brand extensions and flanker brands

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BRAND EXTENSIONS

A brand extension involves a company using an existing brand name to introduce a new product (e.g., Keller, 2008). That is, it is one of many new-product launch strategies. A brand extension stretches a well-established brand name for a new-product offering into either a totally different product category or in the same product category for a new market segment. The existing brand is called the parent brand or the core brand because it gives life to a brand extension (Keller, 2008). This implies that brand extensions fall into two general categories: category extension and line extension (Farquhar, 1989). Category extension occurs when a company uses the parent brand to launch a new product in a different product category from the one that it currently serves (e.g., Fendi watches, Jeep strollers, and Honda lawn mowers). Line extension occurs when a company applies the parent brand to a new product that targets a different market segment within a product category that the company currently serves (e.g., Ralph Lauren purple label and Head & Shoulders® dry scalp shampoo).

Brand extension has been a popular strategy for continued growth for major companies that already have a strong brand in the markets they serve. Recently, 82% of new product launches were identified as either type of brand extension (Simms, 2005). This trend may be because brand extensions are low-risk models in which a well-built brand name and its image can be transferred to a new product, compared to the high risk of launching a new product under a totally different brand name. Thus, brand extensions buffer the costs and risk associated with launching a new product. A familiar and trusted brand name signals credibility and quality to consumers and elevates the likelihood that they will try the extension product (Braig and Tybout, 2005). In general, brand extensions can help build/maintain a company's brand equity. They leverage brand assets and create synergy by generating more chances for brand exposure and associations in different contexts. In addition, they increase profitability by serving the customer with new products in more than one product category (Aaker and Joachimsthaler, 2000). Thus, well-planned and well-implemented extensions not only bring out a number of advantages to marketers in a new product introduction, but also benefit the parent brand.

A vertical extension is a different type of brand extension which does not simply fit into either category of brand extensions mentioned above. It includes sub-branding and super-branding targeted at different market segments in the same category. In this sense, vertical extensions can be said to belong to line extensions except that they have an additional brand name endorsed by the parent brand (e.g., Courtyard® by Marriott). Marketers introduce low-priced versions of their established brand name products for more value-conscious segments (sub-branding) whereas they attempt to ladder up their brand to up-market through brand extensions in order to serve a more premium market segment (super-branding) (Keller, 2002). The rationale behind vertical extensions is that the parent brand's equity can be transferred in either direction in order to appeal to consumers because the parent brand has a role as endorser for the new offering (Keller, 2008).

Sub-branding (e.g., Fairfield Inn® by Marriot, Marc by Marc Jacobs) can be used as a means to distinguish lower-priced entries. Sub-branding can reduce the risk of potential failure of the extension. However, downward extension of prestige brands can face resistance from current owners because they desire brand exclusivity (Kirmani, Sood, and Bridges, 1999). Super-branding can be used to indicate a noticeable, although presumably not dramatic, quality improvement (e.g., GE Profile™ or Levi's® Vintage). The upward extension can upgrade brand image because a more premium version of a brand tends to develop positive associations with the brand (Keller, 2008).

Considering the high failure rate of new products (e.g., only one or two out of ten new products are successful and the vast majority of them are withdrawn from the market within a year; Braig and Tybout, 2005; Keller, 2008) brand extensions definitely make new-product

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acceptance easier if the parent brand has been well known and well liked in the market that it has served (Keller, 2008). Consumers can make inferences and expectations about the likely quality and performance of a new product, based on what they already know about the parent brand (the degree to which they feel the knowledge is relevant to the new product) (Keller, 2008). This benefit enables a reduction of risk perceived by customers, distributors, and retailers. It can lead to a decrease in the cost of gaining distribution and trial, improve the efficiency of promotional expenditures, and so on. In addition to facilitating acceptance of extensions, they can also provide feedback benefits to the parent brand and the company as a whole. They can enhance the parent brand image by improving the strength and favorability of brand associations. The enhancement of the parent brand also leads to improvement of perceptions of company credibility, expertise, and trustworthiness (Aaker and Keller, 1990). In a long-term perspective, extensions may help fine-tune the company's core benefit proposition and business definition, which is a key factor in gaining new customers in the company's brand franchise and increasing market coverage.

Despite the many number of benefits of brand extensions mentioned so far, they are not always easy to execute in the competitive business environment. Thus, marketers should be able to address questions ranging from whether to extend the brand to when, where, and how to extend it before making any strategic decision about launching a brand extension. Poorly executed extensions can dilute brand associations, weaken brand power, and reduce the clarity of the offerings. When a brand is tied closely to a certain product class and represents it, the brand's potential to stretch is limited. For example, brands such as Kleenex® and Clorox® Bleach may not extend too far beyond their basic product areas because they are so attached to a specific product and its attributes (Aaker and Joachimsthaler, 2000). In contrast, brands with credibility and intangible associations are more likely to extend to new categories because those intangibles make sense to consumers in a wide variety of contexts (Park, Milberg, and Lawson, 1991; Schultz and Schultz, 2004). Extreme examples of this can be found in Virgin brand. The brand has been stretched from record sales to colas to hotels and airlines. How were those extensions possible? It does not seem to represent expertise in one specific field; instead it may be a way of managing, a way of serving customers, and a view of the world that people seem to like (Schultz and Schultz, 2004). In contrast, Park, Milberg, and Lawson (1991) showed that function-based brands have more difficulty with brand extension than prestige-based brands (e.g., Timex vs Rolex).

What are the basic guidelines about brand extensions? Successful brand extensions can be made when the parent brand is viewed to have favorable associations and there is a perception of fit between the parent brand and its extension (Keller, 2002). The fit can be found in many different parts of a parent brand and its extension, ranging from not only product-related attributes and benefits, but also non-product-related attributes and benefits such as common usage situations or user types (Aaker and Joachimsthaler, 2000). Wherever the base of fit judgment is located, consumers should be comfortable with the extension and sense a fit. The brand extension should offer an added value for consumers, thereby helping consumers understand why the new offering from the parent brand should be preferred to other brands (Aaker and Joachimsthaler, 2000). In addition, the new association between the parent brand and its extension should enhance brand equity. Marketing research should be conducted to explore three of these criteria for making a decision of whether the brand can be extended successfully (Keller, 2008).

Academic research and industry experience have discovered a number of principles leading to successful brand extensions. Keller (2008) recommends that marketers go over their brand extension strategies thoroughly by following the steps below, and apply their managerial judgment and consumer research findings in order to accomplish appropriate and successful brand extensions.

- Define actual and desired consumer knowledge about the brand (e.g., create mental map and identify key sources of equity).
- Identify possible extension candidates on the basis of parent brand associations and overall

similarity or fit of extension to the parent brand.

- Evaluate the potential of the extension candidate to create equity.
- Design marketing programs to launch extensions.
- Evaluate extension success and effects on parent brand equity. (Keller, 2008, p. 524).

Flanker Brands

When a brand is attacked by a competitor with a value offer or unique position, any company takes such an attack seriously and responds. However, any careless response can jeopardize its image and brand equity (Aaker, 2004). A solution can be found through having a flanker brand. A flanker brand (also called a fighting brand) is a new brand launched in the market by a company with an established brand in the same product category. It is designed to fight a competitor, shielding the flagship brand from the fray (Giddens, 2002). The name "flanker brand" comes from a war metaphor. A flanker brand protects the flagship brand from a competitor that is not competing directly with attributes and benefits that the flagship brand has nurtured (Aaker, 2004). Ideally, a flanker brand should compete in the same category as the flagship brand without cannibalizing the flagship brand's market share through targeting a different group of consumers. The objective of a flanker brand is to debilitate the competitor brand where it is positioned without compelling the flagship brand to divert its focus (Aaker, 2004). Broadly this strategy is called fighter branding or multibranding in the sense that it can help a company to occupy a larger total market share than one product could garner alone.

The brand portfolio of a company with flanker brands includes the following types of offerings: (i) a flagship (or premium) brand that offers high quality at a higher price; and (ii) one or more "value" brands offering a slightly lower quality or a different set of benefits for a lower price. One of the largest companies to use this strategy effectively is Proctor & Gamble (P&G™). Tide® is an extremely well-established laundry detergent whereas Cheer® is a slightly lower quality detergent available at a value price, developed to appeal to consumers who wanted a lower cost detergent. The sales of Tide® sales dropped slightly when the new brand, Cheer®, was introduced, but the combined sales of Cheer® and Tide® were greater than the former sales of Tide® alone. Thus, the adoption of a flanker branding strategy by P&G™ let the company achieve a higher market share (Giddens, 2002).

Typically, the purpose of flanker brands is to create stronger points of parity with competitors' brands so that more important (and more profitable) flagship brands can retain their desired positioning (Keller, 2008). Many companies are launching discount brands as flankers to better compete with store brands and private labels, and guard their higher end brands. Thus, it is true that developing a flanker brand offers a number of advantages to the company adopting the strategy. For example, a flanker brand helps gain more store shelf space for the company which leads to retailers' increased dependence on the company's products (Giddens, 2002). At the same time, a flanker brand helps mitigate the pressure of losing sales caused by cheaper store brands or private label brands available in almost every retail store chain, and grab "brand switchers" for a value offering by providing several different brands. Above all, the company and the flagship brand can be protected even if the flanker brand fails in the market because consumers will not readily associate it with the existing flagship brand.

However, flanker branding is not completely without risk. The risk is similar to that of launching a new brand. Introducing a new brand into the market is always expensive. Brand introductions need an ample amount of marketing communication expenditures as well as a great deal of consumer research. Thus, in some cases, companies try to reposition existing brands in their portfolios to play the flanker role instead of introducing a new brand. For example, P&G™ repositioned its one-time top-tier Luvs diaper brand to serve as a flanker to insulate the premium-positioned Pampers brand from private labels and store brands (Keller, 2008).

When marketers design flanker brands, they must be very careful. Fighter brands must not be so attractive that they take large amounts of sales away from their higher priced comparison brands. At the same time, flanker brands should not be designed so cheaply that they negatively affect the other brands in the company's brand portfolio (Keller, 2008). Like brand extensions, flanker branding may not be for every player in the market, even if it may enable a company to protect its flagship brands from the attack of lower priced value offerings by the competitor.

Conclusion

A brand portfolio strategy guides how a company will manage different brands and branding elements to lead to long-term profitable growth (Calkins, 2005). Brand extensions and flanker brands can be said to be key players in building and managing a strong brand portfolio, viewed from the objectives and roles of each. A growth alternative is found when utilizing a strong brand through extensions (Aaker, 2004). Brand extensions involve leveraging tangible and intangible assets of a parent brand (or a core brand) for introducing a new product. Whether a company has a strong core brand is the first and most important base for stretching a brand into a new market. Unless a company has a strong and well-built brand to extend, it may be fruitless to invest in brand extensions. Thus, building a strong core brand is the first priority before pursuing any type of extensions. Once the strong core brand is built, extension opportunities are easy to find, and a brand extension from the strong core brand will add value through its favorable associations and reach current/prospective customers (Aaker, 2004; Calkins, 2005). A company also makes a strategic decision to move down market in order to access volume markets. This movement may result in an unsuccessful launch of a new product, as well as damage the company's brand image. In terms of maintaining a well-conceived brand portfolio, the company can separate a value offering from its core brand through sub-branding. However, the best option may be to reposition an existing brand in the company's brand portfolio, or to create a new one (Aaker, 2004). This movement is in line with flanker branding. With flanker brands, the company is more likely to protect its core market position without diluting the core brand image and garner more sales.

The role and business objectives of brand extensions are very different from those of flanker brands. Each of them is rooted in a different branding strategy in a company's brand architecture and portfolio. However, they are equally important in terms of protecting the brand equity that the company has achieved by bringing out greater customer share on the condition that they are well designed and implemented. Finally, strategic utilization of brand extensions and flanker brands in a company's brand portfolio will help achieve a company's business goal of long-term profitable growth by meeting the following marketing objectives based upon special roles of brands in the brand portfolio of a company: (i) to attract a particular market segment that is not currently being served by other brands of the company (Keller, 2008); (ii) to keep market position and protect flagship brands (Giddens, 2002); (iii) to broaden product offerings in order to appeal to consumers seeking variety who may otherwise have switched to a competitor's brand (Keller, 2008); and (iv) to achieve economies of scale in marketing communications, sales, merchandising, and physical distribution (Keller, 2008).

See also *brand strategy; brand value; launch strategies; marketing strategy implementation; perception of brand equity*

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