



Brand management (IEBM II module)

Section 2: Strategic Brand Management

Presentation 6: Brand extension

In this presentation we will discuss...

- ▶ Brand extension: Definition
- ▶ Brand extension types
- ▶ Advantages and disadvantages

Brand extension: Definition

- ▶ Brand extension is a brand strategy taken into account when a new product has to be launched
- ▶ It aims at capitalising on existing brand equity, extending the existing parent brand over the newly launched product
- ▶ This strategy has earned centrality in the global scene; however, it carries on risks of failure

Brand extension types

- ▶ **Line extension:** the application of the parent brand to a new product that targets a new or old market segment within a product category that the parent brand currently serves (e.g. adding different flavour, ingredient variety, different form/size...)
- ▶ **Category extension:** the application of the parent brand to a new product in a different product category from the one that the parent brand currently serves (also addressing the same already known market segment, e.g. luxury market segment with an extension from jewels to hotels, like in the case of Bulgari jewels and Bulgari hotel)
- ▶ **Vertical extension:** the application of the parent brand for a new product that represents a new version of the original product in the same category but with a lower (or higher) price (vertical extension towards higher/lower prices)

Advantages and disadvantages

▶ Advantages

- ▶ Facilitating newly launched product acceptance (by reducing risk perceptions about the new product, building on the already existing brand image for the new product)
- ▶ Strengthening the parent brand through the new launched product adding meanings to the parent brand, revitalising it and opening the way to additional extensions

▶ Disadvantages

- ▶ Confusing customers about the brand
- ▶ Damaging the parent brand and brand dilution (loss of meaning)
- ▶ Reducing the opportunity for alternative (and future) brand extensions
- ▶ Linking the new product performance and evolutions to the parent brand (what happens if the new product fails in the market? What impacts on the parent brand?)