

Product and Brand Management
Professor Vinay Sharma
Department of management Studies
Indian Institute of Technology, Roorkee
Lecture 55
Brand Extension


Hello friends, welcome back to brand management. We are reaching to a very interesting stage as far as brand management goes. Last time, we had to think in terms of the relationship of brand and product in the form of a matrix apart from other interesting concepts, which we discussed in brand architecture, and then we went ahead with valuation methodologies. Now, we are thinking in terms of strategic implications, devising strategies in terms of a brand being steered.

Today and in subsequent sessions, I would be focusing on wonderful concepts, wonderful insights. First of those is Brand extension. It is a very interesting thing basically, because, it is associated with a desire, a desire of a marketer, a brand expert, a brand manager, a person who would have generated established brands all through its lifecycle or becoming to lifecycle later on, all through its value chain, you may say, till that time.

It is a desire of such a person that the name should get extended, the name should be capitalised upon, the name should give fruits now because you have established this name, and that is where brand extension comes in as a very logical kind of a progression.

It is always there as a desire, there is a time which a brand expert gets to know through marketing research, through longitudinal research, through customer responses, through valuation itself, through several elements of valuation, many times when he or she decides to extend the brand and that is what we are going to see, let us see how it goes.

(Refer Slide Time: 02:41)



Brand Extension

- Brand extension refers to the strategy of stretching the meaning of a brand by associating it with a type of offering that the brand has not been associated with in the past.
- For example, Starbucks, which has become synonymous with coffee, extended its brand to include ice cream sold in grocery stores.
- When a firm introduces a new product, it has three choices for branding it:
 - It can develop a new brand, individually chosen for the new product.
 - It can apply one of its existing brands.
 - It can use a combination of a new brand and an existing brand.

Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity

IT ROOKEE NPTEL ONLINE CERTIFICATION COURSE 3

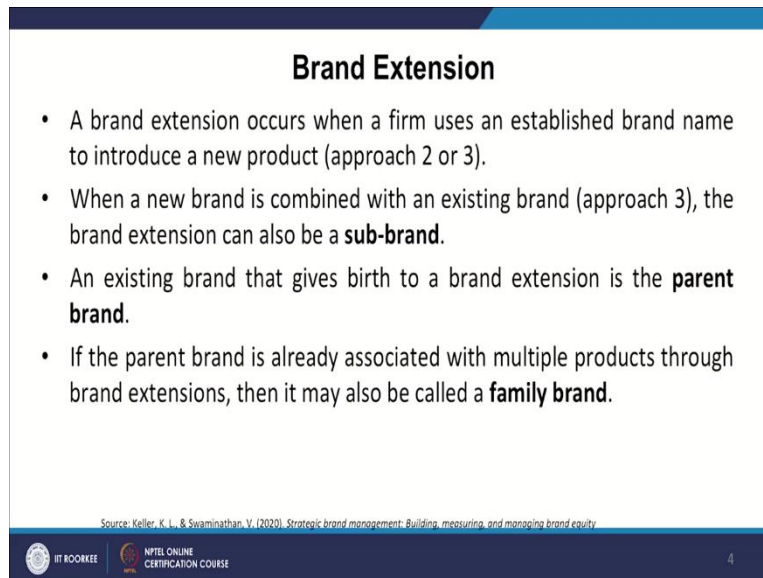
Brand extension refers to the strategy of stretching the meaning of a brand by associating it with a type of offering that the brand has not been associated with in the past. There is a product coming on and offering is decided, or let us say market forces tell you that this offering should come into the bouquet, the portfolio or a brand line extension, we have talked about these things.

So, there you decide on utilising the same brand, and in brand hierarchy, we talked about what kind of elements you would be using as far as brand extension goes. So, continuing with that kind of a perspective here, for example, Starbucks, which has become synonymous with coffee, extended its brand to include ice cream sold in grocery stores.

Now, that is precisely the point, Starbucks thinking in terms of ice cream, market forces would have suggested this to Starbucks, customers would have wanted something of that sort, they would have realised somehow, and the time would have come when they decided to extend Starbucks in that form.

Now, when a firm introduces a new product, it has three choices of branding: it can develop a new brand, individually chosen for the new product, it can apply one of its existing brands, it can use a combination of a new brand and an existing brand. So, these are largely three logical combinations which come in front.

(Refer Slide Time: 04:29)



Brand Extension

- A brand extension occurs when a firm uses an established brand name to introduce a new product (approach 2 or 3).
- When a new brand is combined with an existing brand (approach 3), the brand extension can also be a **sub-brand**.
- An existing brand that gives birth to a brand extension is the **parent brand**.
- If the parent brand is already associated with multiple products through brand extensions, then it may also be called a **family brand**.

Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 4


A brand extension occurs when a firm uses an established brand name to introduce a new product. We have talked about this, that the name should resonate with the product, its usage, its association with the customer. There should be a logical kind of connection, but many times you would realise that extreme diversity is also there.

That many times, and I will be mentioning these details, for example, Enfield introduced apparels. Now, this is again a very interesting thing in automotive companies, thinking in terms of introducing apparel, so, extremely diversified kind of a progression in terms of brand extension goes.

So, that kind of a diversified approach can also be there, although, many times we have realised, once you observe all around, that brand managers try to extend the brand through a sequential associated logical progression somehow. Even if the product is not similar, which exists in a particular kind of a form, but there would be a connection somehow.

So, when a new brand is combined with an existing brand, which is the third approach, we have talked about three approaches, the brand extension can also be a sub brand part of it. So, an existing brand that gives birth to a brand extension is the parent brand as obvious, if the parent brand is already associated with multiple products through brand extension, then it may also be called as a family brand, and family we all understand we have talked about product family, you may revisit those discussions.

(Refer Slide Time: 06:39)



Vertical Brand Extensions

- Vertical brand extensions stretch the brand to a product or service in a different price tier.
- Depending on the direction in which the brand is being extended, there are two types of vertical brand extensions:
 - **upscale extensions** in which the brand is associated with an offering in a higher price tier. For e.g., Apple extended its product line with the Apple Watch Edition series featuring 18-karat gold and priced between \$10,000 and \$17,000.
 - **downscale extensions** in which the brand is associated with an offering in a lower price tier. For e.g., Maserati introduced Ghibli, a basic version of its high-end sports cars.

Source: Chernev, A. (2017). Strategic marketing management. Cerebellum Press.

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 5

Now, there is a vertical brand extension. We are talking in terms of extension, so, extension can be vertical, it can be downwards, and it can be horizontal, there are three ways a brand can extend. So, it is obvious, but how it happens, and what are the aspects associated with these three kinds of directions. So, vertical brand extensions stretch the brand to a product or service in a different price tier.

There is a customer with a larger buying power, or should I say that a willingness to spend more, that is slightly more appropriate, and you can easily capitalise upon that because you have brand strength associated with that customer as well, but the present product may not be a choice product for that kind of a target segment. So, they are waiting for some addition to the product.

Let us say, within a different kind of a price bracket probably, that is also one of their desires. Whatever combination market research and then brand research says through that combination, we move the brand upwards. So, depending upon the direction in which the brand is being extended, there are two types of vertical brand extensions. So, an upscale extension, which I am referring to, in which the brand is associated with offering a higher price.

For example, Apple extended its product line with the Apple Watch Edition series featuring 18 karat gold and priced between US \$10,000 and US \$ 17,000. Here you would notice that when I am mentioning this example, as an obvious expression, a product line reference is coming. So, it is a product line, wherein the brand is extending itself, they would have named the watch extremely different. And that could have been there, but at this juncture we are wondering about brand extensions.

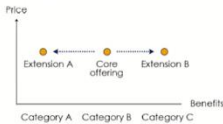
So, they thought of naming it the same way, they have been leaving their existing products and they moved up the line and then there is a downwards extension. Some call it downscale extensions, but I prefer to call it downward extension, in which the brand is associated with an offering in a lower price tier, wherein people wish to purchase that product but they have logic and rationale, apart from their willingness to pay within a price frame they have in mind.

So, this extension, in which the brand is seated with an offering in lower price tier, can be exemplified through let us say, Maserati introduced, Ghibli a basic version of its high-end sports car. Now, differences would have been there, as far as the technological usage or let us say the product intensity or the product capacity goes, but then some features are reduced and it is brought down within the particular kind of a frame when people say that, okay, I would love to buy this car within this price bracket and so on.

(Refer Slide Time: 10:31)



Horizontal Brand Extensions

- Horizontal brand extensions involve using a brand in a product category with which it is not currently associated.



- For example, many luxury designer brands such as Gucci, Dolce & Gabbana, Louis Vuitton, and Burberry have stretched their brands by introducing fragrances and cosmetics, which, as a product category, are more affordable than apparel and handbags.
- Frito-Lay, known for its potato chips, extended its brand to launch Frito Lay Lemonade.

Source: Chernev, A. (2017). Strategic marketing management. Cerebellum Press.

6

Then comes the horizontal brand extension. Horizontal brand extensions involve using a brand in a product category with which it is not currently associated. If you will remember the metrics, that is very interesting metrics, brand was on the vertical axis, product was on the horizontal axis. So, there were product lines falling down and brands starting from left to right.

So, that is what we are referring to here, the brand is moving towards products, which are distantly related or unrelated. So, their brand is traversing through different lines and that is where horizontal brand extension comes in. Examples can be many luxury designers such as Gucci, Dolce & Gabbana, Louis Vuitton and Burberry.

They have stretched their brands by introducing fragrances and cosmetics, which as a product category are more affordable than apparel and handbags and so on, this might not be the specific reason, the reason may be that one fine morning your customer comes to the store and the customer is happy about this brand.

The customer is content about this brand and customer wants an associated product, associated not in terms of the product itself but customer has this in mind, for example, customer is categorising these products as fashion products or something which are associated when the customer goes out, carrying a bag, wearing a perfume, and those kinds of elements the customer has in mind, and the brand intensity which the customer has in mind.

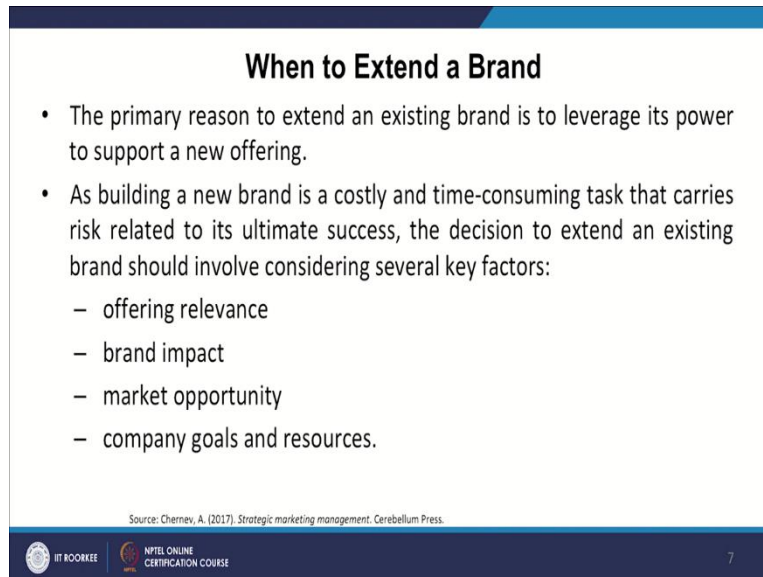
The brand value which the customer has in mind motivates the customers to ask for that, many times you ask customers that what else would you require, and that is how you introduce product lines in the brand, but the customer wants to stick to that brand name and this is how the brand moves from left to right in different product lines.

For example, Frito-Lay, known for its potato chips, extended its brand to launch Frito-Lay lemonade. Now, that is interesting, and it is doing good. There are several other kinds of such products, in the case of Amul, in the case of several other chip manufacturers, in restaurant chains, in the apparel and footwear industry. It is very common.

For example, Woodland, largely it was known for shoes then it came to apparels and several other products have been introduced by woodland, Bata tried that and they have been doing that. So, several other kinds of organisations have been utilising this horizontal brand extension and vertical brand extension methodology.

Now, the point is which direction we will go, or which direction the organisation scope, that is one part, but when to extend a brand, that is more important actually. As I said, a time comes when you get to know through logic, through instinct, and brand research, that this is the time when you should be extending a brand. Let us look at the reasons systematically.

(Refer Slide Time: 14:25)



When to Extend a Brand

- The primary reason to extend an existing brand is to leverage its power to support a new offering.
- As building a new brand is a costly and time-consuming task that carries risk related to its ultimate success, the decision to extend an existing brand should involve considering several key factors:
 - offering relevance
 - brand impact
 - market opportunity
 - company goals and resources.

Source: Chernev, A. (2017). Strategic marketing management, Cerebellum Press.

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 7

The primary reason to extend an existing brand is to leverage its par to support a new offering. I talked about valuation because of this reason only, that once you have a valuation in mind, then, what kind of response a customer is giving to your brand name motivates you to leverage that, and that is where point of extension comes in. As building a new brand is a costly and time-consuming task which carries risks related to its ultimate success.

The decision to extend an existing brand should involve considering several key factors on one side, you want to leverage your existing brand strength on the other side, because you have done it by yourself, you will have seen the brand along its value chain, you will have witnessed the lifecycle of the brand in terms of when it grew, you have seen the acceptance which is received.

Then you understand what kind of efforts it requires, what kind of investment it requires, marketing programme investment, we have already referred to. So, while understanding this whole situation you wonder about returns, or the kind of equity you would generate if you go for a new brand generation and development. So, why not to look into the existing brand and that is where the whole situation starts. There is an aspect of relevance, the impact of brand and most of all, I should not say it is a dominant factor, but most of all market opportunity, when the time is ripe, and it is not just that customer is asking for, it is that there might be a

situation where in huge market growth is visible, despite of the fact that competition is tough or substitution alternatives are there, but the point is that, still market potential is there, and we talked about brand potential in due course of time.

So, here brand extension is a reflection of the brand potential of the existing brand as well. And that is where market opportunity logic comes into play. Lots of data analysis supports this, I have been repeatedly suggesting that it is the reflexivity of the brand management team.

Their understanding of the market, their connection to their customer, their understanding of their complete value chain, brand value chain, which motivates them to look into the market with opportunity perspective, and the brand with a potential perspective, and then there are company goals and resources, that is a reflection of architecture.

The head of the organisation or people who are steering the show, they have always been thinking like that, that after this the next stage is that, for example, if someone is thinking in terms of one particular category of consumer products, they would have already imagined that what kind of ready to eat products or packaged food or, beverages they would be entering in after that.

So, there are several kinds of thought processes, which organisations might have been thinking, for example, the same would have been taught by Samsung, they always thought of electronics, and then white goods and then you have several other appliances, and several other kinds of display devices and so on.

Look into this progression with the perspective of company goals, resources and vision of the organisational leadership. Now let us look at a beautiful example, and let us try to strengthen our understanding on brand extension with one or two examples which we have in store. Navratna Oil, I do not want to say that you didn't know about this earlier but many of us would have noticed this when Mr. Bachchan came in as one of the brand ambassadors of Navratna Oil. The day started from a sublime kind of a presence, and they took it towards a mega brand and extended it also.

So, they always would have this context in mind, wherein they would have thought of expanding it, and then extending it. Now, this is what one must remember at this particular stage, expanding a brand and extending it further.

I have demonstrated how brand managers try to understand the strength of the brand, and then visualise the potential, but in between, while realising the present strength of the brand expansion if brand has not yet reached its own potential as of now, so, we must first look into its expansion, and then extension, that is precisely what this example talks about.

(Refer Slide Time: 20:43)

Navratna Oil: Building A Megabrand Out Of A Neglected Category

- In 1991, the company launched the brand Navratna—a unique mix of nine Ayurvedic herbs—with a vision to redefine the category.
- The company took the basic “cooling oil” and positioned it as a “value-added” product providing relief from multiple problems like tension, headache, sleeplessness, fatigue, etc.
- Today, Navratna is a `600 Cr brand and is the undisputed leader in the market.
- To maintain vitality, the brand continues to fulfil consumer needs in fresh ways and finding ways to ensure that the proposition is in line with the spirit of the age while retaining the heritage of the brand.

Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity



ITR KODAKKE NPTEL ONLINE CERTIFICATION COURSE 8

In 1991, the company launched the brand Navratna, a unique mix of nine ayurvedic herbs with a vision to redefine the category. The company took the basic cooling oil and positioned it as a value-added product providing relief from multiple problems like tension, headache, sleeplessness, fatigue, etc.

Now, you would have remembered that advertisement up till now. It was a very interesting campaign. Today Navratna is 600 Cr. brand and is the undisputed leader in that product category. To maintain vitality, the brand continues to fulfil consumer needs in fresh ways and finding ways to ensure that proposition is in line with the spirit of the age while retaining the heritage of the brand. If you will look into these last three lines which I have said, I will repeat those for you to maintain vitality, the brand continues to fulfil consumer needs in fresh ways and finding ways to ensure that the proposition is in line with the spirit of the age, while retaining the heritage of the brand.

So, they wanted to retain what they have been known for and they wanted to carry it forward, in terms of expansion, as I said, utilising or reaching to the potential of the concurrent situation, and then extending it, and they extended into a talcum powder option.

(Refer Slide Time: 22:50)

Navratna Oil: Building A Megabrand Out Of A Neglected Category

- To counter the media challenges, the brand took several initiatives including:
 - Apt use of celebrities to break the clutter and establish its name.
 - Below the Line (BTL) communication to clearly establish and promote the product benefit and experience in media markets.
 - Established a strong identifier “Thanda Thanda Cool Cool” to clearly differentiate itself from the other players and own the ‘cooling’ space.

Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity.



IT KOOKEE | NPTEL ONLINE CERTIFICATION COURSE

9

To counter media challenges, the brand took several initiatives, including, apt use of celebrities to break the clutter and establish its name, below the line communication to clearly establish and promote the product benefit and experience in media markets. They were not only focusing on newspaper and televisions, they were going with different kinds of options, wherein POPs and direct connect with the customer and motivating retailers to promote the product at prominent places on the shelves, and everything which they could do in BTL terms. So, that is what their approach was, and that is what we have tried to learn when we think in terms of brand architecture or let us say generating a structure around the brand value chain.

We are focusing upon marketing programme investment or product multipliers and those kinds of elements. So, they established a strong identifier, Thanda Thanda Cool Cool in terms of a brand element and that is what we are talking of.

Navratna is carried forward with the products they are going for, but they are extending this slogan to other products as well retaining the context and that is the beauty of it. Thanda Thanda Cool Cool is remembered by their customers and when they are moving towards other products, they are carrying it forward as well. That means, they would have conceived the products with a similar kind of a context, where in the same element can be utilised.

This is to clearly differentiate itself from the other players and own the cooling space. So that is a wonderful kind of thing basically which they did.

(Refer Slide Time: 24:51)

Navratna Oil: Building A Megabrand Out Of A Neglected Category

- The brand has always endeavored to use compelling insights to its advantage to unlock category potential. Some of the steps which helped in opening up opportunities include:
 - Launched Navratna oil in sachets to offer convenience and generate trials.
 - Roped in regional celebrities for support in developing other markets.
 - Launched variants to meet specific-need gaps in the cooling oil space.
 - Extended its core benefit to the talcum powder category with the launch of Navratna Cool Talc.

Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity



IT KOOKEE NPTEL ONLINE CERTIFICATION COURSE 10


Now the brand has always endeavoured to use compelling insights to its advantage to unlock category potential. Some of the steps which helped in opening up opportunities include launching Navratna oil in sachets to offer convenience and generate trials. They roped in regional celebrities for support in developing other markets.


Launched variants to meet specific need gaps in the cooling oil space and extended its core benefit to the talcum powder category with the launch of Navratna Cool Talc, as I said, Thanda Thanda Cool Cool still in the cool talc, and then that is a wonderful thing basically, it is a thoughtful progression. So, that is what we have been trying to generate. Now look at Royal Enfield and it is a wonderful example.

(Refer Slide Time: 26:01)

Royal Enfield

- [Classic 350](#)
- [Meteor](#)
- [Interceptor 650](#)
- [Continental GT](#)
- [Himalayan](#)
- **Bullet**
- [Bullet 350](#)
- [Bullet ES](#)
- Apparel
- Motorcycle Accessories other Services and Visit their Showrooms/Outlets

 IIT ROORKEE

 NPTEL ONLINE
CERTIFICATION COURSE

11

Royal Enfield has several extensions. For example, there is Classic 350, Meteor, Interceptor 650, Continental GT, Himalayan, and in Bullet, you have specific extensions, but others are Royal Enfield extensions basically but here is a specific brand Bullet and Bullet has Bullet 350, Bullet ES.

As I said, they have a parent, that is a different product line, and they have motorcycle accessories also, along with other services. So, Royal Enfield as a brand traverses along with different kinds of extensions and lines, and is doing well now.

And I will be talking about this once more, when I would be talking about some other related context, especially in terms of revitalization, and of course, repositioning but you would realise that this organisation has actually generated a coherence around its expansion and its extension in terms of realising its potential, the potential of the brand I am referring to.

(Refer Slide Time: 27:29)

Brand Extension- Advantages

- 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

Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 12

Now, brand extension has an advantage in facilitating new product acceptance, improving brand image, and reducing risk perceived by customers. Customers are confident about that kind of trust which has been existing with the existing brand, in the other product represented by the same brand, increasing the probability of gaining distribution and trial increasing the efficiency of promotional expenditures.

That is one of the most logical elements. Integrated marketing communication can have immediate returns, can have very specific returns, but many times it cannot be so easily rationalised in a short span of time, and it becomes an expenditure, which if cannot be justified, and would add to the cost element.

So, rationalising the promotion expenditure is what branding and brand extension does. Now, again, another element is reducing the cost of introductory and follow up marketing programmes, that is a very logical kind of a thing, because name is resonating in the minds of the customer. Again, an element of avoiding the cost of developing a new brand, which I have talked about earlier.

Then allowing for packaging and labelling efficiencies, same colours, same logos, same symbols, same kind of packaging, resemblance, everything which you can trust on, and then permitting consumers in terms of seeking variety, that is where brand extension advantages come up to us. There is an interesting aspect, as a note here, that variety is actually a good thing. So, authors say that when is variety a bad thing?

(Refer Slide Time: 29:42)



When Is Variety a Bad Thing?

- Today, consumers face an unprecedented number of choices.
- Take toothpaste. A supermarket can stock over 100 varieties depending on brand name (Colgate, Close-up, Patanjali, Pepsodent), benefits (tartar control, whitening, breath freshening, sensitive gums), flavors (regular, mint, cinnamon, citrus), and forms (gel, paste).
- Actually, finding the optimal choice can require much effort and result in inner conflict and regret.
- Reducing the number of different items stocked does not necessarily adversely affect category volume, especially if the category already has a lot of (Stock-Keeping Units)SKUs or a few SKUs that are big sellers.

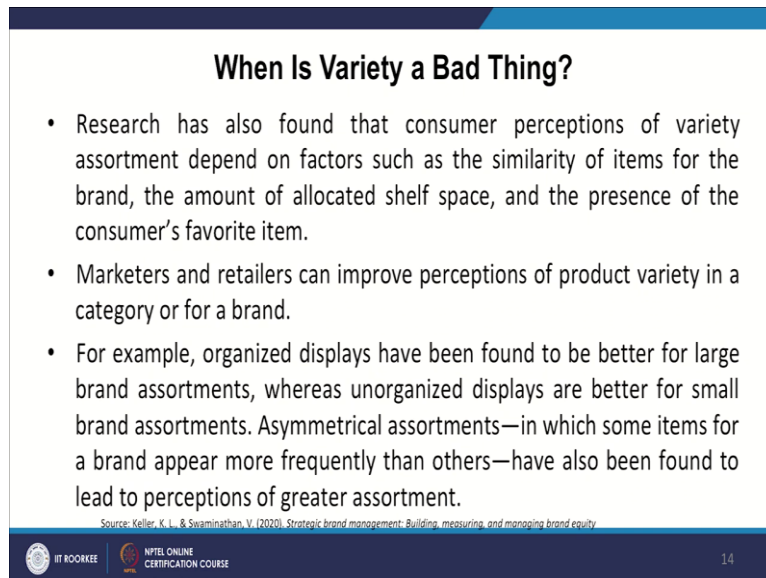
Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 13

Today, consumers face an unprecedented number of choices. For example, toothpaste. A supermarket can stock over 100 varieties, depending on brand name (Colgate, Close-up, Patanjali, Pepsodent) and benefits can be tartar control, whitening, breath freshening, sensitive gums, then there will be different flavours like regular mint, cinnamon, citrus and forms in terms of gel and general paste.

Actually, finding the optimal choice can require much effort and result in inner conflict and regret. Many times, you would have realised that you would have started using the paste and you feel, oh! What have I purchased? Now, reducing the number of different items stocked does not necessarily adversely affect category volume, especially if the category already has a lot of stock keeping units (SKUs) or few SKUs that are big sellers.

(Refer Slide Time: 30:44)



When Is Variety a Bad Thing?

- Research has also found that consumer perceptions of variety assortment depend on factors such as the similarity of items for the brand, the amount of allocated shelf space, and the presence of the consumer's favorite item.
- Marketers and retailers can improve perceptions of product variety in a category or for a brand.
- For example, organized displays have been found to be better for large brand assortments, whereas unorganized displays are better for small brand assortments. Asymmetrical assortments—in which some items for a brand appear more frequently than others—have also been found to lead to perceptions of greater assortment.

Source: Keller, K. L., & Swaminathan, V. (2020). *Strategic brand management: Building, measuring, and managing brand equity*

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 14

Now, research has also found that consumer perceptions of variety assortment depend on factors such as the similarity of items for the brand, the amount of allocated shelf space, and the presence of consumer's favourite item. Marketers and retailers can improve perceptions of product variety in a category or for a brand.

For example, organised displays have been found to be better for large brand assortments, whereas, unorganised displays are better for small brand assortments. These are experience-based strategies. Brand managers gain experience through customer response on whatever they have been doing in terms of putting up extension or variety. I will be leaving you with this thought, that brand extension is natural as well as strategic.

I will be coming back to you with lots of discussion on brand experience and royalty in my next session, and then would be taking you towards other important elements, reaching a stage wherein everything would seem like a culmination. Stay with me. I will be coming back to you. Goodbye.