

**CHAPTER 12:  
INTRODUCING AND NAMING NEW PRODUCTS  
AND BRAND EXTENSIONS**

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# Leverage the Brand

- Firms are seeking to build “power” or “mega” brands that establish a broad market footprint, appealing to multiple customer segments with multiple products all underneath the brand umbrella.

# Ansoff's Growth Share Matrix

	<b>Current Products</b>	<b>New Products</b>
<b>Current Markets</b>	Market penetration strategy	Product development strategy
<b>New Markets</b>	Market development strategy	Diversification strategy

# Brand Extensions

- When a firm uses an established brand name to introduce a new product
- Brand extension classification
  - Line extension
    - Using a sub-brand to target a new market segment within the same product category
  - Category extension
    - Using the parent brand in a different product category

# General Strategies for Establishing a Category

## Tauber's Franchise—Extension

- *Introduce the same product in a different form.* Example: Ocean Spray Cranberry Juice Cocktail
- *Introduce products that contain the brand's distinctive taste, ingredient, or component.* Example: Philadelphia cream cheese salad dressing
- *Introduce companion products for the brand.* Example: Coleman camping equipment
- *Introduce products relevant to the customer franchise of the brand.* Example: Gerber insurance
- *Introduce products that capitalize on the firm's perceived expertise.* Example: Honda lawn mowers
- *Introduce products that reflect the brand's distinctive benefit, attribute, or feature.* Example: Lysol's "deodorizing" household cleaning products
- *Introduce products that capitalize on the distinctive image or prestige of the brand.* Example: Calvin Klein clothes

# Advantages of Extensions

- 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

# Advantages of Extensions (Cont.)

- Provide feedback benefits to parent brand
  - Clarify brand meaning
  - Enhance the parent brand image
  - Bring new customers into brand franchise and increase market coverage
  - Revitalize the brand
  - Permit subsequent extensions

# Disadvantages of Extensions

- 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 the parent brand
- Can dilute brand meaning
- Can cause the company to forgo the chance to develop a new brand



# Understanding How Customers Evaluate Brand Extensions

- Managerial assumptions
  - Consumers have some awareness of and positive associations about the brand in memory
  - At least some of these positive associations are evoked by the brand extension
  - Negative associations are not transferred from the parent brand
  - Negative associations are not created by the brand extension

# Creating Extension Equity

1. *Salience* of parent brand associations in the minds of consumers in the extension context
2. *Favorability* of any inferred associations in the extension context
3. *Uniqueness* of any inferred associations in the extension context

# Contributing to Parent Brand Equity

- How *compelling* the evidence is concerning the corresponding attribute or benefit association in the extension context
- How *relevant* or diagnostic the extension evidence is concerning the attribute or benefit for the parent brand
- How *consistent* the extension evidence is with the corresponding parent brand associations
- How *strong* existing attribute or benefit associations are held in consumer memory for the parent brand

# Successful Extensions

- Must create points-of-parity and points-of-difference in extension category
  - Must recognize competitive reactions
- Must enhance points-of-parity and points-of-difference of parent brand
- Must maximize the advantages and minimize the disadvantages of brand extensions

# Successful Category Extensions

- Ivory shampoo and conditioner
- Vaseline Intensive Care skin lotion
- Hershey chocolate milk
- Jell-O pudding pops
- Visa traveler's checks
- Sunkist orange soda
- Colgate toothbrushes
- Mars ice cream bars
- Arm & Hammer toothpaste
- Bic disposable lighters
- Aunt Jemima pancake syrup
- Honda lawn mowers

# Unsuccessful Category Extensions

- Campbell's tomato sauce
- LifeSavers chewing gum
- Cracker Jack cereal
- Harley Davidson wine coolers
- Hidden Valley Ranch frozen entrees
- Bic perfumes
- Ben-Gay aspirin
- Kleenex diapers
- Levi's Tailored Classics suits
- Nautilus athletic shoes
- Domino's fruit-flavored bubble gum
- Smucker's ketchup
- Fruit of the Loom laundry detergent

# Evaluating Brand Extension Opportunities

- Define actual and desired consumer knowledge about the brand
- Identify possible extension candidates
- Evaluate the potential of the extension candidate
  - The likelihood that the extension will realize the advantages and avoid the disadvantages of brand extensions. As with any new product, analysis of consumer, corporate, and competitive factors can be useful.

# Evaluating Brand Extension Opportunities

- Design marketing programs to launch extension
  - Building brand equity for a brand extension requires choosing brand elements, designing the optimal marketing program to launch the extension, and leveraging secondary associations.
- Evaluate extension success and effects on parent brand equity



# When are brand extensions appropriate?

- If they see some basis of “fit” or similarity between the proposed extension and parent brand
- The major mistake in evaluating extension opportunities is failing to take all of consumers’ brand knowledge structures into account.
- Often, marketers mistakenly focus on only one brand association and ignore other potentially important brand associations in the process.

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