt the Image of the Parent Brand

Can Dilute Brand Meaning

Can Cause the Company to Forgo the Chance to Develop a New Brand

Advantages of Extensions

Brand Extension	
Advantages	Disadvantages
• Easy To Introduce New Products In The Market • It Reduces Advertising And Promotional Costs • Improves The Image Of The Firm • Helpful In Market Expansion • Increases profitability	• Negative Response Of New Product May Damage The Image Of Core Product • It Discourages Innovation And Research • There Is A Chance Of Cannibalization • Not Suitable For All Products benefits-drawbacks.blogspot.com

- Managerial assumptions
- Brand extensions and brand equity
- Vertical brand extensions

- Consumers have some awareness of and positive associations about the parent brand in memory
- At least some of these positive associations will be evoked by the brand extension
- Negative associations are not transferred from the parent brand
- Negative associations are not created by the brand extension

□ Brand extensions and brand equity

- An extension's ultimate success will depend on its ability to both achieve some of its own brand equity in the new category and contribute to the equity of the parent brand.

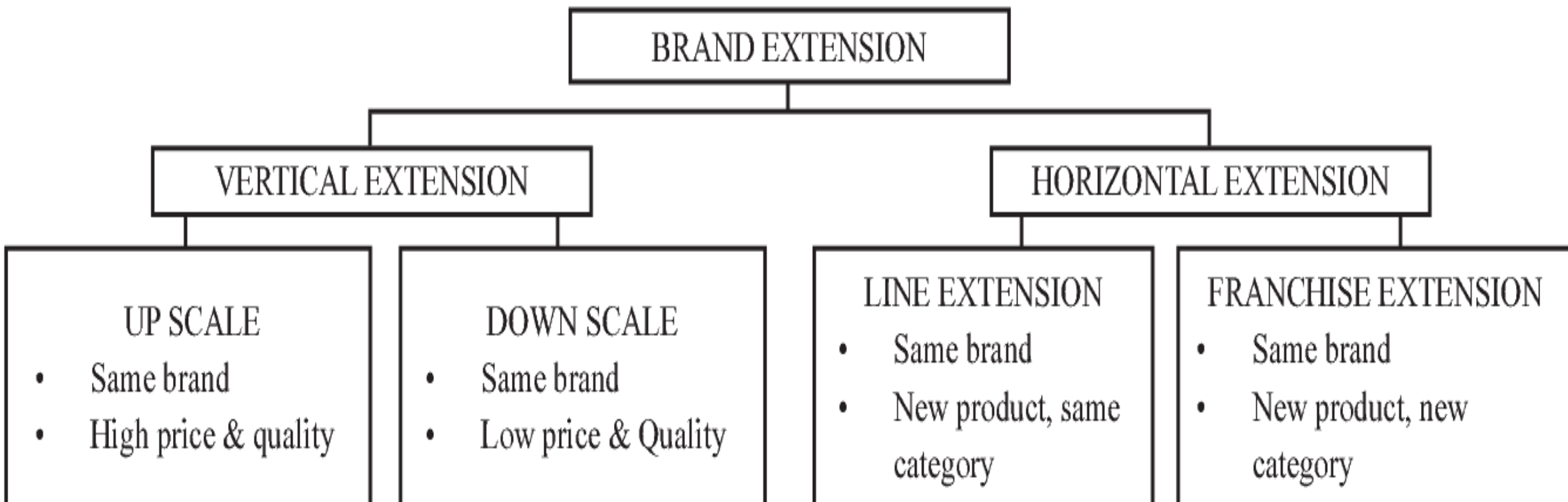
Creating extension equity

- Creation of a positive image is based on three factors:
 - Saliency of parent brand associations.
 - Favorability of any inferred associations.
 - Uniqueness of inferred associations in the extension category.

- The more dissimilar (different) the extension product is to the parent brand, the more likely that points-of-parity will become a positioning priority, and the more important it is to make sure that category POPs are sufficiently well established.

Contributing to parent brand equity

- Effects of an extension on consumer brand knowledge will depend on four factors:
 - Compulsion (urge - pressure) of the evidence about the corresponding attribute or benefit association in the extension context.
 - Relevance of the extension evidence will affect parent brand evaluations only if consumers feel extension performance is indicative of the parent brand in some way.
 - Consistency of the extension evidence with the corresponding parent brand associations.
 - Ease of an association to change.





Types of Brand Extensions

6. Vertical extensions

Some brand extensions are vertical extensions of what they currently offer. A brand can use their “ingredient/component” heritage to launch products in a more (or sometimes less) finished form.

Example 1: Cadbury's



Example 1: Maggi



□ Vertical brand extensions

- Extend the brand up into more premium market segments or down into more value-conscious segments, are a common means of attracting new groups of consumers.

Pros and cons

- Pros
 - An upward extension can improve brand image, because a premium version of a brand often brings positive associations with it.
 - Extensions in either direction can offer consumers variety, revitalize the parent brand, and permit further extensions in a given direction.

□ Vertical brand extensions

• Cons

- Vertical extension to a new price point, whether higher or lower, can confuse or frustrate consumers who have learned to expect a certain price range from a brand.
- Successful downward extension has the possibility of harming the parent's brand image by introducing associations common to lower-priced brands.
- It will destroy the sales of the parent company.

Examples

- Many companies have succeeded in extending their brands to enter new markets across a range of price points.
 - Armani, Holiday Inn.

Naming strategies

- Firms often adopt sub-branding strategies to distinguish their lower priced entries.
- It is difficult to change people's impressions of the brand enough to justify a significant upward extension.
 - Honda, Toyota, and Nissan

- It is possible to use certain brand modifiers to signal a noticeable, although presumably not dramatic, quality improvement.
 - Ultra Dry Pampers, Extra Strength Tylenol, or PowerPro Dustbuster Plus
- To avoid the potential difficulties associated with vertical extensions, companies sometimes elect to use new and different brand names to expand vertically.
 - Gap

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 - Ultra Dry Pampers, Extra Strength Tylenol, or PowerPro Dustbuster Plus
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- ❑ Define actual and desired consumer knowledge about the brand
- ❑ Identify possible extension candidates
- ❑ Evaluate the potential of the extension candidate
- ❑ Design marketing programs to launch extension
- ❑ Evaluate extension success and effects on parent brand equity

- Define actual and desired consumer knowledge about the brand
 - It's critical for marketers to fully understand the depth and breadth of awareness of the parent brand, and the strength, favorability, and uniqueness of its associations.
 - Profiling actual and desired brand knowledge structures helps identify possible brand extensions as well as guide decisions that contribute to their success.

Identify possible extension candidates

- Marketers should consider parent brand associations and product categories that might seem to fit with that brand image in the minds of consumers.
- Consumers should be asked their preferences while introducing a new product.
- Brainstorming is also used to generate category extension candidates, along with consumer research.

Evaluate the potential of the extension candidate

- Consumer factors
- Corporate and competitive factors
- Category factors

Design marketing programs to launch extension

- Building brand equity for a brand extension requires:
 - Choosing brand elements.
 - Designing optimal marketing programs.
 - Leveraging secondary brand associations.

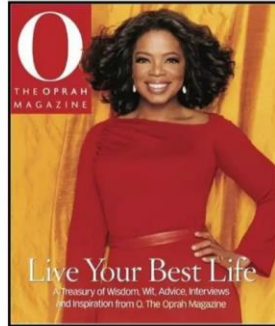
Evaluate extension success and effects on parent brand equity

- To help measure the success of the extension, brand-tracking is used based on the customer-based brand equity model or other key measures of consumer response, centered on both the extension and the parent brand as a whole.

Some of them take a step forward



Oprah Winfrey Talk Show



"O" Magazine



Apple Macintosh PCs



Apple iPod

& reinforce the Brand Equity.. All over again and again and again

How will you react ??????



Ponds - chocolate biscuits

How will you react ??????



Pepsi - Bathing soap

1. Successful brand extensions occur when the parent brand is seen as having favorable associations and there is a perception of fit between the parent brand and the extension product.
2. There are many bases of fit: product-related attributes and benefits as well as non-product-related attributes and benefits related to common usage situations or user types.
3. Depending on consumer knowledge of the product categories, perceptions of fit may be based on technical or manufacturing commonalities or more surface considerations such as necessary or situational complementarity.
4. High-quality brands stretch farther than average-quality brands, although both types of brands have boundaries.
5. A brand that is seen as prototypical of a product category can be difficult to extend outside the category.
6. Concrete attribute associations tend to be more difficult to extend than abstract benefit associations.
7. Consumers may transfer associations that are positive in the original product class but become negative in the extension context.

8. Consumers may infer negative associations about an extension, perhaps even based on other inferred positive associations.
9. It can be difficult to extend into a product class that is seen as easy to make.
10. A successful extension can not only contribute to the parent brand image but also enable a brand to be extended even farther.
11. An unsuccessful extension hurts the parent brand only when there is a strong basis of fit between the two.
12. An unsuccessful extension does not prevent a firm from backtracking and introducing a more similar extension.
13. Vertical extensions can be difficult and often require sub-branding strategies.
14. The most effective advertising strategy for an extension is one that emphasizes information about the extension (rather than reminders about the parent brand).
15. Individual differences can affect how consumers make an extension decision, and will moderate extension effects.
16. Cultural differences across markets can influence extension success.

- Brand extensions occur when a firm uses an established brand name to introduce a new product
- The basic assumption behind brand extension
 - ▣ Consumers have some awareness of and positive associations about the parent brand in memory
 - Brand extension will evoke at least some of these associations

- The extension's ability to establish its own equity will depend on:
 - ▣ Salience of consumers' associations with the parent brand
 - ▣ How compelling and relevant is the evidence about the corresponding attribute
 - ▣ How strong consumers' existing attribute or benefit associations are for the parent brand
- To evaluate brand extension opportunities, marketers need to consider strategies by applying managerial judgment and consumer research

- Define the different types of brand extensions
- List the main advantages and disadvantages of brand extensions
- Summarize how consumers evaluate extensions and how extensions contribute to parent brand equity
- Outline the key assumptions and success criteria for brand extensions



Chapter
09

To Sum Up...



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UNIVERSITY



Thank You

