

# 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.