BRAND EXTENSION

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- MODULE 2-SESSION 15

TOPICS

- Why do brands have brand extensions
- Brand extensions-success and failure
- Co-branding

Brand Extension

- Brand Extensionis 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. 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, soccer balls, basketballs, and golf equipments. 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 synchronizing/matching those of the core business, and if these values and aspirations are embodied in the brand, it is likely to be accepted by customers in the new business.
- Extending a brand outside its core product category can be beneficial in a sense that it helps evaluating product category opportunities, identifies resource requirements, lowers risk, and measures brand’s relevance and appeal.

Advantages of Brand Extension

1. It makes **acceptance of new product easy.**
    1. It increases brand image.
    2. The risk perceived by the customers reduces.
    3. The likelihood of gaining distribution and trial increases. An established brand name increases consumer interest and willingness to try new product having the established brand name.
    4. The efficiency of promotional expenditure increases. Advertising, selling and promotional costs are reduced. There are economies of scale as advertising for core brand and its extension reinforces each other.
    5. Cost of developing new brand is saved.
    6. Consumers can now seek for a variety.
    7. There are packaging and labeling efficiencies.
    8. The expense of introductory and follow up marketing programs is reduced.
2. There are **feedback benefits** to the parent brand and the organization.
    1. The image of parent brand is enhanced.
    2. It revives the brand.
    3. It allows subsequent extension.
    4. Brand meaning is clarified.
    5. It increases market coverage as it brings new customers into brand franchise.
    6. Customers associate original/core brand to new product, hence they also have quality associations.

Disadvantages of Brand Extension

1. Brand extension in unrelated markets may lead to **loss of reliability** if a brand name is extended too far. An organization must research the product categories in which the established brand name will work.
2. There is a risk that the new product may generate implications that **damage the image** of the core/original brand.
3. There are chances of **less awareness** and trial because the management may not provide enough investment for the introduction of new product assuming that the spin-off effects from the original brand name will compensate.
4. If the brand extensions have no advantage over competitive brands in the new category, then it will **fail.**

Co-branding

- Co branding is the utilization of two or more brands to name a new product. The ingredient brands help each other to achieve their aims. The overall synchronization between the brand pair and the new product has to be kept in mind. Example of co-branding - Citibank co-branded with MTV to launch a co-branded debit card. This card is beneficial to customers who can avail benefits at specific outlets called MTV Citibank club.

Types of Co-branding

- Co-branding is of two types: **Ingredient co-branding** and **Composite co-branding**.

1. **Ingredient co-branding** implies using a renowned brand as an element in the production of another renowned brand. This deals with creation of brand equity for materials and parts that are contained within other products. The ingredient/constituent brand is subordinate to the primary brand. For instance - Dell computers has co-branding strategy with Intel processors. The brands which are ingredients are usually the company's biggest buyers or present suppliers. The ingredient brand should be unique. It should either be a major brand or should be protected by a patent. Ingredient co-branding leads to better quality products, superior promotions, more access to distribution channel and greater profits. The seller of ingredient brand enjoys long-term customer relations. The brand manufacture can benefit by having a competitive advantage and the retailer can benefit by enjoying a promotional help from ingredient brand.
2. **Composite co-branding** refers to use of two renowned brand names in a way that they can collectively offer a distinct product/ service that could not be possible individually. The success of composite branding depends upon the favourability of the ingredient brands and also upon the extent on complementarities between them.

Advantages and Disadvantages of Co-branding

- Co-branding has various advantages, such as - risk-sharing, generation of royalty income, more sales income, greater customer trust on the product, wide scope due to joint advertising, technological benefits, better product image by association with another renowned brand, and greater access to new sources of finance. But co-branding is not free from limitations. Co-branding may fail when the two products have different market and are entirely different. If there is difference in visions and missions of the two companies, then also composite branding may fail. Co-branding may affect partner brands in adverse manner. If the customers associate any adverse experience with a constituent brand, then it may damage the total brand equity.

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