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Brand Extensions: The Good, the Bad, and the Ugly

David Aaker *University of California, Berkeley*

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A STRONG BRAND NAME is an invaluable asset; managers must know when to exploit it, when to protect it, and how to tell the difference between the two. Because using an established brand name substantially reduces new-product introduction risks, there is an almost irresistible pull to "extend" brand names to new products. Doing so can be enormously profitable, but it can be dangerous, too: In the worst case, an ill-conceived brand extension may seriously damage the *original* product and preclude the establishment of another brand with its unique associations and growth potential. This article examines both the advantages and potential pitfalls of brand extensions.

BRAND EXTENSIONS have been the core of strategic growth for a variety of firms during the past decade. The power of such a strategy is evidenced by the sheer numbers. Each year from 1977 to 1984, 120 to 175 totally new brands were introduced into American supermarkets. In each of those years, approximately 40 percent of the new brands were actually brand extensions. In 1986, over 34 percent of apparel and accessory purchases involved licensed names, and these were only part of over $15 billion in retail sales of products using licensed trademarks or brand names.[1]

The attraction of levering the brand name is powerful—often irresistible, when the alternatives are considered. The cost of introducing a new name in some consumer markets can range from $50 million to well over $100 million. And even such spending levels do not guarantee success. In fact, the percentage of new products that are successful is not at all reassuring. In contrast, using an established brand name can substantially reduce the introduction investment and increase the probability of success. A study of 7,000 supermarket products introduced in the 1970s found that fully two-thirds of the ninety-three products that grossed over $15 million were line extensions.[2]

The most real and marketable assets of many firms are the brand names they have developed. Thus, one growth option is to use those assets to penetrate new product categories or to license them to others for use in new product categories. Another option is to acquire a firm with a brand name that can provide the platform for future growth via brand extensions.

However, this strategy has its drawbacks. A brand name can fail to help an extension or, worse, can create subtle (or sometimes not so subtle) associations that hurt the extension. Worse still, the extension can succeed, or at least survive, and damage the original brand by weakening existing associations or adding new, undesirable ones. Because the extension can dramatically affect a key strategic asset, both in its original setting and in the new context, the wrong extension decision can be strategically damaging.

This article is an overview of the brand extension decision and its possible outcomes—the good, the bad, and the ugly. First, we consider the rationale for an extension, the contribution that the brand name makes to the extension, and the contribution that the extension makes to the brand name: the good. Next, we discuss the bad—how the brand may harm the extension, and the ugly—how the extension may harm the brand or prevent a new brand name from being established. Finally, we consider the strategy issues raised by the brand extension decision.

David Aaker is J. Gary Shansby Professor of Marketing Strategy at the Haas School of Business Administration, University of California, Berkeley. He holds the B.S. degree from MIT and the M.S. and Ph.D. degrees from Stanford University. His research interests include branding, business strategy, and advertising. He is the author of Managing Brand Equity, *which will be published in early 1991 by The Free Press, and* Developing Business Strategy *(2d edition, John Wiley).*

The Good: What the Brand Name Contributes

Brand Associations

Purchase decisions are often based upon a limited number of product attributes. A credible and sustainable point of differentiation with respect to a key attribute can be difficult to create, especially if one's competitors are established.

If a firm wanted to enter a low-calorie market, for example, it might have to engage in low-calorie shouting matches with competitors. The result could be an expensive and perhaps impossible positioning task. However, by using the Weight Watchers name, a product line could gain strong associations with the Weight Watchers program and a credible position as an effective part of a weight control program. Heinz, which bought Weight Watchers in 1978, has done just that with hundreds of food items sold in supermarkets. Heinz calls the name its "growth engine for the 1990s."[3]

The name "Jeep" provided a new line of shoes with instant associations—upscale casual products for adventurous people—that would have been difficult to achieve without the Jeep name.

A strong association can help to communicate as well as position a brand. Consider the problem of communicating that a new liquor is rich and creamy. By using the Häagen-Dazs name, Hiram Walker efficiently communicated a complex message and also gained a strong position. The Hershey name on a product such as milk immediately communicates not only the chocolate taste, but also that it will be a "Hershey taste."

There are a host of brand associations that can provide a point of differentiation for an extension. Tauber studied 276 brand extensions and concluded that most fit into seven approaches:[4]

• **Same product in a different form**—Cranberry Juice Cocktail or Dole frozen fruit bars.
• **Distinctive taste, ingredient, or component**—Philadelphia cream cheese salad dressing, Arm & Hammer carpet deodorizer.
• **Companion product**—Mr. Coffee coffee, Colgate toothbrushes.
• **Customer franchise**—Visa traveler's checks, Gerber baby clothes.
• **Expertise**—Honda lawn mowers (experience in small motors), Bic razors (experience in making inexpensive disposable plastic items).
• **Benefit, attribute, feature**—Ivory "mild" shampoo, Sunkist vitamin C tablets.
• **Designer or ethnic image**—Pierre Cardin wallets, Benihana frozen entrees.

Quality Associations

In many situations, product attribute positioning may be futile. A brand can get into a specification battle—the brand with the most fiber, the fastest frequency response, the lowest number of complaints. Such claims are often short lived; competitors may alter their products and challenge the claim. Customers become confused; they disregard the competing claims and decide based on an intangible perception of quality that is not necessarily based upon specific attribute associations.

Competing on the basis of perceived high quality, then, is often an attractive alternative. In fact, when we asked 248 business managers to identify the sustainable competitive advantage for their business, they most frequently mentioned a reputation for quality.[5] The challenge is often to achieve a *perception* of high quality, which is sometimes more difficult than actually *delivering* high quality. Using established brand names is a good way to do this. Thus, the Hewlett-Packard (HP) name provides thousands of products with an umbrella of quality and support associations that mean far more than the specifications of the individual HP products do. In fact, some corporate names, such as HP, Kraft, General Electric, and Ford, are on so many products that they lack strong specific associations. Their value is to provide some feeling of quality and a related feeling that they will be around awhile.

The general perception of quality associated with a name is a key ingredient in its successful extension. There is little point in extending mediocrity. Aaker and Keller studied eighteen proposed extensions of six brand names—McDonald's, Vuarnet, Vidal Sassoon, Crest, Häagen-Dazs, and Heineken.[6] We found that the perceived quality of the brand in its original context was a significant predictor of how the extension would be evaluated *as long as there was a fit* between the two product classes.

Awareness and Presence

The first step in gaining acceptance for a new product is to develop a brand name and to associate it with the product class. Brand name awareness can affect purchases for some low-involvement products such as gum or detergent and can determine whether a brand is considered in other categories such as cars or computers. Thus, a recognized name can translate directly into a market advantage.

Interestingly, in our study of 248 business managers, the third most mentioned sustainable competitive advantage was high recognition within the product class. (The first two were reputation for quality and customer service/product support.) Creating name awareness and associating it with a product class can be expensive. Exxon reportedly spent more than $200 million when it changed from "Esso" to "Exxon." Black & Decker spent more than $100 million to establish its name on the GE line of small appliances it purchased in 1982. The campaign achieved a 57 percent awareness level—which was good but still lower than what GE retained.

Many brand names have recognition levels of over 95 percent, even brands such as Winnebago and Arm & Hammer, which have not received extensive advertising. The use of a recognized brand name on a new product automatically provides name recognition and reduces the communication task to the more manageable one of attaching the name to the new product class. It is probably easier to communicate that (widely known) Jell-O now makes Pudding Pops than to communicate the existence of a new name like Mr. Pudding-on-a-Stick. Sullivan's 1989 study of ninety-eight consumer brands in eleven markets found that successful brand extensions spent less on advertising than did comparable new-name entries.[7] Further, the difference increased as the product class matured.

When the brand can support heavy advertising of other categories, the extension will benefit. For example, Helen of Troy, which makes professional hairstyling tools, has built a $100 million retail hair dryer and curling wand business by licensing the Vidal Sassoon name. A key ingredient is the massive advertising support that Vidal Sassoon shampoos and conditioners receive.

Coca-Cola resisted putting its name on a diet product even when Diet Pepsi was doing extremely well because the company feared that the Coca-Cola name would be damaged. The fears were dispelled, however, with the introduction of Diet Coke in 1982. By the late 1980s, Diet Coke had been joined by five other extensions and the total share of brands carrying the Coca-Cola name had increased. One reason the extensions were so successful was the high recognition level. In the Landor Associates survey, which rates a brand's power based upon recognition and attitude levels, Coke is the strongest brand by a large margin.[8]

Trial Purchase Is Encouraged

A brand name attached to a new product reduces the risk for a prospective buyer. It means that the firm is established, is likely to be around to support the product, and is unlikely to promote a flawed product. Thus, an IBM or AT&T computer has credibility, while an "Advanced Computer" brand, even with a good product, may have little chance. In concept tests for consumer products, the use of a brand name such as Pillsbury, Del Monte, or Kellogg's nearly always results in a dramatic improvement in evaluation.

In a study of fifty-eight new products introduced into the Philadelphia area, the most important predictors of trial purchase levels were the extent to which a known family brand was involved and the level of promotion used.[9] Both had more impact than distribution, packaging, and brand awareness achieved by advertising. In virtually all tests of new product concepts, an established name greatly enhances initial reaction, interest, and willingness to consider or try the product.

Enhancement of the Core Brand—More Good

Extensions can and ideally should enhance the core brand. Instead of weakening the brand name, the extension should reinforce its image. Thus, Weight Watchers brand extensions are firmly positioned as weight control products. They increase the brand's visibility and support the main association: weight control. The Sunkist associations with oranges, health, and vitality are reinforced by the promotion for Sunkist juice bars and Sunkist vitamin C tablets.

An extension can develop name recognition and associations among a new group of consumers. For example, Winnebago Industries has traditionally sold expensive campers and motor homes to middle-aged people who can afford the relatively steep price. In 1982, Winnebago licensed a line of camping equipment, intending to build awareness among younger consumers who had not yet heard of Winnebago. Buyers of sleeping bags and tents will someday be prospective buyers of motor homes. Of course, Winnebago runs the risk that people will suppose that the motor homes are made like flimsy camp stoves. If the motor home line is anchored firmly along a quality dimension and separated from the camping equipment line in terms of promotion and distribution, this possibility will be reduced.

The Bad: The Name Fails to Help

No Value Added

When a brand name is added simply to provide recognition, credibility, and a quality association, there is often a substantial risk that, even if a brand extension is initially successful, it may be vulnerable to competition. Consider Pillsbury microwave popcorn, which initially benefited from the Pillsbury name but was vulnerable to the entry of an established name with an equal or superior product because the name did not add significant value in the popcorn category. Orville Redenbacher's, which is associated with high-quality popcorn, entered the category late and was still able to win. The General Mills product, Pop Secret, represents the alternate strategy: develop a new name for the category that suggests popcorn and a product benefit—a secret popping formula.

A designer name does not guarantee success when it does not add value to the product. The Bill Blass name attached to chocolates provided design and prestige associations that were not valued by the customer or at least could not overcome the price premium. It is particularly important for the brand extension to add value if the generic product (in this case, chocolates) is very well established.

An effort to establish the Beatrice name using the tag line "You've known us all along" did not add any value to the brands involved (e.g., Wesson and Orville Redenbacher's). Further, the effort did not even succeed in making consumers aware that these brands were Beatrice products. There was simply no reason for consumers to make the connection. The result was at best wasted awareness-oriented advertising.

A brand attribute and an associated name may only *appear* to offer a benefit. Lilt, a major hair permanent brand, came out with a shampoo/conditioner that was designed for permed hair. For that application, the name Lilt appeared to be a significant asset. However, the focus of the target segment became dry hair rather than permed hair. Those users perceived no need for a special perm shampoo—any shampoo for dry hair was acceptable.

It is useful to run a concept test to see if a name actually adds value. Prospective customers given only the brand name can be asked whether they would be attracted to the product and why. If they can articulate a reason that the new product would be attractive, then the brand is adding value. However, if they are unable to provide a specific reason, it is unlikely that the brand name will add significant value.

Negative Associations

There is also the risk that a brand extension could stimulate negative attribute associations. In the early 1980s, Levi Strauss enjoyed a large market share in its targeted markets and needed to look to new segments to maintain growth. One unpenetrated segment was the "classic independent," a person concerned with having the right look and label, one who tends to shop at specialty stores. Targeting this segment, Levi introduced the Levi Tailored Classics, a line of men's suits sold as separates (slacks and coats). But a problem emerged: The Levi name did not fit the concept of quality tailored suits, especially for the target segment. Its associations with casual living, rugged material, and the out-of-doors undermined the credibility of the new line.

Examples of brand names that were handicaps rather than assets to an extension are not difficult to find. Consumers did not accept Tang grapefruit drink or Countrytime apple cider in part because of the strong taste associations of the original Tang orange drink and Countrytime lemonade. Campbell Soup called its line of spaghetti sauces Prego after it found that consumers associated the Campbell's name with being orange and watery.

Log Cabin, the leader in the syrup business, failed in its efforts to enter the pancake mix business. The associations with a sticky, sweet syrup probably did not engender visions of a light, fluffy product. The brand Aunt Jemima, in contrast, was successful in going the other way—from pancake mix to syrup. Aunt Jemima pancake mix has, of course, links to the Aunt Jemima character, a friendly, warm person who likes to cook pancake breakfasts. Thus, Aunt Jemima associations are richer and stronger than Log Cabin associations. Why didn't Aunt Jemima Syrup damage their core pancake business? The likely reason is that the extensive product experience of Aunt Jemima pancake mix users coupled with the strong associations of Aunt Jemima made it impervious to any impact of the syrup extension.

Sometimes there are unanticipated subtleties to the transfer. Aaker and Keller found that, for example, the Crest taste was a problem in Crest gum but not in Crest mouthwash, although both had positive associations of good dental care and hygiene. Good taste may not be important in mouthwash; indeed, Listerine has associated unpleasant taste with effective freshener action.

Negative associations can sometimes be reduced or suppressed by adding a second brand name with the right connotations or by elaborating on the concept. Thus, there might be a Campbell's Special Torino spaghetti sauce; the Campbell's name would be used much like the Kellogg's name on cereals–it sprinkles some credibility on another brand name. The Special Torino subname will cue product characteristic associations. Or a concept elaboration could be featured: Campbell's rich, thick, dark spaghetti sauce. The elaboration will reduce the likelihood that the Campbell soup associations will emerge.

The Aaker and Keller study showed that product-concept elaborations could reduce negative associations. We experimented with two types of concept elaborations to see if they could overcome negative associations in brand extension concepts–for example, McDonald's photo processing (greasy, lacking competence). One that elaborated the positive attributes ("the providers of fast, inexpensive, convenient service") did not improve the ratings. Another, which elaborated the concept to neutralize the negative associations ("physically separated from the food service and using a well-established camera retailer to process the film") did improve the ratings substantially. However, even the elaboration was not rated nearly so well as successful extension concepts are. Success, of course, will depend upon the extent to which the negative associations are damaging, and the feasibility and cost of inhibiting their emergence.

The Name Confuses

The name can imply a very different product than is being delivered. The success of Tuna Helper and Hamburger Helper prompted Betty Crocker to create a chicken version. However, the chicken product required more time because the chicken had to be prepared. The company named the new product Betty Crocker Cookbook Chicken, which was supposed to suggest a quality home-cooked meal. Potential customers were confused. Many thought that the product was a cookbook or a recipe. When the name was changed to Chicken Helper and the association with Betty Crocker was reduced, it was better received.

Poor Fit

The extension must fit the brand. A meaningful association that is common to both the brand and the extension can provide the basis of fit. For example, Wells Fargo generates associations with stage coaches, the Old West, safes, and pioneers, as well as with banking. Thus, the Western associations might suggest a line of Western clothing or a Western theme park. The safe association might suggest burglar alarm systems or cash transfer services. McDonald's is associated with Ronald McDonald and his friends, making the concept of a McDonald's theme park acceptable.

For a fit to work, there must not be incongruities that distract or cause ridicule or laughter. Thus, if a premium name such as Rolls-Royce is given to a mundane product such as a bicycle or a game, customers may feel that the name is being exploited or that it adds nothing but price. Even though Dole has associations with Hawaii, the introduction of Dole Hawaiian resorts or travel services might not be acceptable; the stretch is too big. Arm & Hammer successfully extended its odor-destroying associations to a laundry detergent, an oven cleaner, and a liquid detergent, but ran into problems with an underarm deodorant spray. The thought of an ingredient used in oven cleaners being applied to a sensitive part of the body was unpalatable.

Clearly, there are many sources of a common association, including user types (babies), benefits (low calorie), attributes (stylishness), ingredients (oats), location (Beverly Hills), and symbols (stage coach). Aaker and Keller, in their extension study, found that two fit dimensions were particularly useful in that they were related to the acceptance of extension concepts.

• **Transferability of Skills and Assets**: The "brand" is perceived to have the skills and assets needed to make the extension. If Green Giant can make premium vegetables, it can probably make gourmet frozen vegetable side dishes. However, Green Giant finally gave up on frozen dinners after years of trying to convince customers that it could make that product. The stretch may have been too big.

• **Complementarity.** The extension is used with the product class associated with the brand. Thus, Vuarnet skis worked even though skis are technologically far removed from sunglasses because Vuarnet sunglasses had developed a close association with skiing.

We also found that one basis of fit is enough to make potential customers comfortable—several is not necessarily better.

Credibility problems can be reduced if another firm is perceived as the manufacturer of the extension, or if the extension is not regarded as difficult to make. For example, Cola-Cola, Pepsi, Burger King, and McDonald's have successfully put their names on clothing products. However, in these cases, the consumer is relying upon the manufacturer of the extension, such as Murjani (Coca-Cola) or a retailer such as Sears (McKids) rather than the licensed name, to warrant the quality of the clothing. An extension that is far removed from the original product, such as clothing and Pepsi, has the advantage that attributes such as Pepsi taste cannot be transferred. Thus, where Pepsi orange juice would not work, Pepsi sweat shirts are acceptable.

Poor Quality Perceptions

Producing other Tab flavors, such as ginger ale and root beer, seemed to make sense when Tab was Coca-Cola's diet drink entry and the firm wanted to compete in other flavor categories. The concept failed in part because substantial numbers of potential customers felt that Tab had a disagreeable taste. It was perceived as a low-quality product by large parts of the target segment.

Even when a brand is generally well regarded, there will be some consumers who have had bad experiences with it, or who perceive it as low in quality for some reason. Thus, the use of an extension may limit the market to those who are not unfavorably disposed to the brand.

The Extension Is Not Supported

There is a temptation to establish a new entry on the cheap by relying upon the power of the brand name. Diet Cherry Coke sold very well without any advertising support in part because of the strength of the Coke name. However, other extensions have relied too heavily on a brand name and skimped on advertising and promotion support; these have not fared so well. Cuisinart's spice chopper is an example. Their failure may be mistakenly attributed to the concept rather than to inadequate support.

The Ugly: The Brand Name Is Damaged

The brand name is often a firm's key asset. It can be more important than bricks and mortar—or even more important than people. It is tempting to evaluate the extension as a business decision on its own merits. However, a key consideration should be possible damage to the brand franchise. Having the extension fail is usually not nearly so bad as having it "succeed" and damage the brand name by creating undesirable attribute associations, damaging the brand's perceived quality, or altering existing associations.

Undesirable Associations Are Created

An extension will usually create new brand associations, some of which can damage the brand. There is certainly a possibility that Sunkist Fruit Rolls (a candy) hurt the Sunkist health image; that Black & Decker small appliances hurt the power tool image; that the Sears Financial Network hurt the retailer's image of value and that, conversely, the Sears associations hurt Dean Witter; and that Carnation pet food hurt its human-food items.

These transfers of negative associations do not always occur. General Mills was very reluctant to disturb the image of Cheerios as a nonsugar cereal. They tested Honey Nut Cheerios for a long time and even attempted to position it as an adult cereal away from the Cheerios core market. However, the extension did not damage Cheerios sales at all, even though it was used by the same customers. It instead cut into the presweetened portion of their diet. The Diet Coke story is similar.

Under what conditions will an extension's potentially negative associations be transferred to the original brand context? The transfer is less likely if the original brand associations are very strong, if there is a distinct difference between the original brand and the extension, and if the difference is not so extreme as to be incongruous. Thus, Cheerios has strong associations with oats, with the doughnut shape, and with unsweetened cereal.

Honey Nut Cheerios, as a presweetened cereal, has a distinct difference that causes the product to be thought of separately. The two categories, while distinct, are not incongruous; a Cheerios candy bar could well create a problem for Cheerios.

In contrast, Miller Lite, the first major light beer, may not have been perceived as distinct enough from Miller High Life. Sales of Miller High Life, positioned as the "Champagne of Bottled Beers," declined substantially during the 1980s. One frequently proposed theory is that, in many minds, light beer is associated with a watered-down taste; this rubbed off on Miller High Life, which was *already* perceived as "light." As Miller Lite's share grew from 9.5 percent in 1978 to 19 percent in 1986, Miller High Life declined from 21 percent to 12 percent.

Existing Associations Are Weakened

The brand associations created by the extension can fuzz a sharp image. This danger is particularly acute when a brand's key association is a product class—Kleenex, Perrier, Tampax all are synonymous with a product category. An extension into a new product area risks damaging this asset. Cadbury's association with fine chocolates and candy was certainly weakened when it produced mainstream food products such as mashed potatoes, dried milk, soups, and beverages. Ries and Trout suggest that the meaning of the Scott name became confused when extensions such as ScotTowels, ScotTissue, and Scotties were added.[10] The names tended to confuse shoppers and were in sharp contrast to the strong product class identity of Bounty, Northern, or Kleenex. Interestingly, in the mid-1980s Scott sharply reduced its consumer advertising and backed away from efforts to create strong brands. Its revised strategy was to make cheap, high-volume products.

It is important to make a distinction between adding new associations and diluting existing ones. Jell-O used its association with pudding and creamy taste, plus its wholesome family-setting associations, to introduce Jell-O Pudding Pops. The Jell-O name helped to communicate the product concept and helped with recognition and credibility as well. Jell-O Pudding Pops was then extended to Jell-O Gelatin Pops and Jell-O Fruit Bars. The question is whether the frozen novelty association dilutes the original pudding association or simply adds to it. The answer depends on the strength of the original associations. Some names and symbols, like the Pillsbury Doughboy and Hewlett-Packard, are so strong that it is very difficult to damage or change existing associations. New associations are simply added—HP makes computers as well as test equipment.

As a brand is extended, its product class association may be weakened, but it may also develop a useful association with a type of product. Thus, Armour (meats), Pillsbury (flour/baking products), Green Giant (vegetables), and Pepperidge Farm (upscale frozen bakery products) retain useful associations with groups of products. One consideration in making extension decisions, then, is whether an extension set can form a coherent whole.

When the brand association is not product related, there is more latitude. Thus, when the dominant association is the personality of Aunt Jemima, the lifestyle of The Sharper Image customer, the technological superiority of HP, or the style of Vuarnet, the extension can go farther afield without affecting the existing associations.

Quality Image Is Affected

A reputation for perceived quality is the basis of sustainable competitive advantage for many businesses. It is very bad news if an inferior-quality, widely exposed extension damages this reservoir of goodwill.

General Mills attempted to capitalize upon the Lacoste alligator, an authentic status symbol during the 1970s, by extending the name into a wide variety of clothing items and reaching into new target markets. Observers have attributed the resulting sharp sales fall-off starting in 1982 to a weakening of the upscale sports association.[11] All of a sudden, the alligator wasn't a status symbol anymore. The undisciplined use of the Gucci name—at one point there were 14,000 Gucci products—was one of the factors contributing to the fall of Gucci.[12]

Even if an extension is successful, there will be those who dislike some aspect of it or its positioning, and others who have a bad experience with it. These people may become a problem for the original brand, as they will be difficult to entice and hold. Over time, the more exposure that the brand receives via extensions, the larger the group of people will be that has had a bad experience or holds a negative attitude toward the brand in some setting.

Particularly when a brand name is attached to a lower-priced entry, there is the risk that the quality image of the brand itself will be affected. Rolls-Royce once supplied car engines to a limousine selling at one-third of the Rolls-Royce price and allowed its name to be used in promotion, certainly at some cost to its image. In the early 1980s, Cadillac introduced the Cimarron, a version of GM's Pontiac 2000 and the Chevrolet Cavalier models, with a bit more gold trim and leather. The Cimarron wasn't aimed at the traditional Cadillac buyer, but rather at a less affluent buyer who wanted to move up to a Cadillac without a Cadillac price tag and might otherwise buy a BMW. The analysis that there would be little cannibalization was correct. However, the associations with the Cimarron and its target buyers undoubtedly hurt the Cadillac name. In the Landor Associates 1988 study of brand names, the Cadillac had the sixteenth spot in awareness and the eighty-fourth place in "esteem."[13] The ill-fated Cimarron effort may well have been a contributing factor.

There is evidence that a very strong brand can withstand a weak extension without being damaged. The Jolly Green Giant was not noticeably damaged by its six-year effort to establish a line of frozen dinners. In a laboratory setting, Keller and Aaker found that a brand with a strong perceived quality rating was surprisingly unaffected by failed extensions (although the failed extensions did affect the ability of the firm to extend further).[14]

A Disaster Occurs

A disaster out of the control of a firm, such as the discovery that an Ivory model was a pornography star, that Tylenol boxes were tampered with, or that Rely products posed a serious health hazard, can happen to almost any brand name. To the extent that the name is used on many products, the damage will be more extensive.

An alleged sudden acceleration problem with Audi 5000 cars made after 1978 created adverse publicity that culminated with a feature on CBS's *60 Minutes* in November 1986. Audi's response—to blame American drivers—did little to diffuse the situation, and Audi's U.S. sales plummeted from 74,000 in 1985 to around 30,000 in 1988. A study of the incident's impact on depreciation rates of other Volkswagen products is illuminating.[15] The Audi 4000, which had no such problem, was affected nearly as much as the Audi 5000 (7.3 percent vs. 9.6 percent), but the Audi Quattro was affected less (4.6 percent) because the Quattro was less closely tied to Audi. The name "Quattro" was separated from "Audi" on the car, and Quattro ads often did not mention Audi. Other Volkswagen names—Porsche and Volkswagen itself—were not affected.

The Brand Franchise Is Cannibalized

An important part of brand equity is a brand's customer base. If sales of a brand extension come at the expense of the original customer base, the extension sales may not compensate for the damage to the brand equity.

Gillette had a strong shaving cream brand—Right Guard—and wanted to attack Barbasol with a low-end entry. Gillette's Good News! line of razors was already positioned as a low-end line. Gillette thus tested "Good News! Shaving Cream by Gillette." It took sales from Right Guard. The problem was partly that consumers felt that they could save money by buying Good News! and still get a Gillette product.

Campbell's, after trying a series of extensions such as Chunky, Home Cookin', Golden Classics, and Soup-for-One, all of which cannibalized the original brand, introduced a soup line under the Prego name. The Prego brand is intended to attack the Progresso Italian-style soups (which had been taking share from Campbell's) without cannibalizing the basic Campbell's line.

A New Brand Name Is Foregone—More Ugly

Perhaps the worst potential result of an extension is a foregone opportunity to create a new brand equity. Consider where Procter & Gamble would be without Ivory, Pampers, Crest, Secret, Folger's, Pringle's, and their seventy-seven other brands. Compare the current value of P&G to a firm that had a line of P&G bar soap, P&G diapers, P&G toothpaste, P&G deodorant, P&G coffee, and P&G potato chips.

Establishing a new brand name provides a vehicle to generate a set of distinct associations without being burdened with an existing set. If the Macintosh computer had been named the Apple 360, it would not have developed the associations, loyalty, and equity of the Macintosh name. Contrast the Apple branding strategy with that of Hewlett-Packard. One can argue that Hewlett-

Packard has been handicapped by its decision not to establish a distinct name, first for its calculators and then for its computers.

A new brand also provides a platform on which to grow. For example, after Campbell's Prego spaghetti sauces were introduced to compete with Ragu, the Prego name was then available to use in other lines such as frozen Italian entrees and, as noted above, soups.

Of course, a business must be large enough to support a brand name. While Honda could develop the Acura line in the United States, it had to retain the Honda name in the smaller European countries.

Strategy Considerations

A brand extension will tend to be the optimal route when the following conditions are present:

- Strong brand associations provide a point of differentiation and advantage for the extension. When the brand name provides only name recognition and a perceived quality umbrella, the extension will often be vulnerable to competition.
- The extension helps the core brand by reinforcing key associations, avoiding negative associations, and enhancing name recognition.
- The category cannot provide the resources needed to establish a new name, or a new name will not provide useful associations or a platform for future growth.

In addressing the extension decision, it is worthwhile to consider the following:

- **Creating Future Extensions.** Since an extension is built on the associations of a brand name, it is important to think beyond the first extension to future areas of growth. A brand name such as Vaseline has an association with "moisturizer" that could lead to extensions into soap, face cream, and skin cream.[16] The medicinal association, however, might lead to antiseptics, first aid cream, and hemorrhoid cream. Clearly, the choice of the first extension would solidify one association and weaken others. Thus, it is important to think about what umbrella associations will ultimately provide the brand group with a source of differentiation and advantage. Unless this thought process occurs before the first extension, significant opportunities might be lost. The first extension will affect the associations and subsequent extension options.
- **Using Nested Brand Names.** It is possible to develop brand names within brand names and use them to develop associations and platforms for new growth. For example, Black & Decker's "Spacesaver" line of appliances was designed to be placed off the counter. The "Spacesaver" name became a brand name within a brand name. Jell-O introduced Deluxe Bars, which was an extension of Jell-O Pudding Pops. The Deluxe Bars provide peanut- and chocolate-covered desserts not offered in the standard Pudding Pops line.
- **Hedging Your Bets.** The risk of developing a brand extension can be reduced if the brand name is not linked too closely with the new product. Distancing the brand name from the extension is particularly helpful in vertical brand extensions if a brand is extended down to a lower-quality product and it is important that the original price/quality positioning remain unaffected by the extension. For example, Courtyard by Marriott, where Courtyard is the featured name, provides the reassurance of the Marriott association but poses less risk than if "Marriott" were truly featured. "Cup-a-Soup" from Lipton represents less risk to the core brand name than if the core brand were a part of the name, as in "Campbell's Cup."
- **Maximizing Comparative Advantage: The Product Life Cycle.** A brand extension has more comparative advantage in an established product class because the brand name helps generate awareness, associations, and distribution in a cluttered marketplace. Consistent with these judgments, Sullivan's 1989 study found that all but two of the sixteen pioneer brands studied were new-name brands (both the extensions actually failed), that the use of brand extensions by the new entrants increased as the product class matured, and that the survival rate of the nonpioneering new entrants using extensions was greater than those using new-name brands.[17]

Protecting and Nurturing the Brand Name[18]

The viability of growing by using extensions is based on the equity of the original brand name. Consequently, it is crucial that the name be protected and nurtured. Since its associations can be influenced by any market activity, the marketplace needs to be actively managed. In particular, sales promotions, product composition decisions, distribution decisions, and pricing policies can affect the brand. When making those decisions, the concept of brand equity should be at the forefront.

Clearly, an extension decision has strategic implications. It can have an enormous impact on the direction and growth of the firm. However, it puts a key asset of the firm at risk and precludes the establishment of another name with unique associations and growth potential. The extension decision thus deserves a comprehensive analysis of the strategic as well as tactical issues involved. ■

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