Introducing and Naming New Products and Brand Extensions

12

Learning Objectives

After reading this chapter, you should be able to

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.

After too many extensions began to harm its image, Gucci retrenched and adopted a more careful approach to stretching its brand that met with greater success.

Source: Lou Linwei/Alamy

Preview

Chapter 11 introduced the concept of brand architecture and described a process by which marketers can develop it. An important part of the process is the introduction of new products to help a brand grow and achieve its potential. Thus, this chapter considers in more detail the role of product strategy in creating, maintaining, and enhancing brand equity. Specifically, we'll develop guidelines to improve the introduction and naming of new products and brand extensions.

Let's start with a little historical perspective. For years firms tended to follow the lead of Procter & Gamble, Coca-Cola, and other major consumer goods marketers that essentially avoided introducing any new products using an existing brand name. Over time, tight economic conditions, a need for growth, and competitive realities forced firms to rethink their "one brand–one product" policies. Recognizing that brands are among their most valuable assets, many firms have since decided to leverage that value by introducing a host of new products under some of their strongest brand names.

Many seek to build "power" or "mega" brands that establish a broad market footprint, appealing to multiple customer segments with multiple products all underneath one brand umbrella. Unilever's Dove brand has made successful forays from its roots in soap into a range of skin care and body care products, backed by its "Campaign for Real Beauty" media campaign. At the same time, marketers are also realizing that too many product variations can be counterproductive, and ill-advised brand proliferation may actually repel consumers.

We've learned much about the best-practice management of brand extensions. This chapter begins by describing brand extensions and outlining their advantages and disadvantages. Then we present a simple model of how consumers evaluate brand extensions and offer managerial guidelines for introducing and naming new products and brand extensions. We conclude with a comprehensive summary of some of the key academic research findings on brand extensions. Brand Focus 12.0 provides a detailed checklist to help marketers evaluate the viability of a brand extension.

NEW PRODUCTS AND BRAND EXTENSIONS

As background, first consider the sources of growth for a firm. One useful perspective is Ansoff's product/market expansion grid, also known as the growth matrix. As in Figure 12-1, we can categorize growth strategies according to whether they rely on existing or new products, and whether they target existing or new customers or markets. Branding Brief 12-1 describes McDonald's growth strategies along these lines.

Although existing products can further penetrate existing customer markets or push into additional ones (the focus of Chapter 13), new-product introductions are often vital to the long-run success of a firm. A discussion of all the issues in effectively managing the development and introduction of new products is beyond the scope of this chapter. Here we'll simply address some brand equity implications of new products.[1]

First we'll establish some terminology. When a firm introduces a new product, it has three choices for branding it:

1. It can develop a new brand, individually chosen for the new product.
2. It can apply one of its existing brands.
3. It can use a combination of a new brand and an existing brand.

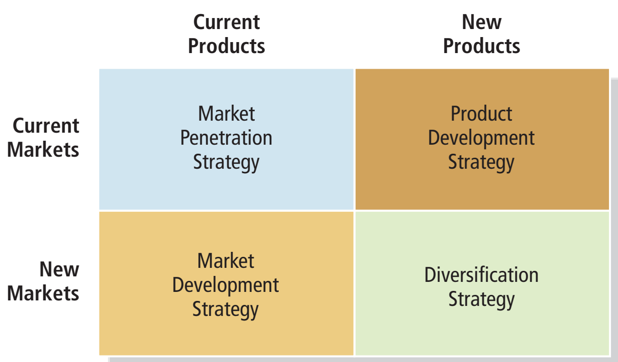


FIGURE 12-1
Ansoff's Growth Matrix

A ***brand extension*** occurs when a firm uses an established brand name to introduce a new product (approach 2 or 3). As we noted in Chapter 11, when a new brand is combined with an existing brand (approach 3), 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***.

Brand extensions fall into two general categories:[2]

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

The vast majority of new products in any one year are brand extensions. 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.[3] 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.[4]

Nevertheless, many new products are still introduced each year as new brands. A slew of new technology brands have recently begun to make their mark, such as SurveyMonkey online survey tool, Spotify music Web site, Lookout mobile security software, and Twilio voice and text messaging application facilitator. Dropbox makes downloadable software that lets users digitally store and share documents for a fee. New brands are not restricted to technology, however—consider the Chobani story.

CHOBANI

In just a few short years, Chobani yogurt has challenged long-time market leaders Yoplait and Dannon and has become the number-one brand in the exploding Greek-style yogurt category. It even topped a January 2012 IRI InfoScan review of retail yogurt sales. Called "strained" yogurt in other parts of the world because it is typically strained in a cloth or paper bag or filter to remove the whey, Greek-style yogurt has a consistency between that of yogurt and cheese, but with yogurt's distinctive sour taste. Greek-style yogurt now makes up 25 percent of all U.S. yogurt sales, with Chobani enjoying 60 percent of those sales. The brand was started by a Turkish immigrant, Hamdi Ulukaya, who came to the United States to go to college in 1994. Intrigued when an old Kraft yogurt factory in upstate New York came up for sale, he and his initial team spent a year and a half tinkering with the product. The first Chobani yogurt was introduced in 2007. Sales exploded, especially after the brand was picked up BJ's Wholesale Club and Costco in 2009, and in less than five years, it had become a rapidly growing $700 million business. In 2011, the company made its first acquisition, an Australian dairy firm called Bead Foods, as a first step toward international distribution.[5]

The marketplace will always reward an innovative, well-marketed new product as happened with Chobani Greek yogurt.

Source: Chobani

BRANDING BRIEF 12-1

Growing the McDonald's Brand

Over the last decade, McDonald's has faced a challenging environment. Market saturation, global health concerns, and a slumping economy have presented significant obstacles to its growth. To overcome these, the company has employed a number of different growth strategies that we can classify using the Ansoff growth share matrix. As a result of these strategies, the company's financial fortunes have rebounded, and McDonald's has outperformed many of its peers in revenue growth. The brand has even been credited with producing a "halo effect" that is "driving growth for the entire quick-service restaurant category."

Market Penetration

For a long time, McDonald's increased its market penetration just by introducing hundreds of new outlets each year. But by 2002, markets had become saturated and sales had slumped. On becoming CEO in 2004, James Skinner adopted a new corporate motto, "Better, not bigger." Rather than trying to grow by adding new restaurants, McDonald's would grow by generating greater returns from the ones it had.

Thus, instead of investing in new real estate, the firm made huge investments in upgrading the facilities and operations of existing stores. One important way McDonald's made it easier for its customers to spend more money was by expanding to 24-hour service at many stores. To better accommodate these longer hours, the menu has been constantly fine-tuned so there are offerings to suit any meal or snack opportunity.

Breakfast has become an essential part of the McDonald's revenue equation. A quarter of its domestic revenue—over $6 billion—and half its profits come from breakfast, which includes the highly successful McMuffin and McGriddle breakfast sandwiches. Snack Wraps and smoothies entice customers between meals. Snack Wraps are ideal for drive-thru customers who need to have one hand on the steering wheel; 60 percent of sales are drive-thru generated.

McDonald's decade-long "I'm Lovin' It" global advertising campaign has served as the perfect vehicle to support new product launches and enhance loyalty. Translated into a number of languages worldwide, it replaced some 20 different ad platforms that had been running in different regions.

One way McDonald's grows its brand is through market development and expanding in overseas markets such as Japan.

Source: Iain Masterton / Alamy

Market Development

McDonald's has made concerted efforts to expand globally through the years, and its progress has been astounding. There are over 33,000 restaurants worldwide in 119 different countries today, and 1.7 million employees serve 64 million customers

Even in a product category as simple and established as hamburgers—U.S. consumers eat 13 billion burgers a year, 4.3 for every man, woman, and child—new brands can appear. *Forbes* magazine dubbed Denver-based Smashburger as one of the most promising U.S. companies on the basis of its "thoughtful product design and deft execution," and the fact that it offered "more interesting fare and a (small) dash of ambience at a reasonable price premium." And Shake Shack's updated "roadside burger stand" now brings in almost a third of the profits of Union Square Hospitality Group, which owns three of the *Zagat Guide*'s top five dining establishments in Manhattan![6]

daily in the United States, Europe, the Middle East, the Asia-Pacific region, Africa, Canada, and Latin America.

One key to its global success has been McDonald's willingness to adapt its menu to different cultural preferences and regional tastes. The chain offers specialized menu items, such as the Teriyaki Burger in Japan and Vegetable McNuggets in England. In India—where beef is not consumed because cows are sacred—it introduced the Maharaja Mac, made from mutton. The company also developed spicy sauces, such as McMasala and McImli.

McDonald's targets different demographic and psychographic market segments as well. The product offerings in Happy Meals have been tweaked through the years to appeal to both children and their parents. More recently, McDonald's sought to develop a new U.S. market by attracting twenty- and thirty-something females with premium salads served with Newman's Own dressing, and other lighter menu options. McDonald's rapidly became the number-one salad brand in the United States.

Product Development

McDonald's found its popularity in its core markets under threat as international concern grew about the role of fast food in poor health and obesity, highlighted by the 2001 book *Fast Food Nation* and the 2004 movie *Super Size Me*, among other critiques. The company posted its first quarterly loss in 2002, and as a consequence, it "needed to look at why its customers weren't buying and recognize that they wanted better choices and healthier options."

McDonald's responded by overhauling its menu, removing "Super Size" options and adding healthier options such as a number of fresh salads, healthier versions of kids' Happy Meals, and adult versions that included salad, bottled water, and a pedometer to encourage exercise. Other health initiatives the firm undertook included its Balanced Lifestyles platform for children, which promoted healthy food choices, education, and physical activity; and its Go Active! campaign to promote active lifestyles. Both were endorsed by Bob Greene, Oprah Winfrey's personal trainer.

The shift in focus toward healthy eating and physical activity was emphasized by McDonald's recasting of Ronald McDonald as its "Chief Happiness Officer," a sports enthusiast who donned a more athletic version of his traditional yellow-and-red clown suit and snowboarded, skateboarded, and juggled fruit in a new TV spot.

The company also tapped into the growing premium-coffee trend in the United States by launching McDonald's Premium Roast coffee, which retails for about 35 percent less than a cup of Starbucks coffee. McDonald's also introduced a new line of premium hamburgers—one-third-of-a-pound Angus Burgers. The 20-piece Chicken McNuggets allowed the company to enter the shared-meals segment dominated by KFC.

Diversification

Although McDonald's has largely focused on expansion through market penetration, market development, and product development, it has done some diversification to target new customers with new service offerings. It extended its brand in 2001 with the opening of its first domestic McCafé, a gourmet coffee shop inspired by the success of Starbucks that had debuted in Portugal and Austria. Another extension is McTreat, an ice cream and dessert shop.

While several Golden Arch Hotels in Switzerland failed to make it and were sold off, experimentation continues. In Hong Kong, three McDonald's locations offer wedding packages for loyal couples. The basic Warm and Sweet Wedding Package for 50 guests goes for under $1,300. An additional $165 covers a rented "gown" of pearly white balloons.

Sources: Joanna Doonar, "Life in the Fast Lane," *Brand Strategy*, 6 October 2004, 20; Gina Piccolo, "Fries with That Fruit?" *Los Angeles Times*, 18 July 2005, F1; Pallavi Gogoi and Michael Arndt, "Hamburger Hell," *BusinessWeek*, 3 March 2003, 104; Kate MacArthur, "Big Mac's Back," *Advertising Age*, 13 December 2004, S1; Michael Arndt, McDonald's 24/7," *Bloomberg BusinessWeek*, 5 February 2007; "McDonald's to Diversify into 'Shared Meals' Segment," www.room54.co, 13 February 2011; Dan Malovany and Maria Pilar Clark, "McSmart and McSnackable: McDonald's New Product Strategy Boosts Bottom Line," *Stagnito's New Products Magazine*, June 2007; Stefan Michel, "McDonald's Failed Venture in Hotels," www.knowledgenetwork.thunderbird.edu, 11 July 2008; Hillary Brehnhouse, "Want Fries With That Ring? McDonald's Offers Weddings," *Time*, 7 March 2001.

Despite such success stories, most new products are branded and launched as extensions. To understand why, we'll next outline some of the main advantages and disadvantages of brand extensions.

ADVANTAGES OF EXTENSIONS

For most firms, the question is not *whether* to extend the brand, but when, where, and how to extend it. Well-planned and well-implemented extensions offer a number of advantages that we can broadly categorize as those that facilitate new-product acceptance and those that provide feedback benefits to the parent brand or company as whole (see Figure 12-2).

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 and Company

Clarify brand meaning
Enhance the parent brand image
Bring new customers into brand franchise and increase market coverage
Revitalize the brand
Permit subsequent extensions

FIGURE 12-2
Advantages of Brand Extension

Facilitate New-Product Acceptance

The high failure rate of new products has been well documented. Marketing analysts estimate that only 2 of 10 new products will be successful, or maybe even as few as 1 of 10. Brand extensions can certainly suffer some of the same shortcomings as any new product. Nevertheless, a new product introduced as a brand extension may be more likely to succeed, at least to some degree, because the advantages we describe below work to increase acceptance.

Improve Brand Image. As we saw in Chapter 2, 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, based on what they already know about the brand itself and the extent to which they feel this information is relevant to the new product.[7]

These inferences may improve the strength, favorability, and uniqueness of the extension's brand associations. For example, when Sony first introduced its laptop and personal computer tailored for multimedia applications, Vaio, consumers may have been more likely to feel comfortable with its anticipated performance because of their experience with and knowledge of other Sony products than if Sony had branded it as something completely new.

Reduce Risk Perceived by Customers. One research study found that the most important factor for predicting initial trial of a new product was the extent to which it connected to a known family brand.[8] Extensions from well-known corporate brands such as General Electric, Hewlett-Packard, Motorola, or others may communicate longevity and sustainability. Although corporate brands can lack specific product associations because of the breadth of products attached to their name, their established reputation for introducing high-quality products and standing behind them may be an important risk-reducer for consumers.[9]

Perceptions of corporate credibility—in terms of the firm's expertise and trustworthiness—can be valuable associations in introducing brand extensions.[10] Similarly, although widely extended supermarket family brands such as Betty Crocker, Green Giant, Del Monte, and Pepperidge Farm may lack specific product meaning, they may still stand for product quality in the minds of consumers and, by reducing perceived risk, facilitate the adoption of brand extensions.

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.[11]

Increase Efficiency of Promotional Expenditures. From a marketing communications perspective, one obvious advantage of introducing a new product as a brand extension is that 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.[12]

Several research studies document this benefit. One study of 98 consumer brands in 11 markets found that successful brand extensions spent less on advertising than comparable new-name entries spent.[13] Another comprehensive study found similar results, indicating that the average advertising-to-sales ratio for brand extensions was 10 percent, compared with 19 percent for new brands.[14]

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.

Avoid Cost of Developing a New Brand. Developing new brand elements is an art and a science. 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.

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.

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.

L'ORÉAL

Concentrating solely on beauty and personal care since its founding in 1907, L'Oréal has become a global powerhouse through its extensive brand portfolio. The firm has products for virtually every channel, price point, and market. Garnier is its fast-growing mass brand. L'Oréal Paris is at the higher end of the mass range, combining sophisticated cosmetics at accessible price points. Lancôme is the premium luxury brand. L'Oréal adheres to a strict channel exclusivity strategy. Professional products (Matrix and Redken) are sold at hair salons, consumer product brands (Maybelline and Garnier) at retail stores, including drug stores and food stores, luxury products (Biotherm and Lancôme) at specialty stores or department stores, and active cosmetic brands (La Roche-Posay) at dispensing dermatologists and pharmacies. L'Oréal also owns two retail chain brands—Kiehl's and the Body Shop. Geographically, the company casts a wide net. Many of its brands are sold in as many as 130 countries; Lancôme is sold in 160. Recently, L'Oréal has placed much importance on emerging markets, China and India in particular, and it aims to double its existing customer base of 1 billion customers worldwide by 2021. The firm invests heavily in research and development (earmarking approximately 3 percent of net sales) in the belief that science and technology and the quality of its products are the keys to success. Roughly 15–20 percent of the product lines turn over in any given year, due to product improvements or the launch of new products. The company's first CMO, Marc Speichert, was hired from Colgate in part to orchestrate marketing across the wide variety of brands. He is also putting more emphasis on digital and mobile strategies to engage customers but without abandoning the traditional magazine print ads that have served beauty brands well through the years.[15]

Lancôme is one of L'Oréal's most successful global brands.
Source: Jeffrey Ufberg/Getty Images for Lancôme

Provide Feedback Benefits to the Parent Brand

Besides facilitating acceptance of new products, brand extensions can also provide positive feedback to the parent brand in a number of ways.

Clarify Brand Meaning. Extensions can help 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. Thus, through brand extensions, Hunt's means "tomato," Clairol means "hair coloring," Gerber means "baby care," and Nabisco means "baked cookies and crackers." Figure 12-3 shows how other brands that have introduced multiple brand extensions have broadened their meaning to consumers.

As Chapter 11 noted, broader brand meaning often is necessary so that firms avoid "marketing myopia" and do not mistakenly draw narrow boundaries around their brand, either missing market opportunities or becoming vulnerable to well-planned competitive strategies. Thus, as Harvard's Ted Levitt pointed out in a pioneering article, railroads are not just in the "railroad" business but are also in the "transportation" business.[16]

Thinking more broadly about product meaning can easily inspire different marketing programs and new-product opportunities. 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.

Brand	Original Product	Extension Products	New Brand Meaning
Weight Watchers	Fitness centers	Low-calorie foods	Weight loss and maintenance
Sunkist	Oranges	Vitamins, juices	Good health
Kellogg's	Cereal	Nutri-Grain bars, Special K bars	Healthy snacking
Aunt Jemima	Pancake mixes	Syrups, frozen waffles	Breakfast foods

FIGURE 12-3
Expanding Brand Meaning through Extensions

In some cases, it is advantageous to establish a portfolio of related products that completely satisfy consumer needs in a certain area. For example, many specific-purpose cleaning products have broadened their meaning to be seen as multipurpose, including Lysol, Comet, and Mr. Clean. Similarly, the $245 billion enterprise software market is characterized by a few megabrands like Oracle and SAP that compete in multiple segments with multiple product offerings. Although at one time these different brands were limited to a few specific products, they have broadened their meaning through brand extensions and acquisitions to represent "complete business software solutions."[17]

Enhance the Parent Brand Image. According to the customer-based brand equity model, one desirable outcome of a successful brand extension is that it may enhance the parent brand image by strengthening an existing brand association, improving the favorability of an existing brand association, adding a new brand association, or a combination of these.

One common way a brand extension affects the parent brand image is by helping clarify its core brand values and associations. Core brand associations, as we defined them in Chapter 3, 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, strengthening its associations to "peak performance" and "sports" in the process.

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.[18]

Choosing to launch a new product or service with a completely new brand name means forgoing these feedback benefits. In the late 1990s, with the advent of the Internet, several firms introduced online versions of their services under a separate brand name. For example, Bank One, a leading brand at the time, opened its online bank services under the Wingspan brand name. Besides increasing the difficulty and expense of launching a new brand, these companies also lost the opportunity to modernize the parent brand image and improve its technological credentials. In many cases, the new ventures failed and their capabilities were folded back into the parent organization.

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.

Creating "news" and bringing attention to the parent brand may benefit the family brand as a whole. 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.

OCEAN SPRAY

The growers' cooperative Ocean Spray Cranberries, Inc., found itself in a difficult position around 2004. With growth in carbonated beverages slowing, Coca-Cola and PepsiCo began to move aggressively into noncarbonated drinks, including juices. Ocean Spray contemplated selling the brand to PepsiCo, but ultimately the coop voted to remain independent. To remain competitive with these larger players, however, Ocean Spray has continued to introduce a number of brand extensions, supported by well-integrated marketing campaigns. Its expanded product mix now includes regular, diet, and light versions of many of its popular cocktail, juice drink, and blends beverages; Craisins dried cranberries and trail mix; cranberry sauce; fresh fruit; and fruit-flavored snacks. The coop has introduced new flavor varieties based on blueberry and cherry and a line of energy juice drinks and sparkling beverages.

Its "Straight from the Bog" ad campaign showed two folksy farmers waist-deep in a cranberry bog humorously extolling the virtues of various Ocean Spray products. The campaign was reinforced by a host of events, promotions, and other PR activities.[19]

Ocean Spray has expanded its brand into a number of different markets via some creative marketing.

Source: Courtesy of Ocean Spray Cranberries, Inc.

Revitalize the Brand. Sometimes brand extensions can be a means to renew interest in and liking for the brand. A classic example is with the General Motors luxury brand nameplate Cadillac, whose sales were fading fast by the end of the 1990s. At that time, many marketing experts put the brand on life support and predicted its demise. 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.[20]

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.

BILLABONG

The Billabong brand was established in 1973 by Gordon Merchant, who wanted to create a brand that had "functional products for surfers to help us better enjoy our sport." During the 1970s and 1980s, Billabong established its brand credibility with the young surfing community as a designer and producer of quality surf apparel. In the early 1980s, it began to sell its products in Japan, Europe, and the United States through licensees. In the late 1980s and early 1990s, the brand extended into other youth-oriented areas, such as snowboarding and skateboarding, but sticking to its core brand proposition: contemporary, relevant, innovative products of consistent high quality. In 2004, the company launched an entirely new brand called Honolua Surf Co., inspired by Hawaiian surf styles. Later years saw various brand acquisitions too: Nixon Inc., a premium watch and accessories maker in the surf, skate, and snowboard markets; Von Zipper edgy eyewear and goggles, Element shoes, Kustom footwear, and Mrs. Palmers surf wax and accessories. As a result of its consistent growth, Billabong was ranked the eighth most valuable brand in Australia, with an estimated value of $1.1 billion.[21]

Billabong's strong lifestyle appeal has allowed the brand to enter several new categories beyond surfing such as snowboarding and skateboarding.
Source: Martin Berry/Alamy

DISADVANTAGES OF BRAND EXTENSIONS

Despite their potential advantages, brand extensions have a number of disadvantages (see Figure 12-4).

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.[22] 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 than when there were 24.[23]

So, in some situations, greater product variety may induce shoppers to buy less. Consumers may reject new extensions for tried and true favorites or all-purpose versions that claim to supersede more specialized product versions. The global success of Colgate Total is certainly due in part to its positioning—reflected in its name—as an inclusive product that contains all the necessary or desirable toothpaste benefits.

Many retailers do not have enough shelf or display space to stock the large number of new products and brands continually being introduced even if they wanted to. So some consumers may be disappointed when they're unable to find an advertised brand extension because a retailer is unable or unwilling to stock it. If a firm launches extensions that consumers deem inappropriate, they may question the integrity and competence of the brand.

Can confuse or frustrate consumers
Can encounter retailer resistance
Can fail and hurt parent brand image
Can succeed but cannibalize sales of parent brand
Can succeed but diminish identification with any one category
Can succeed but hurt the image of parent brand
Can dilute brand meaning
Can cause the company to forgo the chance to develop a new brand

FIGURE 12-4
Disadvantages of Brand Extension

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. Own-brand or private-label goods also continue to grow as a percentage of total grocery sales. Many brands now come in a multitude of different forms. For example, Campbell's has introduced a number of different lines of soup—including Condensed, Home Cookin', Chunky, Healthy Request, Select, Simply Home, Ready-to-Serve Classic, and portable Soup at Hand—and offers more than 100 flavors in all.

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.[24]

Attacking brand proliferation, an influential Food Marketing Institute (FMI) study examined the effects of stock-keeping unit (SKU) reduction in six test categories (cereal, toothpaste, salad dressing, toilet tissue, spaghetti sauce, and pet food). The study showed that retailers could reduce their SKUs by 5–25 percent without hurting sales or consumer perceptions of the variety offered by their stores. The FMI "product variety" study recommended that retailers systematically identify duplicated and slow-moving items and eliminate them to maximize profitability.[25]

Many large packaged food brands took this advice to heart and began trimming their product lines in order to focus on their top-selling brands. Heinz culled 40 percent of its items over a two-year period, a move that yielded an operating income increase of 18 percent. General Mills reduced the number of products it sells by 20 percent, while Hershey Foods made similar cuts.[26] Additional academic research has shed light on how to reduce brand proliferation, as summarized in The Science of Branding 12-1.

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. Unfortunately, these negative feedback effects can sometimes happen.

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. 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. Looking back, one GM executive offered the following insights:[27]

> The decision was made purely on the basis of short-sighted profit and financial analysis, with no accounting for its effect on long-run customer loyalty or, if you will, equity. A typical financial analysis would argue that the Cimarron will rarely steal sales from Cadillac's larger cars, so any sale would be one that we wouldn't have gotten otherwise. The people who were most concerned with such long-range issues raised serious objections but the bean counters said, "Oh no, we'll get this many dollars for every model sold." There was no thinking about brand equity. We paid for the Cimarron down the road. Everyone now realizes that using the model to extend the name was a horrible mistake.

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.

THE SCIENCE OF BRANDING 12-1

When Is Variety a Bad Thing?

Today, consumers face an unprecedented number of choices. Supermarkets can contain more than 40,000 products, up from only 7,000 in the 1960s, and product features continue to multiply. Take toothpaste. A supermarket can stock over 100 varieties depending on brand name (Colgate, Crest, Tom's, Mentadent), benefits (tartar control, whitening, breath freshening, sensitive gums), flavors (regular, mint, cinnamon, citrus), and forms (gel, paste). Online shopping makes it easier to offer even more choice in many categories.

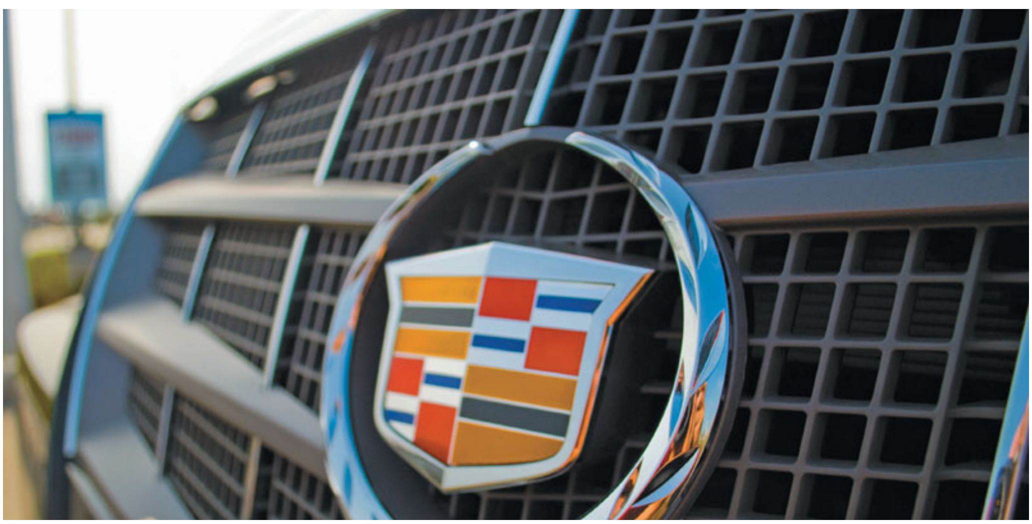
Consumers may like the idea of having more choice—the flexibility and sense of freedom it gives, the greater likelihood of finding just the right alternative—but negative consequences often arise too. Actually finding the optimal choice can require much effort and result in inner conflict and regret. The difficulty of making a decision can be overwhelming or demotivating, and some consumers may just choose to walk away.

Product assortment has been defined as the number of SKUs offered within a single product category. Consumer perception of assortment is one of the top three criteria, along with location and price, that affect their retail loyalty. Manufacturers and retailers are thus keenly interested in factors affecting the optimal product assortment size for a brand.

Consistent with the Food Marketing Institute study, much additional research has supported the conclusion that reducing the number of different items stocked does not necessarily adversely affect category volume, especially if the category already has a lot of SKUs or a few SKUs that are big sellers. Research has also found that consumer perceptions of variety assortment depend on factors such as the similarity of items for the brand, the amount of allocated shelf space, and the presence of the consumer's favorite item.

Marketers and retailers can improve perceptions of product variety in a category or for a brand. For example, organized displays have been found to be better for large brand assortments, whereas unorganized displays are better for small brand assortments. Asymmetrical assortments—in which some items for a brand appear more frequently than others—have also been found to lead to perceptions of greater assortment.

Sources: Steven M. Cristol and Peter Sealey, *Simplicity Marketing* (New York: Free Press, 2000); Sheena S. Iyengar and Mark Lepper, "When Choice Is Demotivating: Can One Desire Too Much of a Good Thing?," *Journal of Personality and Social Psychology* 79 (December 2000): 995–1006; Peter Boatwright and Joseph C. Nunes, "Reducing Assortment: An Attribute-Based Approach," *Journal of Marketing* 65 (July 2001): 50–63; Sheena S. Iyengar and Barry Schwartz, "Doing Better but Feeling Worse: Looking for the 'Best' Job Undermines Satisfaction," *Psychological Science* 17, no. 2 (2006): 143–150; Roland T. Rust, Debora Viana Thompson, and Rebecca W. Hamilton, "Defeating Feature Fatigue," *Harvard Business Review*, February 2006, 98–107; Laurens M. Sloot, Dennis Fok, and Peter C. Verhoef, "The Short- and Long-Term Impact of an Assortment Reduction on Category Sales," *Journal of Marketing Research* 43 (November 2006): 536–548; Jie Zhang and Aradhna Krishna, "Brand Level Effects of Stockkeeping Unit Reductions," *Journal of Marketing Research* 44 (November 2007): 545–559; Susan M. Broniarczyk, Wayne D. Hoyer, and Leigh McAlister, "Consumers' Perceptions of the Assortment Offered in a Grocery Category: The Impact of Item Reduction," *Journal of Marketing Research* 35 (May 1998): 166–176; Susan M. Broniarczyk, "Product Assortment," in *Handbook of Consumer Psychology*, Chapter 30, eds. Curt P. Haugtvedt, Paul M. Herr, and Frank R. Kardes (Mahwah, NJ: Lawrence Erlbaum Associates, 2008), 755–779; Susan M. Broniarczyk and Wayne D. Hoyer, "Retail Assortment: More ≠ Better," in *Retailing in the 21st Century*, eds. Manfred Krafft and Murali K. Mantrala (New York: Springer Publishing, 2005), 225–238.



The 1980s' launch of Cadillac Cimarron was a disaster for General Motors because it alienated existing customers and at the same time failed to attract new ones.

Source: Newscast/Alamy

AUDI

Starting in 1986, the Audi 5000 car suffered a tidal wave of negative publicity and word-of-mouth because it was alleged to have a "sudden acceleration" problem that resulted in an alarming number of sometimes fatal accidents. Even though there was little concrete evidence to support the claims, Audi, in a public relations disaster, attributed the problem to the clumsy way U.S. drivers operated the car, and U.S. sales declined from 74,000 in 1985 to 21,000 in 1989. As might be expected, the damage was most severe for the Audi 5000, but the adverse publicity also spilled over to the 4000 model. The Quattro was affected to a lesser extent, perhaps because it was distanced by its distinct branding and advertising strategy.[28]

Understanding when unsuccessful brand extensions may damage the parent brand is important, and later in the chapter we'll develop a conceptual model to address the topic and describe some important findings. On a more positive note, however, one reason an unsuccessful brand extension may not necessarily damage the parent brand is the very reason the extension may have been unsuccessful in the first place—hardly anyone may even have heard of it! 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.

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. Line extensions designed to establish points-of-parity with current offerings in the parent brand category particularly may result in cannibalization. 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.

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 uncaffeinated 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.

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 obscure the brand's identification with its original categories, reducing brand awareness.[29] 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. Pepperidge Farm is another brand that has been accused of extending so much (into pastries, bread, and snacks) that it has lost its original meaning of "delicious, high-quality cookies."

Some notable—and fascinating—counterexamples to these dilution effects exist, however, in firms that have branded a heterogeneous set of products and still achieved a reasonable level of perceived quality for each. As we saw in Chapter 11, many Japanese firms have adopted a corporate branding strategy with a very broad product portfolio. 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 a similar vein, the founder of Virgin Records, Richard Branson, has conducted an ambitious, and perhaps risky, brand extension program (see Branding Brief 12-2). 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.

BRANDING BRIEF 12-2

Are There Any Boundaries to the Virgin Brand Name?

Perhaps the most extensive brand extension program in recent years has been undertaken by Richard Branson with his Virgin brand. Virgin's brand strategy is to go into categories where consumer needs are not well met and do different things—and do them differently—to better satisfy consumers.

Branson founded the Virgin record label at the age of 21, and in 1984 he launched Virgin Atlantic Airways. Later, he made millions on the sale of his record label, his Virgin record retail chain, and his Virgin computer games business. After licensing the use of the Virgin name to European startup airlines that were flying the London–Athens and London–Dublin routes, Branson decided to expand the range of products carrying the Virgin brand.

Sir Richard Branson has introduced Virgin products and services customers in all corners of the world.

Source: H. Lorren Au Jr./MCT/Newscom

Branson has since licensed the Virgin name for use on personal computers and set up joint ventures in 1994 to market Virgin Vodka and Virgin Cola. In 1997, he took over six of the United Kingdom's government rail lines and established Virgin Rail. In 1999, he launched Virgin Mobile, a wireless company that provides cellular service through a partnership with Deutsche Telecom. He branched into e-commerce that same year with the debut of Virgin.com, a portal where consumers can purchase every product or service offered by the Virgin brand.

Today, the Virgin Group employs over 50,000 people, spans 30 countries, and contains more than 300 branded companies marketing such diverse product areas as travel, lifestyle, media and mobile, money, people and planet, music, health care, and alcohol (see below). Virgin had 2011 revenues of an estimated $21 billion, and Branson's personal fortune was estimated at $4.2 billion in 2011.

Travel: Virgin Australia, V Australia, Virgin Atlantic Airways, Virgin America, Virgin Holidays, Virgin Holidays + Hip Hotels, Virgin Holidays Cruises, Virgin Limited Edition, Virgin Vacations, Blue Holidays, Virgin Galactic, Virgin Books, Virgin Limobike, Virgin Trains

Lifestyle: Virgin Active UK, Virgin Active Australia, Virgin Active Italia, Virgin Active Portugal, Virgin Active South Africa, Virgin Active Spain, Virgin Experience Days, Virgin Racing, Virgin Balloon Flights, The Virgin Voucher

Money: Virgin Money UK, Virgin Money Australia, Virgin Money South Africa, Virgin Money Giving

People and Planet: Virgin Earth Challenge, Virgin Green Fund, Virgin Unite

Music: Virgin Megastore, Virgin Radio International, Virgin Festivals

Health Care: Virgin Health Bank, Virgin Health Miles, Virgin Life Care, Assura Medical

Alcohol: Virgin Wines Australia, Virgin Wines UK, Virgin Wines US

Virgin's growth and expansion has sparked debate about Branson's seemingly undisciplined extension of the brand. One branding expert criticized Virgin's rapid expansion: "Virgin makes no sense; it's completely unfocused." When Virgin ventures are poorly received, as Virgin Cola, Virgin Vodka, Virgin PCs, Virgin Jeans, Virgin Brides, and Virgin Clothing were in recent years, experts worry about the cumulative negative effect of these unsuccessful brands on the company's overall equity. One marketing executive illustrated the risk of launching an unsuccessful brand by saying, "When I'm delayed on a Virgin train, I start wondering about Virgin Atlantic. Every experience of a brand counts, and negative experiences count even more."

Some critics believe Virgin consumer products will do little more than generate publicity for Virgin airlines. They also warn of overexposure, even with the young, hip audience the Virgin brand has attracted. For example, one advertising agency executive remarked, "I would imagine the risk is that the Virgin brand name can come to mean everything to everybody, which in turn means it becomes nothing to nobody." In Branson's view, as long as a new brand adds value for the consumer, then it strengthens the Virgin image: "If the consumer benefits, I see no reason why we should be frightened about launching new products."

Among the new products Branson is launching are Virgin Oceanic for oceanic exploration and Virgin Galactic for space tourism on rocket ships. Yet Virgin has become more disciplined about its expansion in recent years: The company pursues new businesses only if they are expected to generate more than $150 million in sales within three years. Virgin is also placing great emphasis on sustainability and the environment. Its Web site describes its mission as "to contribute to creating happy and fulfilling lives which are also sustainable."

Sources: Andy Pasztor, "Virgin Galactic's Flights Seen Delayed Yet Again," *Wall Street Journal*, 26 October 2011; Jenny Wilson, "Virgin Oceanic: Just the Latest in Richard Branson's Massive Ventures," *Time*, 6 April 2011; Alan Deutscham, "The Gonzo Way of Branding," *Fast Company*, October 2004, 91; Melanie Wells, "Red Baron," *Forbes*, 3 July 2000; Quentin Sommerville, "High-Flying Brand Isn't All It Appears," *Scotland on Sunday*, 24 December 2000; Roger Crowe, "Global—A Brand Too Far?" *GlobalVue*, 28 October 1998; www.virgin.com/people-and-planet/our-vision.

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 soared from 9.5 percent in 1978 to 19 percent in 1986—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 percent to 12 percent during that same eight-year period.

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.

GUCCI

In its prime, the Gucci brand symbolized luxury, status, elegance, and quality. By the 1980s, however, the label had become tarnished by sloppy manufacturing, countless knock-offs, and even a family feud among the managing Gucci brothers. The product line consisted of 22,000 items, distributed extensively across all types of department stores. Not only were there too many items, but some did not even fit the Gucci image—for example, a cheap canvas pocketbook with the double-G logo that was easily counterfeited and sold on the street for $35. Sales recovered only when Gucci refocused the brand, paring the product line to 7,000 high-end items and selling them through its own company-owned outlets. The strategy helped propel Gucci to the height of the fashion business. With sales of $21 billion in 2010, Gucci is consistently ranked in the world's top 50 brands in value by Interbrand.[30]

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.[31] These exclusive licenses enable the licensor to better control the inventory, avoid discounts, and, most importantly, protect the brand.

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

One easily overlooked disadvantage of brand extensions is that by 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, or the boost Levi's earned from Dockers pants, which attracted a segment looking for casual pants. Amazon's runaway success with Kindle suggests another example.

KINDLE

Amazon revolutionized book retailing with the launch of its online book-selling service, "Earth's Largest Bookstore." The company has transcended its bookseller roots and now sells millions of goods and services of all kinds, from simple toys to high-definition televisions, as it continues to fine-tune its appealing combination of wide selection, helpful service, and low prices. Years of product development led to the launch of the revolutionary Kindle e-reader, with which customers could also shop for and purchase e-books and other digital media via wireless networking. Consistent with Amazon's business strategy, Kindle was priced increasingly lower with each successive generation. Subsequent models were also thinner and lighter than previous versions, with faster page turns, sharper resolution, and improved readability. When Apple launched its iPad in April 2010 and many forecast the demise of the Kindle, sales of the e-reader in fact accelerated. Amazon's sales of e-books quickly eclipsed those of hardcover and paperback books. By the end of 2011, Amazon was selling over 1 million products in the Kindle family per week. The brand's success had paved the way for the company to extend it into the red-hot tablet market. Kindle Fire became Amazon's most successful new product launch ever and was the most popular gift and top best seller for the 2011 holiday season. With Kindle, Amazon has established a classic power brand with many growth opportunities.[32]

The enormous success of Kindle gives Amazon another brand on which to build in the marketplace.
Source: Kristoffer Tripplaar/Alamy

These brands all created their own associations and image and tapped into markets completely different from those that currently existed for other brands sold by the company. Thus, introducing a new product as a brand extension can have significant and potentially hidden costs in terms of the lost opportunities of creating a new brand franchise. The extension's brand positioning may be less flexible, too, given that it has to live up to the parent brand's promise and image. The positioning of a new brand, in contrast, could be introduced and updated in the most competitively advantageous way possible.

UNDERSTANDING 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? Figure 12-5 displays some examples of successful and unsuccessful brand extensions through the years. 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 develops some ideas to help marketing managers better forecast and improve the odds for success of a brand extension.[33]

Successful Category Extensions	Unsuccessful Category Extensions
Dove shampoo and conditioner	Campbell's tomato sauce
Vaseline Intensive Care skin lotion	LifeSavers chewing gum
Hershey chocolate milk	Cracker Jack cereal
Jell-O Pudding Pops	Harley-Davidson wine coolers
Visa traveler's checks	Hidden Valley Ranch frozen entrees
Sunkist orange soda	Ben-Gay aspirin
Colgate toothbrushes	Kleenex diapers
Mars ice cream bars	Clorox laundry detergent
Arm and Hammer toothpaste	Levi's Tailored Classics suits
Bic disposable lighters	Nautilus athletic shoes
Honda lawn mowers	Domino's fruit-flavored bubble gum
Mr. Clean Auto Dry car wash system	Smucker's ketchup
Fendi watches	Fruit of the Loom laundry detergent
Porsche coffee makers	Coors Rocky Mountain Spring Water
Jeep strollers	Cadbury soap

FIGURE 12-5
Examples of Category 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 baseline case provides the cleanest test of the extension concept itself, and it gives managers guidance about whether to proceed with an extension concept and, if so, what type of marketing program they might need.

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. 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 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 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.
3. ***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.
4. ***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.

If any assumption does not hold true, problems can follow. Now we'll examine some factors that influence the validity of these assumptions and consider in more detail how a brand extension, in turn, affects brand equity.

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. For the brand extension to create equity, it must have a sufficiently high level of awareness and achieve necessary and desired points-of-parity and points-of-difference. Brand awareness will depend primarily on the marketing program and resources devoted to spreading the word about the extension. As Chapter 11 described, it will also obviously depend on the type of branding strategy adopted: The more prominently we use an existing brand that has already achieved a certain level of awareness and image to brand an extension, the easier it should be to create awareness of and an image for the extension in memory.

Initially, whether we can create a positive image for an extension will depend on three consumer-related factors:

1. How *salient* parent brand associations are in the minds of consumers in the extension context; that is, what information comes to mind about the parent brand when consumers think of the proposed extension, and the strength of those associations.
2. How *favorable* any inferred associations are in the extension context; that is, whether this information suggests the type of product or service the brand extension would be, and whether consumers view these associations as good or bad in the extension context.
3. How *unique* any inferred associations are in the extension category; that is, how these perceptions compare with those about competitors.

As with any brand, successful brand extensions must achieve desired points-of-parity and points-of-difference. Without powerful points-of-difference, the brand risks becoming an undistinguished "me-too" entry, vulnerable to well-positioned competitors.[34] Tauber refers to "competitive leverage" as the set of advantages that a brand conveys to an extended product in the new category, that is, "when the consumer, by simply knowing the brand, can think of important ways that they perceive that the new brand extension would be better than competing brands in the category."[35] This appeared to be the case with the UK launch of the Dettol Easy Mop disposable mop system, an extension of Reckitt-Benckiser's Dettol household cleaner brand, which leveraged the familiar Dettol brand in outselling other entrants into the category.[36]

At the same time, marketers must also establish any required points-of-parity. The more dissimilar 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. Consumers might have a clear understanding of the extension's

The Nivea brand has been carefully expanded across a wide range of skin care and personal care products.

Source: Kay Nietfeld/dpa/picture-alliance/Newscom intended point-of-difference because it uses an existing brand name. What they often need reassurance about, however—and what should often be the focus of the marketing program—is whether the extension also has the necessary points-of-parity.

For example, Nivea became a leader in the skin cream category by creating strong points-of-difference on the benefits of "gentle," "mild," "caring," and "protective," which consumers value in many categories. Through skillful product development and marketing, the Nivea brand was successfully expanded across a wide variety of skin care and personal care product categories. When it leveraged its brand equity into categories such as deodorants, shampoos, and cosmetics, Nivea found it necessary to establish category points-of-parity before it could promote its points-of-difference. These were of little value unless consumers believed its deodorant was strong enough, its shampoo would produce beautiful enough hair, and its cosmetics would be colorful enough. Once points-of-parity were established, Nivea's core brand associations could be introduced as compelling points-of-difference.

Contributing to Parent Brand Equity. To contribute to parent brand equity, an extension must strengthen or add favorable and unique associations to the parent brand and not diminish the strength, favorability, or uniqueness of any existing associations. The effects of an extension on consumer brand knowledge will depend on four factors:

1. How *compelling* the evidence is about the corresponding attribute or benefit association in the extension context—that is, how attention-getting and unambiguous or easily interpretable the information is. Strong evidence is attention-getting and unambiguous. Weak evidence may be ignored or discounted.
2. How *relevant* or diagnostic the extension evidence is for the attribute or benefit for the parent brand, that is, how much consumers see evidence on product performance or imagery in one category as predictive of product performance or imagery for the brand in other categories. Evidence will affect parent brand evaluations only if consumers feel extension performance is indicative of the parent brand in some way.
3. How *consistent* the extension evidence is with the corresponding parent brand associations. Consistent extension evidence is less likely to change the evaluation of existing parent brand associations. Inconsistent extension evidence creates the potential for change, with the direction and extent of change depending on the relative strength and favorability of the evidence. Note, however, that consumers may discount or ignore highly inconsistent extension evidence if they don't view it as relevant.[37]
4. How *strongly* existing attribute or benefit associations are held in consumer memory for the parent brand, that is, how easy an association might be to change.

Feedback effects that change brand knowledge are thus most likely when consumers view information about the extension as equally revealing about the parent brand, and when they hold only a weak and inconsistent association between the parent brand and that information.[38] Note that negative feedback effects are not restricted to product-related performance associations. As we saw earlier, if a brand has a favorable prestige image association, then consumers may disapprove or even resent a vertical extension (a new version of the product at a lower price). Michelin is a premium brand that has extended carefully.

MICHELIN

From its travel roots, Michelin, famous for the safety and dependability for its tires, has extended its brand into a variety of different categories. The company has long published guidebooks, the Red Guides to hotels and restaurants and the Green Guides for tourism. It has also published a series of road maps for locales and regions all over the world. More recently, a new division called Michelin Lifestyle began to sell additional licensed merchandise in four distinct areas: (1) tire accessories, such as foot pumps, floor mats, and windshield wipers; (2) "high-specification lifestyle products," such as bicycle helmets, scuba suits, and golf balls; (3) clothing and accessories featuring Michelin's brand mascot Bibendum; and (4) safety products developed with other companies, including ear plugs, safety goggles, and gloves. Michelin intended these brand extensions to "enhance the value of our brand and add emotional-type values, not just functionality, and reach out to…a new generation that doesn't yet associate with us." Still, Michelin Lifestyle management was careful not to stretch the brand too far by moving into "fragrances and other things that have some legitimacy for a lifestyle brand. There still has to be an authentic Michelin reason for everything."[39]

Michelin has expanded its brand carefully to strengthen its image and reach new customers.
Source: Michelin North America, Inc.

Vertical Brand Extensions

We've seen that brand extensions can expand market coverage and bring new consumers into the brand franchise. Vertical brand extensions, which 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. The central logic here is that the equity of the parent brand can be transferred in either direction to appeal to consumers who otherwise would not consider it.

Pros and Cons. Vertical extensions can confer a number of advantages. 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.

Yet vertical extensions are also susceptible to many of the disadvantages of brand extensions. A 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. Consumers may reject the extension and the parent brand's image will suffer. For prestige brands in particular, firms must often maintain a balance between availability and scarcity such that people always aspire to be a customer and do not feel excluded.

Even a successful downward extension has the possibility of harming the parent's brand image by introducing associations common to lower-priced brands, such as inferior quality or reduced service. Interestingly, however, research has shown that higher-quality extensions are likely to improve evaluations of the parent brand more than lower-quality extensions might harm it.[40]

One of the biggest risk factors of a vertical extension, particularly a downward one, is that it will succeed but cannibalize sales of a parent brand. It may bring new consumers to the brand franchise, but it may also bring a greater number of existing customers of the parent brand.

For example, when it held 70 percent global market share with its Kodak Gold brand, Kodak launched the discount Kodak Funtime brand to compete with the threat of lower-priced Fuji film. Cannibalization of the Kodak Gold brand soon followed, and Kodak found itself in a price war with Fuji that ultimately led to a significant decline in Kodak Gold market share. While the parent brand name "gives you the credibility to quickly gain share in the lower-end market," cannibalization is a likely outcome because "if you've already persuaded people that only the best products are sold under your brand, then they'll readily buy the least expensive item with that brand name."[41]

Examples. Despite the problems inherent in vertical extensions, many companies have succeeded in extending their brands to enter new markets across a range of price points. In fashion, the Armani brand has extended from high-end Giorgio Armani and Giorgio Armani Privé, to mid-range luxury with Emporio Armani, to affordable luxury with Armani Jeans and Armani Exchange.

As part of a plan to upgrade, Holiday Inn Worldwide broke its domestic hotels into five separate chains to tap into five different benefit segments: the upscale Crowne Plaza, the traditional Holiday Inn, the budget Holiday Inn Express, and the business-oriented Holiday Inn Select (although soon to be phased-out) and Holiday Inn Hotel & Suites. Different branded chains received different marketing programs and emphasis. A $100 million global ad campaign themed "Stay You" was launched in 2010 as part of the $1 billion brand refresh undertaken for the flagship Holiday Inn brand.[42]

In each case for Holiday Inn, a clear differentiation existed between brands, minimizing the potential for brand overlap and accompanying consumer confusion and brand cannibalization. Each extension also lived up to the core promise of the parent brand, thus reducing the possibility that any would hurt the parent's image.

Naming Strategies. Firms often adopt sub-branding strategies to distinguish their lower-priced entries. US Airways introduced US Airways Shuttle as an inexpensive short-haul carrier to compete with no-frills Southwest Airlines in the lucrative Eastern corridor market. Such extension introductions clearly must be handled carefully; typically, the parent brand plays a secondary role.

An even more difficult vertical extension is an upward brand stretch. In general, it is difficult to change people's impressions of the brand enough to justify a significant upward extension. Concern about the unwillingness of consumers to update their brand knowledge was what led Honda, Toyota, and Nissan to introduce their luxury car models as separate nameplates (Acura, Lexus, and Infiniti, respectively). As it turns out, product improvements to the upper ends of their brand lines since the introduction of these new car nameplates may have made it easier to bridge the gap into the luxury market with their brands. When it later elected to move downmarket, Toyota developed the Scion brand in part to avoid reducing the strength of the Toyota image.

At the same time, it is possible to use certain brand modifiers to signal a noticeable, although presumably not dramatic, quality improvement—for example, Ultra Dry Pampers, Extra Strength Tylenol, or PowerPro Dustbuster Plus. These indirect extensions, or "super-brands," may be less risky than direct extensions when moving a master brand up-market.[43]

To avoid the potential difficulties associated with vertical extensions, however, companies sometimes elect to use new and different brand names to expand vertically. The Gap has employed a three-tier approach, using the Banana Republic brand to command a 40 percent price premium that the Gap would likely never attain on its own and launching the Old Navy brand to offer 40 percent discounts.

By developing unique brand names, companies pursuing vertical expansion can avoid a negative transfer of equity from a "lower" brand to a "higher" brand, but they sacrifice some ability to transfer positive associations. Yet when the parent brand makes no secret of its ownership of the vertical brands, as is the case with both the Gap and Toyota, some associations may be transferred because the parent acts as a "shadow endorser" of the new brand.[44]

Branding Brief 12-3 illustrates how Levi has been able to expand its market coverage and attract new consumers through vertical extensions into discount jeans.

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 in Figure 12-6 and using managerial judgment and marketing research to help make *each* of these decisions.

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. Moreover, marketers

BRANDING BRIEF 12-3

Levi Extends Its Brand

Levi Strauss & Co. is an iconic U.S. brand, best known for the distinctive red tab on the back pocket of its jeans. Founded in 1853 by Bavarian immigrant Levi Strauss, the company grew to one of the world's largest apparel companies, with more than $6 billion in revenue and cachet as the cool jeans teens aspired to wear. During the late 1990s, though, Levi faced declining sales and growing debt. Its long tradition of producing durable jeans became a liability for its fashion image, and the firm remained private despite pressure to take all or part of it public to pay down debt.

For years, market power had been shifting away from suppliers like Levi and toward retailers. Mass merchants were selling about one-third of all jeans in the United States, and their share of the market was growing. The advent of discount stores made many consumers more price-sensitive. In 1999, Levi Strauss brought in a new CEO, Philip Marineau, from PepsiCo. Marineau favored increased segmentation as a way to boost sales, so Levi adopted a segmentation strategy to convince different types of retailers (department stores, specialty chains, upscale boutiques, and mass merchants) to carry its products.

Under the segmentation strategy, Levi's brands ranged from a relatively inexpensive discount line to $150-and-up vintage designs. Levi already sold to J.C. Penney Co. and Sears, Roebuck and Co., and those choices had alienated some major retail customers who preferred the brand to remain exclusive and slightly more upscale. Despite management concerns about potential reputation damage, Levi created the Signature by Levi Strauss & Co. brand to sell at mass merchants and began selling to Walmart in 2003.

Signature, positioned as a premium mass brand, carried new labels and styles manufactured from less-expensive fabric. The Levi Strauss & Co. name appeared in cursive; gone were the red tab and traditional Levi pocket stitching and logo. At that time, Levi priced Signature jeans at $23—more than other mass brands but below its $29 regular brand.

Initially, the segmentation strategy created rough spots for other Levi brands. As Levi's executives struggled to appease Walmart and find the right price point for mass retailers, other parts of the business suffered. Orders from department stores slipped and sales of regular Levi's, which had finally steadied leading up to the launch of the Signature brand, resumed their decline. Furthermore, a new high-fashion line called Type 1 failed.

In 2006, however, Walmart's price-chopping move ultimately proved effective and Signature jeans began to sell more quickly. The company also added lines of Signature baby clothing, bags and wallets, and men's khaki pants, selling to other mass retailers such as Kmart and Meijer.

Around the same time, Levi attempted to expand into premium segments, selling premium lines such as Levi's Capital E to Bloomingdales and Barney's New York. The upward stretch has proven to be more challenging. Levi recently consolidated several premium sub-brands under just two names: Made & Crafted, a premium denim line featuring better fabrics and fit, and Levi's Vintage Clothing, offering reproductions of items from the brand's historical archives.

Levi Strauss has concentrated in recent years on introducing new products into new channels to bolster its sagging jeans sales.

Source: AP Photo/Wilfredo Lee

The biggest launch, however, was another discount brand, dENiZEN from Levi's, first introduced into Asia in 2010. The name was chosen because it means "inhabitant" or someone belonging to a community of family and friends. After being launched in China, India, Mexico, Pakistan, Singapore, and South Korea, dENiZEN from Levi's was introduced into the U.S. market, initially sold exclusively at Target for $17.99–$29.99.

Sources: www.levi.com; Sandra O'Loughlin, "Levi Strauss Seeing Green with Signature Blues," *Brandweek*, 25 July 2005; "In Bow to Retailer's New Clout, Levi Strauss Makes Alterations," *Wall Street Journal*, 17 June 2004; Robert Guy Matthews, "Levi Strauss Bowwows a Page from Shakespeare," *Wall Street Journal*, 14 January 2005; Jacques Chevron, "Tacit Messages: A Lesson from Levi's," *Brandweek*, 6 February 2006; "Strauss & Co.; On the Record: Phil Marineau," *San Francisco Chronicle*, 6 March 2006; Rachel Dodes, "Levi's Shoots for the High-End Hipster," *Wall Street Journal*, 14 April 2010; Purvita Chatterjee, "Levi's Takes on Private Labels with Denizen," *The Hindu Business Line*, 23 May 2011; "Levi's Launches Denizen Jeans in U.S.," www.marketplace.com, 20 July 2011; www.levistrauss.com.

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.

FIGURE 12-6
Steps in Successfully Introducing Brand Extensions

must know what is to be the basis of positioning and core benefits satisfied by the brand. Profiling actual and desired brand knowledge structures helps identify possible brand extensions as well as guide decisions that contribute to their success. In evaluating an extension, 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 (see Chapter 13).

Identify Possible Extension Candidates

Chapter 11 described a number of 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.[45] Although consumers are generally better able to react to an extension concept than to suggest one, it still may be instructive to 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.

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.[46]

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 that the extension will realize the advantages and avoid the disadvantages of brand extensions, as summarized in Figures 12-2 and 12-4. As with any new product, analysis of the 3 Cs—consumer, corporate, and competitive factors—as well as category factors can be useful.

Consumer Factors. To evaluate the potential of a proposed brand extension, we assess its ability to achieve its own brand equity, as well as the likelihood that it can affect the parent brand's existing brand equity. First, marketers must forecast the strength, favorability, and uniqueness of *all* associations to the brand extension. In other words, what will be the salience, favorability, or uniqueness of parent brand associations in the proposed extension context? Similarly, what will be the strength, favorability, and uniqueness of any other inferred associations? The three-factor model of extension evaluations and the four-factor model of extension feedback effects can provide guidance in studying consumer reactions.

To narrow down the list of possible extensions, we often need consumer research (see Chapter 10 for a review). We can ask consumers directly for their brand permission ("How well does the proposed extension fit with the parent brand?" or "Would you expect such a new product from the parent brand?"). We can even ask what products they believe are currently attached to the brand: If a majority of consumers believe a proposed extension product is already being sold under the brand, there would seem to be little risk in introducing it, at least based on initial consumer reaction.

To understand consumers' perceptions of a proposed extension, we can use open-ended associations ("What comes into your mind when you think of the brand extension?" or "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. An interesting new statistical approach uses Bayesian factor analysis to separate brand and category effects to better assess brand fit.[47]

Common pitfalls include failing to take all consumers' brand knowledge structures into account. Often marketers mistakenly focus on one or perhaps a few brand associations as a potential basis of fit and ignore other, possibly more important, brand associations in the process.

BIC

By emphasizing inexpensive, disposable products, the French company Société Bic was able to create markets for nonrefillable ballpoint pens in the late 1950s, disposable cigarette lighters in the early 1970s, and disposable razors in the early 1980s. It unsuccessfully tried the same strategy in marketing Bic perfumes in the United States and Europe in 1989. The perfumes—two for women ("Nuit" and "Jour") and two for men ("Bic for Men" and "Bic Sport for Men")—were packaged in quarter-ounce glass spray bottles that looked like fat cigarette lighters and sold for $5 each. The products were displayed on racks in plastic packages at checkout counters throughout Bic's extensive distribution channels, which included 100,000 or so drugstores, supermarkets, and other mass merchandisers. At the time, a Bic spokeswoman described the new products as extensions of the Bic heritage—"high quality at affordable prices, convenient to purchase, and convenient to use."[48] The brand extension was launched with a $20 million advertising and promotion campaign containing images of stylish people enjoying themselves with the perfume and using the tag line "Paris in Your Pocket." Nevertheless, Bic was unable to overcome its lack of cachet and negative image associations; failing to achieve a critical point-of-parity, the extension fell short.

Although Bic has loyal consumer followings for its disposable, pens, razors and lighters, its attempt to introduce a portable fragrance collection was a failure.

Source: BIC

Another major mistake in evaluating brand extensions is overlooking how literal consumers can be in evaluating brand extensions. Although consumers ultimately care about benefits, they often notice and evaluate attributes—especially concrete ones—in reacting to an extension. Brand managers, though, tend to focus on perceived benefits in predicting consumer reactions, and, as a result, they may overlook some potentially damaging attribute associations.

When Hershey's introduced strawberry syrup, Smuckers retaliated with a chocolate syrup.
Source: Keri Miksza

Corporate and Competitive Factors. Marketers must take not only a consumer perspective in evaluating a proposed brand extension, but also a broader corporate and competitive perspective. 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? What are the competitive advantages to the extension as consumers perceive them, and possible reactions initiated by competitors as a result?

One of the biggest mistakes marketers make in launching extensions is failing to properly account for competitors' actions and reactions.[49] Too many extension products and too strongly entrenched competition can put a strain on company resources. Arm & Hammer's brand extension program met major resistance in categories such as deodorants when existing competitors fought back.

Brand counterextensions—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. The introduction of Hershey's strawberry syrup was followed by Smucker's chocolate syrup; Dixie paper plates was followed by Chinet paper cups. A successful extension can reduce the perceived fit between categories, making it easier for a brand to counterattack.[50]

Category Factors. Marketers must determine the optimal product line strategy for their brand. To do so, they need a clear understanding of the market and the cost interdependencies between products.[51] 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.[52] 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. From a branding perspective, longer product lines may decrease the consistency of the associated brand image if all items use the same brand.

Reddy, Holak, and Bhat studied the determinants of line extension success using data on 75 line extensions of 34 cigarette brands over a 20-year period.[53] Their major findings indicate that:

- Line extensions of strong brands are more successful than extensions of weak brands.
- Line extensions of symbolic brands enjoy greater market success than those of less symbolic brands.
- Line extensions that receive strong advertising and promotional support are more successful than those extensions that receive meager support.
- Line extensions entering earlier into a product subcategory are more successful than extensions entering later, but only if they are extensions of strong brands.
- Firm size and marketing competencies also play a part in an extension's success.
- Earlier line extensions have helped in the market expansion of the parent brand.
- Incremental sales generated by line extensions may more than compensate for the loss in sales due to cannibalization.

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]

Design Marketing Programs to Launch Extension

Too often 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. As is the case with a new brand, building brand equity for a brand extension requires choosing brand elements, designing the optimal marketing program to launch the extension, and leveraging secondary associations.

Choosing Brand Elements. By definition, 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. For example, Heinz and Campbell Soup have implemented package designs that distinguish different line extensions or brand types but reveal their common origin at the same time.[55]

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.

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 that we described in Chapter 4 for the development of any brand.

New brand elements are often necessary to help distinguish the brand extension and build awareness and image. As Chapter 11 noted, the relative prominence of existing parent brand elements and new extension brand elements will dictate the strength of transfer from the parent brand to the extension, as well as the feedback from the extension to the parent brand.

Designing Optimal Marketing Program. The marketing program for a brand extension must consider the same guidelines in building brand equity that we described in Chapters 5 and 6. 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.

When it comes to positioning, 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

Cannibalization can be a major problem for brands like Budweiser that have many different but related sub-brands.
Source: Keri Miksza

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.

For line extensions, consumers must also understand how the new product relates to existing products in order to minimize possible cannibalization or confusion. For example, when Anheuser-Busch first launched Bud Select, the low-carb beer with no aftertaste was positioned as an "upscale, white-collar brew." The emphasis on no aftertaste, however, drew an implicit comparison that cast other Anheuser-Busch products in a dim light and caused some consumers to abandon their usual Bud or Bud Light in favor of the new brand. As a result, nearly all of Bud Select's 1.3 percent share of supermarket sales earned in the month after its launch came at the expense of other Anheuser-Busch beers, which lost a share point during the same period.[56]

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 fortification 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.

Evaluate Extension Success and Effects on Parent Brand Equity

The final step in evaluating brand extension opportunities is to assess the extent to which an extension is able to achieve its own equity as well as 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 or other key measures of consumer response, centered on both the extension and the parent brand as a whole. Brand Focus 12.0 contains a simple checklist and describes a more detailed scorecard to help in evaluating brand extension opportunities.

EXTENSION GUIDELINES BASED ON ACADEMIC RESEARCH

Now we turn to some specific guidance about brand extensions. Fortunately, much academic research has focused on this strategy. We summarize some of the important conclusions in Figure 12-7 and describe them in detail in this section.

1. ***Successful brand extensions occur when the parent brand has favorable associations and consumers perceive a fit between the parent brand and the extension product.*** To better understand the process by which consumers evaluate a brand extension, many academic researchers have adopted a "categorization" perspective. Categorization research has its roots in psychological research, showing that people do not deliberately and individually evaluate each new stimulus to which they are exposed. Instead, they usually evaluate a stimulus in terms of whether they can classify it as a member of a previously defined mental category.

   We could argue that consumers use their categorical knowledge of brands and products to simplify, structure, and interpret their marketing environment.[57] For example, consumers may see brands as categories that over time have acquired a number of specific attributes based on their individual members.[58] As Method has expanded its range of cleaning

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.

FIGURE 12-7
Brand Extension Guidelines Based on Academic Research

products, consumers might develop stronger brand associations to "modern designs" and "environmentally friendliness."

In this categorization perspective, if consumers saw a brand extension as closely related or similar to the brand category, they could easily transfer their existing attitude about the parent brand to the extension. If they were not as sure about the similarity, they might evaluate the extension in a more detailed, piecemeal fashion. In this case, the strength, favorability, and uniqueness of salient brand associations would determine how they viewed the extension.[59]

Thus, a categorization view considers consumers' evaluations of brand extensions to be a two-step process. First, consumers determine whether there is a match between what they know about the parent brand and what they believe to be true about the extension. Then, if the match is good, consumers might transfer their existing brand attitudes to the extension.

Consistent with these notions, Aaker and Keller collected consumer reactions to 20 proposed extensions from six well-known brands and found that both a perception of fit between the original and extension product categories and a perception of high quality for the parent brand led to more favorable extension evaluations.[60]

A number of subsequent studies have explored the generalizability of these findings to markets outside the United States. Based on a comprehensive analysis of 131 brand extensions from seven such replication studies around the world, Bottomly and Holden concluded that this basic model clearly generalized, although cross-cultural differences influenced the relative importance attached to the model components.[61]

Thus, in general, brand extensions are more likely to be favorably evaluated by consumers if they see some bases of fit or congruity between the proposed extension and parent brand.[62] A lack of perceived fit may doom a potentially successful brand extension. Interestingly, moderately incongruent extensions can evoke more favorable extension evaluations than highly congruent extensions under certain specialized situations, such as when consumers are highly involved and the extension is otherwise undifferentiated from competitors.[63]

2. ***There are many bases of fit: both product-related and non-product-related attributes and benefits may influence extension fit.*** Any association about the parent brand that consumers hold in memory may serve as a potential basis of fit. Most academic researchers assume consumers' judgments of similarity are a function of salient shared associations between the parent brand and the extension product category. Specifically, the more common and the fewer distinctive associations that exist, the greater the perception of overall similarity, whether based on product- or non-product-related attributes and benefits.[64] Consumers may also use attributes for a prototypical brand or a particular exemplar as the standard of reference for the extension category and form their perceptions of fit with the parent brand on that basis.

   To demonstrate how fit does not have to be based on product-related associations alone, Park, Milberg, and Lawson have distinguished between fit based on "product-feature similarity" (as described earlier) and "brand-concept consistency."[65] They define ***brand concepts*** as the brand-unique image associations that arise from a particular combination of attributes, benefits, and the marketing efforts used to translate these attributes into higher-order meanings (such as high status). ***Brand-concept consistency*** measures how well the brand concept accommodates the extension product. The important point these researchers make is that different types of brand concepts from the same original product category may extend into the same category with varying degrees of success, even when product-feature similarity is high.

   Park and his coauthors further distinguish between ***function-oriented brands***, whose dominant associations relate to product performance (like Timex watches), and ***prestige-oriented brands***, whose dominant associations relate to consumers' expression of self-concepts or images (like Rolex watches). Experimentally, they showed that the Rolex brand could more easily extend into categories such as grandfather clocks, bracelets, and rings than the Timex brand; however, Timex could more easily extend into categories such as stopwatches, batteries, and calculators. In the former case, high brand-concept consistency for Rolex overcame a lack of product-feature similarity; in the latter case, product-feature similarity favored a function-oriented brand such as Timex.

Broniarczyk and Alba provide another compelling demonstration of the importance of recognizing salient brand associations. A brand that may not even be as favorably evaluated as a competing brand in its category may be more successfully extended into certain categories, depending on the particular parent brand associations involved. For example, although Close-Up toothpaste was not as well liked by their sample as Crest, a proposed Close-Up breath mint extension was evaluated more favorably than one from Crest. But a proposed Crest toothbrush extension was evaluated more favorably than one from Close-Up.[66]

Broniarczyk and Alba also showed that a perceived lack of fit between the parent brand's product category and the proposed extension category could be overcome if key parent brand associations were salient and relevant in the extension category. For example, Froot Loops cereal—which has strong brand associations to "sweet," "flavor," and "kids"—was better able to extend to dissimilar product categories such as lollipops and popsicles than to similar product categories such as waffles and hot cereal, because of the relevance of its brand associations in the dissimilar extension category. The reverse was true for Cheerios cereal, however, which had a "healthy grain" association that was relevant only in similar extension product categories.

Thus, extension fit is more than just the number of common and distinctive brand associations between the parent brand and the extension product category.[67] These research studies and others demonstrate the importance of taking a broader perspective of categorization and fit. For example, Bridges, Keller, and Sood refer to "category coherence." Coherent categories are those whose members "hang together" and "make sense." According to these authors, to understand the rationale for a grouping of products in a brand line, a consumer needs "explanatory links" that tie the products together and summarize their relationship. The physically dissimilar toy, bath care, and car seat products in the Fisher-Price product line can be united by the link "products for children."[68]

Researchers have also explored other, more specific, aspects of fit. Boush provides experimental data about the robustness and context sensitivity of fit judgments.[69] Similarity judgments between pairs of product categories were found to be asymmetrical, and brand name associations could reverse the direction of asymmetry. For example, more subjects agreed with the statement "*Time* magazine is like *Time* books" than with the statement, "*Time* books are like *Time* magazine," but without the brand names (just using "books" and "magazines"), the preferences were reversed. Smith and Andrews surveyed industrial goods marketers and found that the relationship between fit and new product evaluations was not direct; it was mediated and influenced by customers' confidence that a firm could provide a proposed new product.[70]

3. ***Depending on their knowledge of the product categories, consumers may perceive fit based on technical or manufacturing commonalities, or on surface considerations such as necessary or situational complementarity.*** Consumers can also base fit on considerations other than attributes or benefits. Taking a demand-side and supply-side perspective of consumer perceptions, Aaker and Keller showed that perceived fit between the parent brand and the extension product could be related to the economic notions of substitutability and complementarity in product use (from a demand-side perspective), as well as to the firm's perceived grasp of the skills and assets necessary to make the extension product (from a supply-side perspective).

Thus, Honda's perceived expertise in making motors for lawn mowers and cars may help perceptions of fit for any other machinery with small motors that Honda might want to introduce. Similarly, expertise with small disposable products offers numerous opportunities for Bic. On the other hand, some extension examples have little manufacturing compatibility but greater usage complementarity, such as Colgate's extension from toothpaste to toothbrushes or Duracell's extension from batteries to flashlights.

These perceptions of fit, however, may depend on how much consumers know about the product categories. As Muthukrishnan and Weitz demonstrated, "expert" consumers are more likely to use technical or manufacturing commonalities to judge fit, considering similarity in terms of technology, design and fabrication, and the materials and components used in the manufacturing process. Less knowledgeable "novice" consumers, on the other hand, are more likely to use superficial, perceptual considerations such as common package,

Honda's positive reputation for small motors has been an asset when it moved into categories that use similar types of machinery such as lawnmowers.

Source: American Honda Motor Co., Inc.

shape, color, size, and usage.[71] They may see a basis of fit between tennis racquets and tennis shoes rather than between tennis racquets and golf clubs, despite the fact that the latter actually share more manufacturing commonalities. The effects for more knowledgeable consumers were reversed, because they recognized the technical synergies in manufacturing tennis racquets and golf clubs.

Zhang and Sood showed a similar pattern of knowledge effects based on age. Children—who have less brand knowledge than adults—were more likely to evaluate extensions on the basis of surface cues (such as brand name linguistic characteristics of an extension, for example whether a brand name rhymed or not) while adults were more likely to use deep cues (like category similarity between the parent brand and extension category).[72]

4. ***High-quality brands stretch farther than average-quality brands, although both types have boundaries.*** Consumers often see high-quality brands as more credible, expert, and trustworthy. As a result, even if they believe a relatively distant extension does not really fit with the brand, they may be more willing to give a high-quality brand the benefit of the doubt than a brand they see as average in quality.[73]

   Thus, one important benefit of building a strong brand is that it can extend more easily into more diverse categories.[74] Fedorikhin, Park, and Thomson found that if consumers had a high degree of attachment with a brand, they were willing to pay more for an extension, recommend it to others, and forgive any mishaps.[75] Similarly, Yeung and Wyer showed that if a brand evokes a strong positive emotional reaction, consumers are likely to be less influenced by the fit of the extension.[76]

   Regardless, all brands have boundaries, as a number of observers have persuasively argued by pointing out ridiculous, and even comical, hypothetical brand extension possibilities. As Tauber once noted, few consumers would want Jell-O shoelaces or Tide frozen entrees!

5. ***A brand that consumers see as prototypical for a product category can be difficult to extend outside the category.*** As a caveat to the conclusion above, if consumers see a brand as exemplifying a category too strongly, it may be difficult for them to think of it in any other way. Numerous examples exist of category leaders that have failed in introducing brand extensions.[77]

   Bayer, a brand synonymous with aspirin, ran into a stumbling block introducing the Bayer Select line of specialized nonaspirin painkillers.[78] Chiquita was unsuccessful in its attempt to move beyond its strong "banana" association with a frozen juice bar extension.[79] Country Time could not overcome its "lemonade" association to introduce an apple cider. Perhaps the most extreme examples are brands that lost their trademark distinctiveness and became a generic term for the category, such as Thermos and Kleenex. To illustrate the difficulty a prototypical brand may have in extending, consider the experiences of Clorox.

CLOROX

Clorox is a well-known brand whose name is virtually synonymous with bleach. In 1988, Clorox took on consumer goods giants Procter & Gamble and Unilever by introducing the first bleach with detergent. After pouring $225 million into the development and distribution of its detergent products over three years, Clorox was able to achieve only a 3 percent market share. Despite being beaten to market, P&G subsequently introduced Tide with Bleach and was able to achieve a 17 percent share. Reluctantly, Clorox chose to exit the market. Its failure can certainly be attributed in part to the fact that consumers could think of Clorox only in a very limited sense as a bleach product. In a combined "laundry detergent with bleach" product, too, they see laundry detergent as the primary ingredient and bleach as secondary. As a result, in this market we might expect a laundry detergent extension such as Tide with Bleach to have an advantage over a bleach extension such as Clorox. On the other hand, Clorox has successfully extended its brand into household cleaning products like toilet bowl cleaners, where the bleach ingredient is seen as more relevant.[80]

Although Clorox is a leader in bleach, the initial success of its detergent with bleach product faded away when Procter & Gamble introduced Tide detergent with bleach.
Source: Keri Miksza

The relationship between primary and secondary ingredients Clorox may have encountered might also explain why Aunt Jemima was successful in introducing a pancake syrup extension from its well-liked pancake mix product, but syrup maker Log Cabin was less successful in introducing a pancake mix extension: pancake mix is seen as a more dominant ingredient than pancake syrup in breakfast pancakes.

6. ***Concrete attribute associations tend to be more difficult to extend than abstract benefit associations.*** The limits to market leaders' extension boundaries may be more rigid because many market leaders have strong concrete product attribute associations. These may even be reinforced by their names, like Liquid Paper, Cheez Whiz, and Shredded Wheat.[81] La-Z-Boy, for example, has struggled some to expand its strong usage imagery outside the narrow product line of recliners.

Concrete attribute associations thus may not transfer as broadly to extension categories as more abstract attribute associations.[82] For example, the Aaker and Keller study showed that consumers dismissed a hypothetical Heineken popcorn extension as potentially tasting bad or like beer, and a hypothetical Crest chewing gum extension as tasting unappealing or like toothpaste. In each case, consumers inferred a concrete attribute association for an extension that was technically feasible, even though common sense might have suggested that, logically, a manufacturer would not likely introduce a product with such an attribute.

More abstract associations, on the other hand, may be more relevant across a wide set of categories because of their intangible nature. For example, Aaker and Keller also showed that the Vuarnet brand had a remarkable ability to transfer to a disparate set of product categories, such as sportswear, watches, wallets, and even skis. In these cases, complementarity may have led consumers to infer that the extension would have the "stylish" attribute associated with the Vuarnet name, and they valued such an association in the different contexts.

We should note several caveats, however. First, parent brands' concrete attributes *can* transfer to some product categories.[83] A concrete attribute that is highly valued in the extension category because it creates a distinctive taste, ingredient, or component can often make the extension successful. According to Farquhar and Herr, such extensions might include Tylenol sinus medication, Oreo cookies and cream ice cream, and Arm & Hammer carpet deodorizer.[84]

Second, abstract associations may not always transfer easily. This second caveat emerged from a study conducted by Bridges, Keller, and Sood, who examined the relative transferability of product-related brand information when it was represented either as an abstract brand association or as a concrete brand association. For example, one such comparison contrasted the relative transferability of a watch brand characterized by dominant concrete attribute associations such as "water-resistant quartz movements, a time-keeping mechanism encased in shockproof steel covers, and shatterproof crystal," with that of a brand characterized by dominant abstract attribute associations such as "durable."

Although these authors expected the abstract brand representation to fare better, they found that, for several reasons, the two types of brand images extended equally well into a dissimilar product category—handbags. Perhaps the most important reason was that consumers did not believe the abstract benefit would have the same meaning in the extension category (durability does not necessarily "transfer" because durability for a watch is not the same as durability for a handbag).[85]

Finally, Joiner and Loken, in a demonstration of the "inclusion effect" in a brand extension setting, showed that consumers often generalized possession of an attribute from a specific category (like Sony televisions) to a more general category (say, all Sony products) more readily than they generalized the attribute from the specific category (Sony televisions) to another specific category (Sony bicycles). The effect was greater the more the specific extension category was typical of the general category (Sony cameras are more typical than Sony bicycles).[86]

7. ***Consumers may transfer associations that are positive in the original product class but become negative in the extension context.*** Because they have different motivations or use the product differently in the extension category, consumers may not value a brand association as highly as the original product. For example, when Campbell test-marketed a tomato sauce with the Campbell's name, it flopped. Apparently, Campbell's strong associations to soup signaled to consumers that the new product would be watery. To give the product more credibility, Campbell changed the name to the Italian-sounding "Prego," and the product has gone on to be a long-term success.
8. ***Consumers may infer negative associations about an extension, perhaps even based on other inferred positive associations.*** Even if consumers transfer positive associations from the parent brand to the extension, they may still infer other negative associations. For example, the Bridges, Keller, and Sood study showed that consumers who thought a proposed handbag extension from a hypothetical maker of durable watches also would be durable also assumed it would not be fashionable, helping to contribute to low extension evaluations.[87]

9. ***It can be difficult to extend into a product class that consumers see as easy to make.*** Consumers may dismiss some seemingly appropriate extensions if they see the product as comparatively easy to make and brand differences are hard to come by. Then a high-quality brand may seem incongruous; alternatively, consumers may feel the extension will attempt to command an unreasonable price premium and be too expensive.

For example, Aaker and Keller showed that hypothetical extensions such as Heineken popcorn, Vidal Sassoon perfume, Crest shaving cream, and Häagen-Dazs cottage cheese received relatively poor marks from experimental subjects in part because all brands in the extension category were seen as being about the same in quality, suggesting that the proposed brand extension was unlikely to be superior to existing products.

When consumers see the extension category as difficult to make, on the other hand, such that brands can vary a great deal in quality, an extension has a greater opportunity to differentiate itself, although consumers may also be less sure what the exact quality level of the extension will be.[88]

10. ***A successful extension can not only contribute to the parent brand image but also enable a brand to extend even farther.*** An extension can help the image of the parent brand by improving the strength, favorability, or uniqueness of its associations.[89] For example, Keller and Aaker, as well as Swaminathan, Fox, and Reddy, showed that when consumers did not already have strongly held attitudes, the successful introduction of a brand extension improved their choice and evaluations of a parent brand they originally perceived to be of only average quality.

If an extension changes the image and meaning of the brand, subsequent extensions that otherwise might not have seemed appropriate to consumers may make more sense and appear to be a better fit. Keller and Aaker showed that by taking little steps, that is, by introducing a series of closely related but increasingly distant extensions, marketers may insert brands into product categories that would have been much more difficult, or perhaps even impossible, to enter directly.[90]

A successful extension thus helps brands grow in three important ways:

1. By establishing a new market for the brand,
2. By strengthening existing markets for the brand, and
3. By opening up the possibility of additional new markets for the brand to subsequently enter.

For example, when Toyota launched the successful Prius hybrid gasoline–electric car, it not only cast a positive halo on the Toyota corporate brand as a whole as innovative and environmentally concerned, but it also paved the way for the introduction of a whole family of four different Prius models.

Similarly, when Apple introduced the iPod and iTunes digital music systems, they quickly became the market leader, representing one of the company's most successful new products ever. It also provided a halo effect that significantly boosted sales for the company's existing computer and software products. Finally, it made it easier for the company to introduce the iPhone smartphone and perhaps even the iPad tablet computer.

Different factors affect the success of multiple extensions. Boush and Loken found that consumers evaluated far extensions from a "broad" brand more favorably than from a "narrow" brand.[91] Dacin and Smith have shown that if the perceived quality levels of different members of a brand portfolio are more uniform, then consumers tend to make higher, more confident evaluations of a proposed new extension.[92] They also showed that a firm that had demonstrated little variance in quality across a diverse set of product categories was better able to overcome perceptions of poor extension fit. It is as if consumers in this case think, "Whatever this company does, it tends to do well."

In an empirical study of 95 brands in 11 nondurable consumer goods categories, Sullivan found that, in terms of stages of the product category life cycle, early-entering brand extensions did not perform as well, on average, as either early-entering new-name products or late-entering brand extensions.[93]

Shine, Park, and Wyer demonstrate an interesting brand synergy effect of multiple extensions. The simultaneous introduction of two brand extensions (e.g., two digital cameras) had an effect on consumer evaluations of the extensions independent of their similarity or fit to the parent brand (e.g., Xerox). Consumers appear to view a related set of products from a single manufacturer as inherently appealing.[94] Mao and Krishnan point out that consumers may form their perceptions of extension fit very differently when a brand operates in multiple product domains.[95]

11. ***An unsuccessful extension hurts the parent brand only when there is a strong basis of fit between the two.*** The general rule of thumb emerging from academic research and industry experience is that an unsuccessful brand extension can damage the parent brand only when there is a high degree of similarity or fit—for example, in the case of a failed line extension in the same category.

Roedder John and Loken found that perceptions of quality for a parent brand in the health and beauty aids area decreased with the hypothetical introduction of a lower-quality extension in a similar product category (shampoo). Quality perceptions of the parent brand were unaffected, however, when the proposed extension was in a dissimilar product category (facial tissue).[96]

Similarly, Keller and Aaker, as well as Romeo, found that unsuccessful extensions in dissimilar product categories did not affect evaluations of the parent brand.[97] When the brand extension is further removed, it seems easier for consumers to compartmentalize the brand's products and disregard its performance in what is seen as an unrelated product category.

Additional research reinforces and amplifies this conclusion. Roedder John, Loken, and Joiner found that dilution effects were less likely to be present with flagship products; they occurred with line extensions but were not always evident for more dissimilar category extensions.[98]

Gürhan-Canli and Maheswaran extended the results of these studies by considering the moderating effect of consumer motivation and extension typicality.[99] In high-motivation conditions, they found that incongruent extensions were scrutinized in detail and led to the modification of family brand evaluations, regardless of the typicality of the extensions. In low-motivation conditions, however, brand evaluations were more extreme in the context of high (than low) typicality. Because consumers considered the less typical extension an exception, it had reduced impact.

Consistent with these high-motivation findings, Milberg and colleagues found that negative feedback effects were present when (1) consumers perceived extensions as belonging to product categories dissimilar from those associated with the family brand, and (2) extension attribute information was inconsistent with image beliefs that consumers associated with the family brand.[100]

In terms of individual differences, Lane and Jacobson found some evidence of a negative reciprocal impact from brand extensions, especially for high-need-for-cognition subjects, but did not explore extension similarity differences.[101] Kirmani, Sood, and Bridges found dilution effects with owners of prestige-image automobiles when low-priced extensions were introduced, but not with owners of nonprestige automobiles or nonowners of either automobile.[102]

Finally, Morrin examined the impact of brand extensions on the strength of parent brand associations in memory. Two computer-based studies revealed that exposing consumers to brand extension information strengthened rather than weakened parent brand associations in memory, particularly for parent brands that were dominant in their original product category. Higher fit also resulted in greater facilitation, but only for nondominant parent brands. Moreover, the advertised introduction of an extension did not improve memory of the parent brand as much as the same level of advertising directly promoting the parent.[103]

12. ***An unsuccessful extension does not prevent a firm from backtracking and introducing a more similar extension.*** The Keller and Aaker study also showed that unsuccessful extensions do not necessarily prevent a company from retrenching and later introducing a more similar extension. The failure of Levi's Tailored Classics is instructive in that regard.

LEVI'S TAILORED CLASSICS

In the early 1980s, Levi Strauss attempted to introduce a Tailored Classics line of men's suits, targeted to independent-thinking "clotheshorses," dubbed "Classic Individualists." Although the suit was not supposed to need tailoring, to allow for the better fit necessary for these demanding consumers, Levi designed the suit slacks and coat to be sold as separates. It chose to price these wool suits quite competitively and to distribute them through its existing department store accounts, instead of the specialty stores where the classic individualist traditionally shopped. Despite a determined marketing effort, the product failed to achieve its desired sales goals. There were problems with the chosen target market, distribution channels, and product design, but perhaps the most fundamental problem was the lack of fit between the Levi's informal, rugged, outdoor image and the image the company sought from its suits. Despite the ultimate withdrawal of the product, Levi Strauss later was able to execute one of the most successful apparel launches ever—Dockers pants—an extension much closer in fit and more strongly sub-branded.[104]

As these experiences with brand extensions illustrate, failure does not doom a firm *never* to be able to introduce any extensions—certainly not for a brand with as much equity as Levi. An unsuccessful extension does, however, create a "perceptual boundary" of sorts, in that it reveals the limits of the brand in the minds of consumers.

13. ***Vertical extensions can be difficult and often require sub-branding strategies.*** Some academic research has investigated vertical extension. In an empirical study of the U.S. mountain bicycle industry, Randall, Ulrich, and Reibstein found that brand price premium was positively correlated with the quality of the lowest-quality model in the product line for the lower-quality segments of the market; for the upper-quality segments of the market, brand price premium was also significantly positively correlated with the quality of the highest-quality model in the product line. They concluded that these results suggest managers wishing to maximize the equity of their brands should offer only high-quality products, although overall profit maximization could dictate a different strategy.[105]

Hamilton and Chernev show that upscale extensions increase the price image of a brand and downscale extensions decrease its price image when consumers are browsing or just looking around, but that does not necessarily apply when consumers are actively looking to make a purchase. In the latter case, the effects can even be reversed: upscale extensions may actually decrease price image and downscale extensions increase it if consumers have an explicit buying goal.[106]

Kirmani, Sood, and Bridges examined the "ownership effect"—whereby owners have more favorable responses than nonowners to brand extensions—in the context of brand line stretches. They found that the ownership effect occurred for upward and downward stretches of nonprestige brands (like Acura) and for upward stretches of prestige brands (like Calvin Klein and BMW). For downward stretches of prestige brands, however, the ownership effect did not occur because of owners' desires to maintain brand exclusivity. In this situation, a sub-branding strategy protected owners' parent brand attitudes from dilution.[107]

14. ***The most effective advertising strategy for an extension is one that emphasizes information about the extension (rather than reminders about the parent brand).*** A number of studies have shown that the information provided about brand extensions, by triggering selective retrieval from memory, may frame the consumer decision process and affect extension evaluations. In general, the most effective strategy appears to be one that recognizes the type of information already salient for the brand in the minds of consumers when they first consider the proposed extension, and that highlights additional information they would otherwise overlook or misinterpret.

Aaker and Keller found that elaborating briefly on specific extension attributes about which consumers were uncertain or concerned led to more favorable evaluations. Bridges, Keller, and Sood—as well as Klink and Smith—found that providing information could improve perceptions of fit when consumers perceived low fit between the brand and the extension, either by reinforcing an overlooked basis of fit or by addressing a distracting negative association.[108]

Lane found that repeating an ad that evoked primarily benefit brand associations could overcome negative perceptions of a highly incongruent brand extension. Moreover, for moderately incongruent brand extensions, even ads that evoked peripheral brand associations (say, via brand packaging or character) could improve negative extension perceptions with sufficient repetition.[109]

Research has also explored several other aspects of extension marketing programs. Sood and Keller found that "branding effects" in terms of inferences based on parent brand knowledge operated both in the absence and presence of product experience with an extension, although they were less pronounced or, in the case of an unambiguous negative experience, even nonexistent.[110]

In considering the effects of retailer displays, Buchanan, Simmons, and Bickart found that evaluations of a high-equity brand could be diminished by an unfamiliar competitive brand when (1) a mixed display structure led consumers to believe the competitive brand was relevant and useful for judging the high-equity brand, (2) the precedence given to one brand over another in the display made expectations about brand differences or similarities more evident to consumers, and (3) the unfamiliar competitive brand disconfirmed these expectations.[111]

15. ***Individual differences can affect how consumers make an extension decision and will moderate extension effects.*** Consumers vary in their short-term or long-term motivation, ability, and opportunity to evaluate an extension in a number of important ways. Researchers have shown how these differences can affect extension fit and evaluations, as follows.

Monga and John demonstrate that one important individual difference in extension evaluations is whether consumers are analytical or holistic thinkers. ***Analytic thinkers*** focus more on comparing specific attributes or benefits of the parent brand and extension; ***holistic thinkers*** focus more on comparing overall attitudes and judgments of the parent brand and extension. Analytical and holistic thinkers both gave prestige brands permission to extend widely, but holistic thinkers gave functional brands much greater permission to extend than analytical thinkers.[112]

Similarly, Yorkston, Nunes, and Matta show that consumers known as ***incremental theorists***, who believe the personality traits of a brand are malleable, are more accepting of brand extensions than consumers known as ***entity theorists***, who believe a brand's traits are fixed.[113]

Another important individual difference relates to ***self-construal***, or how people view and make sense of life and their life.[114] A person with an ***independent self-construal*** is more concerned with the uniqueness of individuals; a person with an ***interdependent self-construal*** is more concerned with relationships between and among individuals.

In a branding context, Ahluwalia posited that a consumer with an interdependent self-construal should be better able to uncover the possible relationships among a brand extension and its parent brand and thus have higher perceptions of extension fit and favorability. In her study, these effects were observed as long as consumers with interdependent self-construal were sufficiently motivated.[115]

Similarly, Puligadda, Ross, and Grewal argue that ***brand-schematic*** consumers are more likely than others to process or organize information according to their brand knowledge. ***Brand-aschematic*** consumers, on the other hand, use other information such as product characteristics or attributes as a frame of reference. Brand schematic consumers were shown to be more likely to see the similarity in a brand extension concept.[116]

Another important individual difference between consumers is what academics call ***regulatory focus***. This deals with motivation and how people go about pursuing their goals. Individuals with a ***prevention focus*** are concerned with negative outcomes and avoiding losses via safety, security, responsibility, and so on. Individuals with a ***promotion focus*** are concerned with positive outcomes, seeking gains and pleasure and avoiding missed opportunities.[117]

Yeo and Park showed that consumers who are focused on prevention tend to judge dissimilar extensions less favorably than consumers who focus on promotion, due to their different interpretations of risk.[118] Relatedly, Chang, Lin, and Chang showed that promotion-focused consumers are more likely to focus abstractly on the overlap in benefits in judging an extension, whereas prevention-focused consumers are more likely to focus concretely on sheer category similarity.[119]

Temporal factors can affect extension evaluations. Barone, Miniard, and Romeo experimentally demonstrated that positive mood led consumers to think more positively of extensions they viewed as moderately similar to a brand they valuated favorably (as opposed to very similar or dissimilar).[120]

16. ***Cultural differences across markets can influence extension success.*** Building in part on branding research on individual differences, much recent research has explored how different cultures respond differently to brand extensions. Monga and John, as well as Ng and Houston, have shown that consumers from Eastern cultures (such as China) have a more holistic style of thinking and perceive higher levels of extension fit than do consumers from Western cultures (like the United States) who have a more analytical style of thinking.[121]

Dilution effects for a typical or similar extension that fails also can vary by culture and consumer motivation: Consumers from Eastern cultures exhibit significantly greater dilution when their motivation is high; consumers from Western cultures exhibit significantly greater dilution when their motivation is low.[122]

Additionally, Torelli and Ahluwalia show that cultural congruency can aid culturally consistent brand extensions over and beyond the effects of perceived fit. They note that a cultural congruent brand extension might be something like Sony electric car; a culturally incongruent car might be something like Sony cappuccino-macchiato maker. According to the research, beyond the inherent levels of fit that any electronic manufacturer might enjoy with an electric car, Sony would be expected to get an extra boost in fit and evaluations because of its Japanese country of origin and Japan's strong association with electronics.[123]

REVIEW

Brand extensions occur when a firm uses an established brand name to introduce a new product. We can distinguish them by whether the new product is being introduced in a product category currently served by the parent brand (a line extension) or in a completely different product category (a category extension). Brand extensions can come in all forms. They offer many potential benefits but also can pose many problems.

The basic assumptions behind brand extensions are that consumers have some awareness of and positive associations about the parent brand in memory, and that the brand extension will evoke at least some of these. Moreover, marketers assume that negative associations will not be transferred from the parent brand or created by the brand extension.

The extension's ability to establish its own equity will depend on the salience of consumers' associations with the parent brand in the extension context and the favorability and uniqueness of any associations they infer. The extension's ability to contribute to parent brand equity will depend on how compelling is the evidence about the corresponding attribute or benefit association in the extension context, how relevant or diagnostic the extension evidence is about the attribute or benefit for the parent brand, and how strong consumers' existing attribute or benefit associations are for the parent brand.

To evaluate brand extension opportunities, marketers need to carefully consider brand extension strategies by applying managerial judgment and consumer research to the following steps: Define actual and desired consumer knowledge about the brand, identify possible extension candidates, evaluate the potential of extension candidates, design marketing programs to launch extensions, and evaluate extension success and effects on parent brand equity. Finally, a number of important research findings deal with factors affecting the acceptance of a brand extension, as well as the nature of feedback to the parent brand.

DISCUSSION QUESTIONS

1. Pick a brand extension. Use the models presented in the chapter to evaluate its ability to achieve its own equity as well as contribute to the equity of a parent brand. If you were the manager of that brand, what would you do differently?
2. Do you think Virgin's brand is overextended? What are the arguments for or against?
3. How successful do you predict these recently proposed extensions will be? Why?
   a. Mont Blanc (famous for pens): fragrances and other accessories (watches, cufflinks, sunglasses, and pocket knives)
   b. Evian (famous for water): high-end spas
   c. Starbucks (famous for coffee): film production and promotion
   d. Trump (famous for hotels and casinos): vodka and mortgage services

4. Consider the following brands, and discuss the extendability of each:
   a. Harley-Davidson
   b. Red Bull
   c. Tommy Hilfiger
   d. Whole Foods
   e. Netflix
   f. U.S. Marines
   g. Grey Goose Vodka
   h. Victoria's Secret
   i. BlackBerry
   j. Las Vegas
   k. Kate Spade
5. There are four fake brand extensions among the following list; the other six were marketed at one point. Can you identify the four fakes?[124]
   a. Ben-Gay Aspirin: Pain Relief That Comes with a Warm Glow
   b. Burberry Baby Stroller: For Discriminating Newborns
   c. Smith & Wesson Mountain Bikes: Ride without Fear
   d. Atlantic City Playing Cards: Talcum-Coated for Easy Shuffling
   e. Pond's Toothpaste: Reduces the Appearance of Fine Wines
   f. Slim Jim Beef-Flavored Throat Lozenges: For Meat Lovers Who Like to Sing Karaoke
   g. Frito-Lay Lemonade: A Tangy, Crunchy Thirst Quencher
   h. Cosmo Yoghurt: Spoon It Up, Slim Down Those Thighs
   i. Richard Simmons Sneakers: Shake Your Cute Little Booty to the Oldies
   j. Madonna Condoms: For Men Who Are Packing

BRAND FOCUS 12.0

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?

It's also useful to employ more systematic analysis of proposed extensions. The Brand Extendibility Scorecard is designed to help marketers conduct thoughtful, thorough analysis of brand extensions. Like any marketing tool or framework, however, it serves as a means to an end and is designed to inform decision making, not to provide black-and-white "go or no-go" decisions.

Figure 12-8 contains the Brand Extendibility Scorecard. Three of its four main criteria follow the classic "3 Cs" perspectives—the consumer, company, and competitive point of view—to judge brand positioning. The fourth criterion is unique to the Scorecard and measures brand equity feedback.

Within each criterion, there are two major factors and one minor factor. Major factors are scored on a 10-point scale, minor factors on a 5-point scale. Maximum points are awarded if the extension candidate is clearly ideal on that factor, using either company or industry measures.

When we are scoring extensions, relative performance is important as absolute performance. Ranking extension candidates by their scores can provide a clear sense of priority, but we may also want to set cutoff points to guide decisions about potential extensions, perhaps by first scoring recent successful and unsuccessful extensions for the brand and even for competitors. This step also allows the marketing team to become more familiar with the 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

FIGURE 12-8
Brand Extendibility Scorecard

Notes

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