



Erasmus+

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1. Template

Topic Measuring and Interpreting Brand Performance Lesson 2

Brand Extensions

Introduction

Once you have successfully developed a brand, you need to continue to grow and develop your brand.

Objectives

- How to expand your brand

In this lesson, we will learn about:

- brand extensions
- advantages and disadvantages of brand extensions

When a company introduces a new product, it can take three different forms:

1. It can develop a new brand, individually chosen for the new product (Keller, 2013).
2. It can apply one of its existing brands (Keller, 2013).
3. It can use a combination of a new brand and an existing brand (Keller, 2013).

Brand expansion is when a firm uses an established brand name to introduce a new product (Keller, 2013). When a new brand is combined with an existing one, brand extension can also be a sub-brand (Keller, 2013). An existing brand that creates a brand the extension is the parent brand. If the parent brand is already associated with more than one product brand extensions, then it can also be called a family brand (Keller, 2013).

Advantages of extensions

For companies it is not a question of whether to expand the brand, but when, where and how to expand it. Well-planned and well-implemented extensions offer a number of advantages that can be broadly categorized as those that facilitate the acceptance of new products and those that provide feedback to the parent brand or the company as a whole (Keller, 2013).



Source: Pixabay

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 (Keller, 2013)

Provide Feedback Benefits to the Parent Brand and Company

- 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 (Keller, 2013)

Disadvantages of Brand Extension

- 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 (Keller, 2013)

Conclusions

Based on these few items you can understand the essence of brand extension.