

Lecture – 36 **Brand stretching**

To make the students aware about brand stretching and retrenching.

Brand stretching /Brand EXTENSION

- **Brand extension** or **brand stretching** is a marketing strategy in which a firm marketing a product with a well-developed image uses the same brand name in a different product category.
- The new product is called a **spin-off**. Organizations use this strategy to increase and leverage brands.
- **Brand Extension** is the use of an established brand name in new product categories. This new category to which the brand is extended can be related or unrelated to the existing product categories.

Brand EXTENSION

- An existing brand that gives rise to a brand extension is referred to as **parent brand**.
- If the customers of the new business have values and aspirations matching those of the core business, and these values / aspirations are embodied in the brand, it is likely to be accepted by customers in the new business.

Brand EXTENSION

- There are many different ways of Brand extension such as "brand alliance", co-branding or "brand franchise extension".
- There could be two categories of extension; ***extension of product-related association and non-product related association.***
- Another form of brand extension, is a licensed brand extension. Where the brand-owner partners takes on the responsibility of manufacturer and sales of the new products, paying a royalty every time a product is sold.

Brand EXTENSION - EXAMPLES

- An example of a brand extension is *JELLO - GELATIN* *creating Jello pudding pops*. It increases awareness of the brand name and increases profitability from offerings in more than one product category.
- A renowned/successful brand helps an organization to launch products in new categories more easily. For instance, **Nike's brand core product is shoes. But it is now extended to sunglasses, T – shirts, soccer balls, basketballs, and golf equipments.**

Brand Extension - EXAMPLES

- **RALPH LAUREN'S POLO** Brand successfully extended from clothing to home furnishings such as bedding and towels. Both clothing and bedding fulfill a similar consumer function of comfort and hominess.
- Similarly the case for **FAB INDIA** from home furnishings and clothing to FMCG, Soaps, Detergents, Food Products, etc

Brand Extension - EXAMPLES

- Another example is Virgin Group, which was initially a record label that has extended its brand successfully many times:
- From **transportation (aeroplanes, trains) to games stores, telecom, beverages and video/music stores such VIRGIN MEGASTORES.**

Brand EXTENSION

- Brand extension is one of the new product development strategies which can reduce financial risk by using the *parent brand name* to enhance consumers' perception due to the core brand equity.
- While there can be significant benefits in brand extension strategies, there can also be *significant risks, resulting in a diluted or severely damaged brand image.*

Brand Extension – SUCCESS STORIES

- Instances where brand extension **has been a success** are-
- **Wipro** which was originally into computers has extended into shampoo, powder, and soap.
- **Mars** is no longer a famous bar only, but an ice-cream, chocolate drink and a slab of chocolate.
- **Mother Dairy** – no longer famous for Dairy Milk Only – but for dairy processed items like Ice-Creams, Yogurt, etc

BRITANNIA, TATA GROUP, ITC GROUP, UNILEVER GROUP – BRAND EXTENSION FOR ENTIRE PRODUCT PORTFOLIO

Brand Extension

- Studies indicate that dilution effect do occur when the extension across inconsistency of product category and brand beliefs.
- Branding does not always follow a rational line. One mistake can damage all brand equity. A classic extension failure example would be ***Coca Cola launching “New Coke” in 1985.***
- Not only did Coca Cola not succeed in developing a new brand but sales of the original flavour also decreased.

Brand Extension- FAILURE STORIES

Instances where brand extension **has been a failure** are-

- In case of new **Coke**, Coca Cola has forgotten what the core brand was meant to stand for. It thought that taste was the only factor that consumer cared about.
- **Rasna Ltd.** - Is among the famous soft drink companies in India. But when it tried to move away from its niche, there was little success. When it experimented with fizzy fruit drink “**Oranjolt**”, the brand bombed even before it could take off.
- Oranjolt was a fruit drink in which carbonates were used as preservative. It didn't work out because it was out of synchronization with retail practices.

Brand Extension - ADVANTAGES

- It makes acceptance of new product easy by reducing perceived risks
- It increases brand image.
- The likelihood of gaining distribution and trial increases.
- The efficiency of promotional expenditure increases. Advertising, selling and promotional costs are reduced, due to economies of scale
- Cost of developing new brand is saved.
- consumers can now seek for a variety.
- There are packaging and labeling efficiencies.

Brand Extension – FEEDBACK BENEFITS

- The image of parent brand is enhanced.
- It revives the brand and allows subsequent extension.
- Brand meaning is clarified.
- It increases market coverage as it brings new customers into brand franchise.
- Customers associate original/core brand to new product, hence they also have quality associations.

Brand Extension- DISADVANTAGES

- Brand extension in unrelated markets may lead to **loss of reliability** if a brand name is extended too far.
- There is a risk that the new product may generate implications that **damage the image** of the core/original brand.
- There are chances of **less awareness** and trial because the management may not provide enough investment for the introduction of new product.
- If the brand extensions have no advantage over competitive brands in the new category, then it will **fail**.

Assessment questions:

List down the Factors affecting brand extension.