

# Brand Extension Decisions

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# Today's discussion points

- Why brand extension a big deal?
- What are brand extension decisions?
- Top barriers of brand extensions
- How to succeed with brand extensions?
- Brand extension strategies



## Gerber

- ★ Baby Food
- 📦 Gerber Singles

Gerber, a maker of baby food, tried to target college students and young adults with jars filled with their blended meals. However, this target demographic deemed the adult baby food neither cool nor indeed necessary and the product went out of manufacture.

## Hooters

- Restaurant Chain ★
- Hooters Air 📦

The restaurant brand established an airline in 2003, flying to destinations mainly in the US before ceasing operations in 2006. The planes were painted in orange and white colours with the Hootie the Owl mascot on the side and had 2 "Hooters Girls" on board to assist the in-flight crew.



## Lifesavers

- ★ Hard Candy
- 📦 Soft Drink

The US candy brand released a range of brightly coloured sodas in the same flavours as their hard candy. Unfortunately, customers were not drawn to the idea of drinking liquid candy and the drinks were not a commercial success.

## Diesel

- Jeans ★
- Wine 📦

The clothing company Diesel entered into the realms of vineyards with their venture into the wine industry in the early 90s. However, the venture into boutique wines proved too complex in the crowded wine industry.





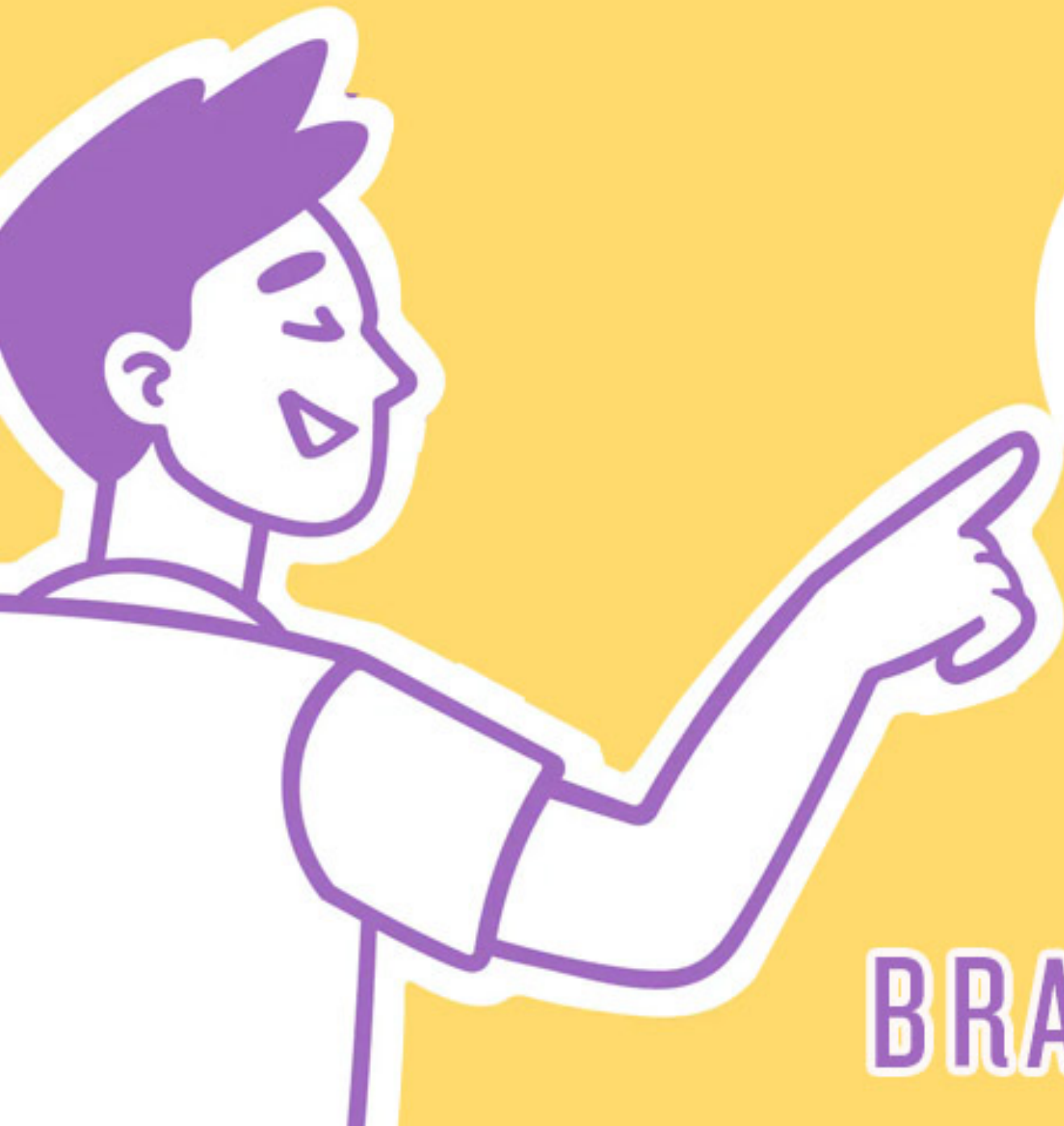
**BRAND**  
**EXTENSION**





# Why it is a big deal?

## BRAND EXTENSION & THE FAILURES

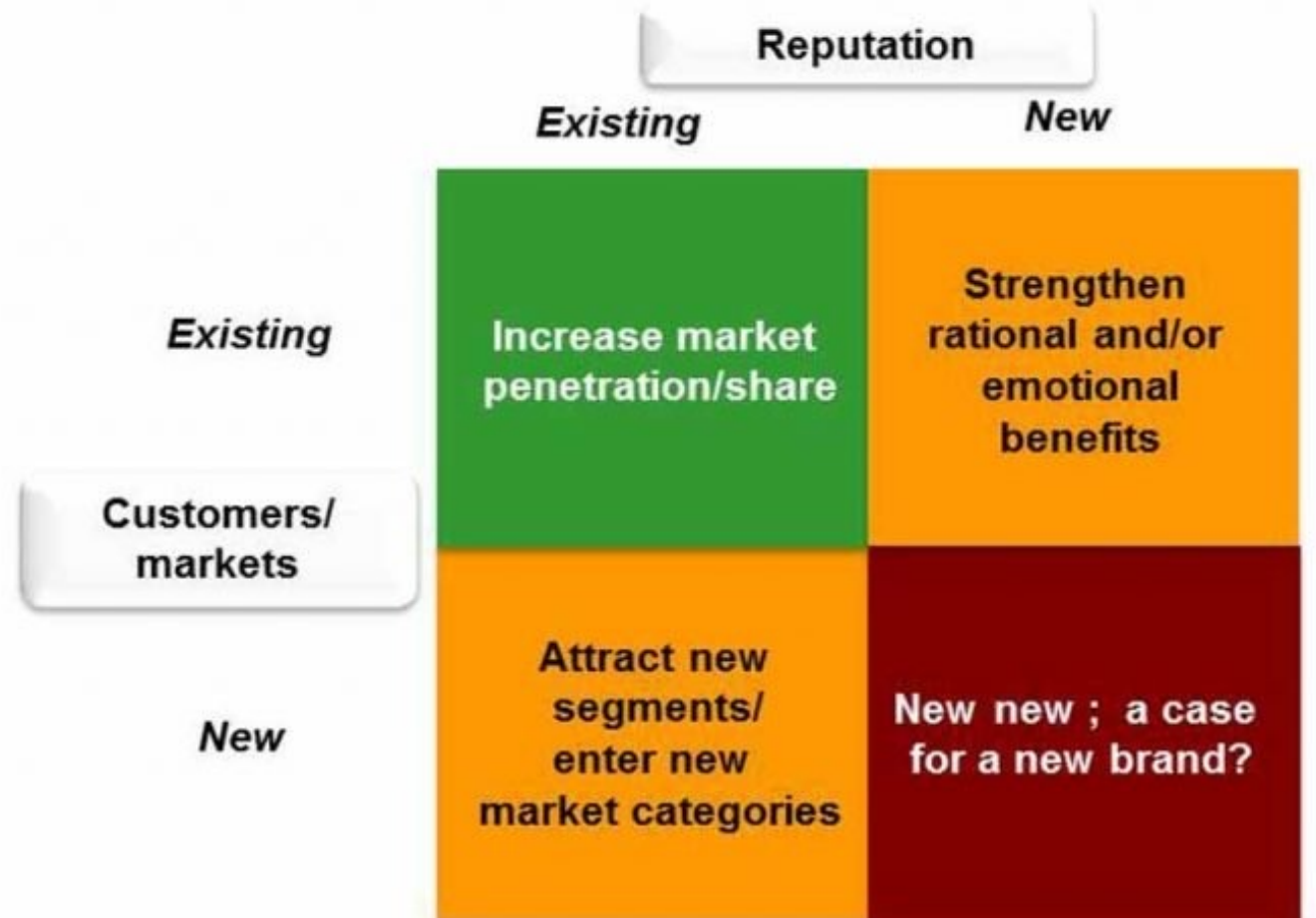


**BRAND**

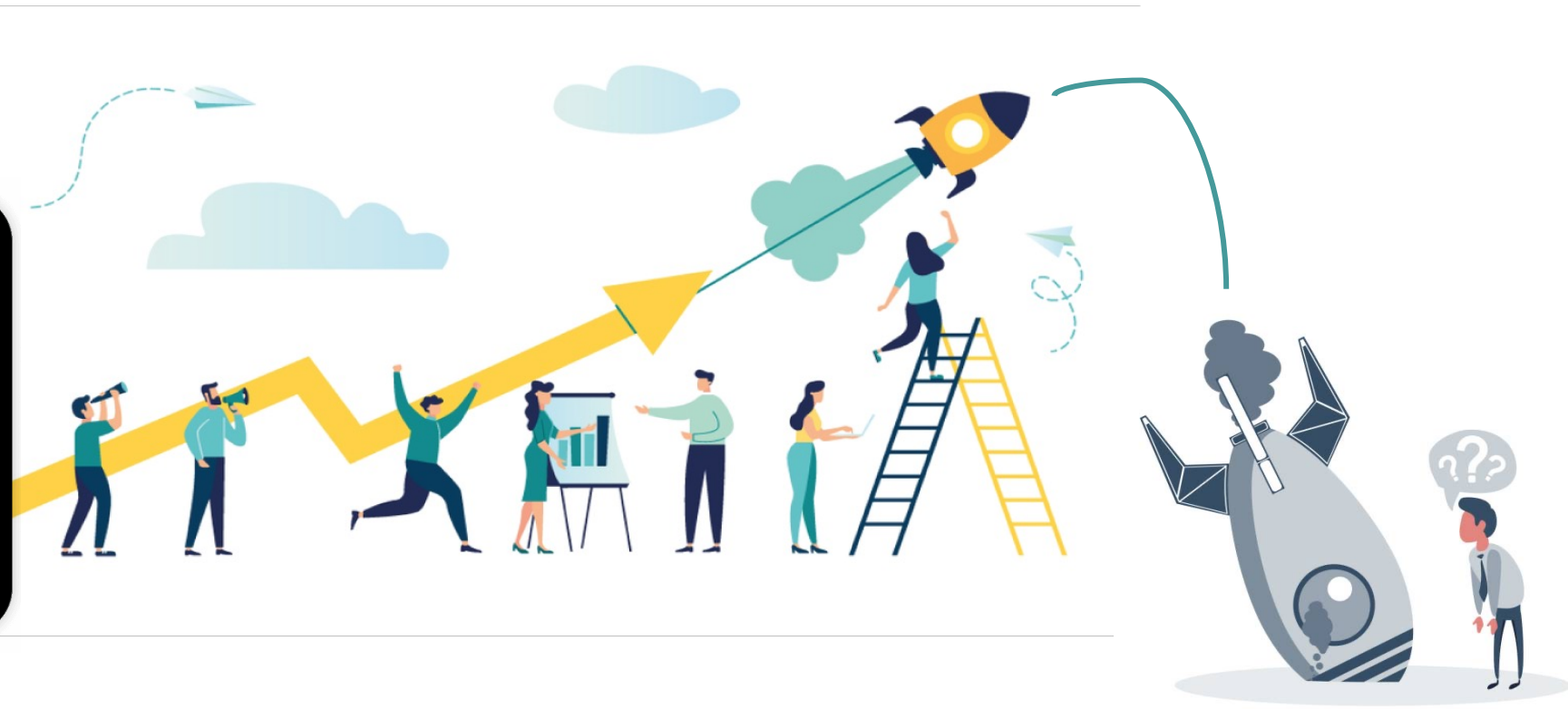
**BRAND EXTENSION**

# Why brands prefer an extension?

- Leveraging existing brand reputation in a new market
- Low cost & time to leverage existing brand



# Discussion: Uber to Uber Eat



# Practical Case: Uber to Uber Eat

*Uber faced challenges in improving profits since the IPO*

*Uber launched its Uber Eat Service (into a cut-throat market)*

*Inconsistent communications – “Eats new every day”*



# Results?

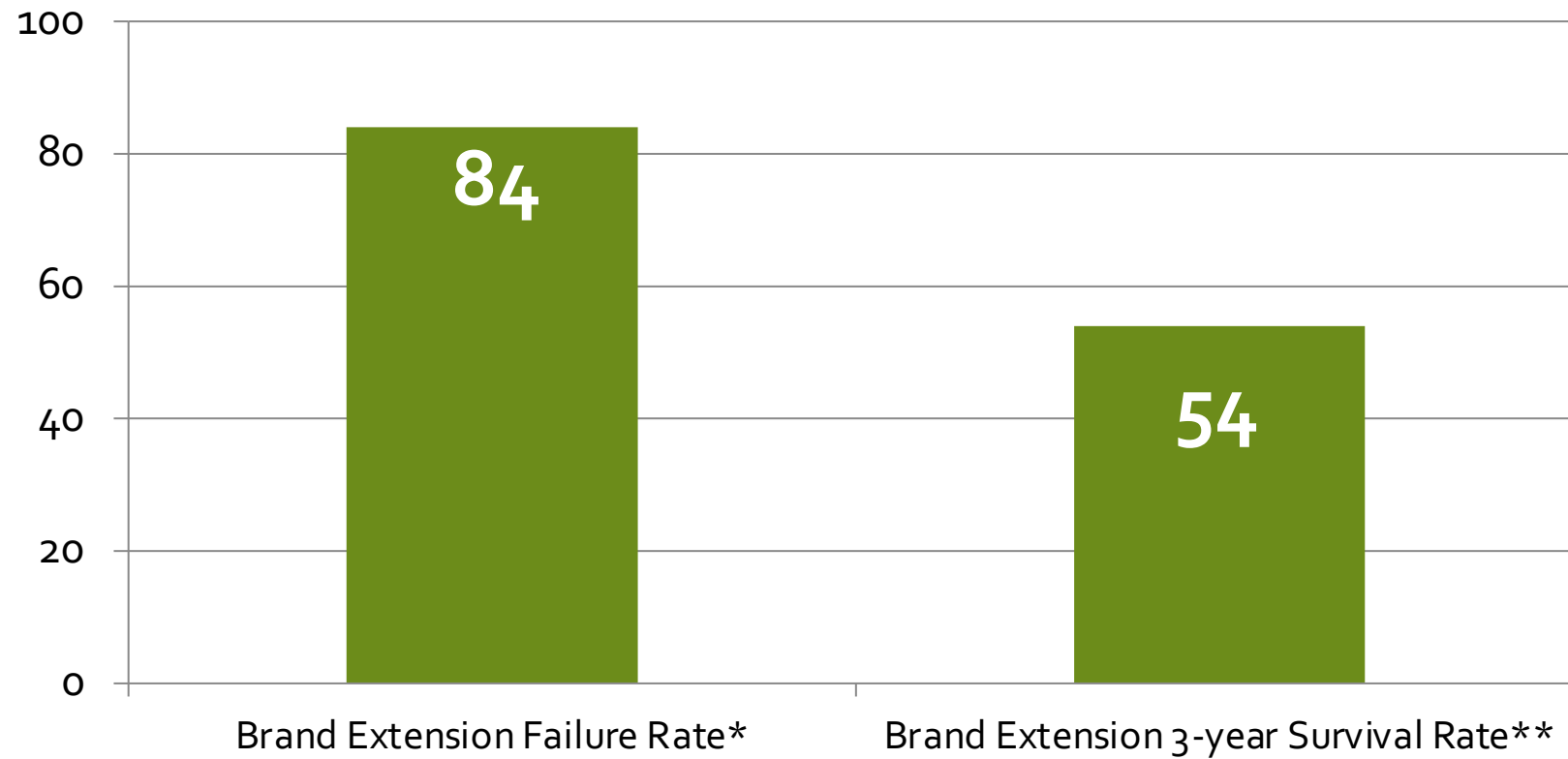


- No clear customer value
- No resonance to core brand values

# Just the Facts...on Results...!



## Brand Extendibility Track Record



\*Ernst & Young, 2013; \*\*David Talyor, *Brand Stretch* (2004)



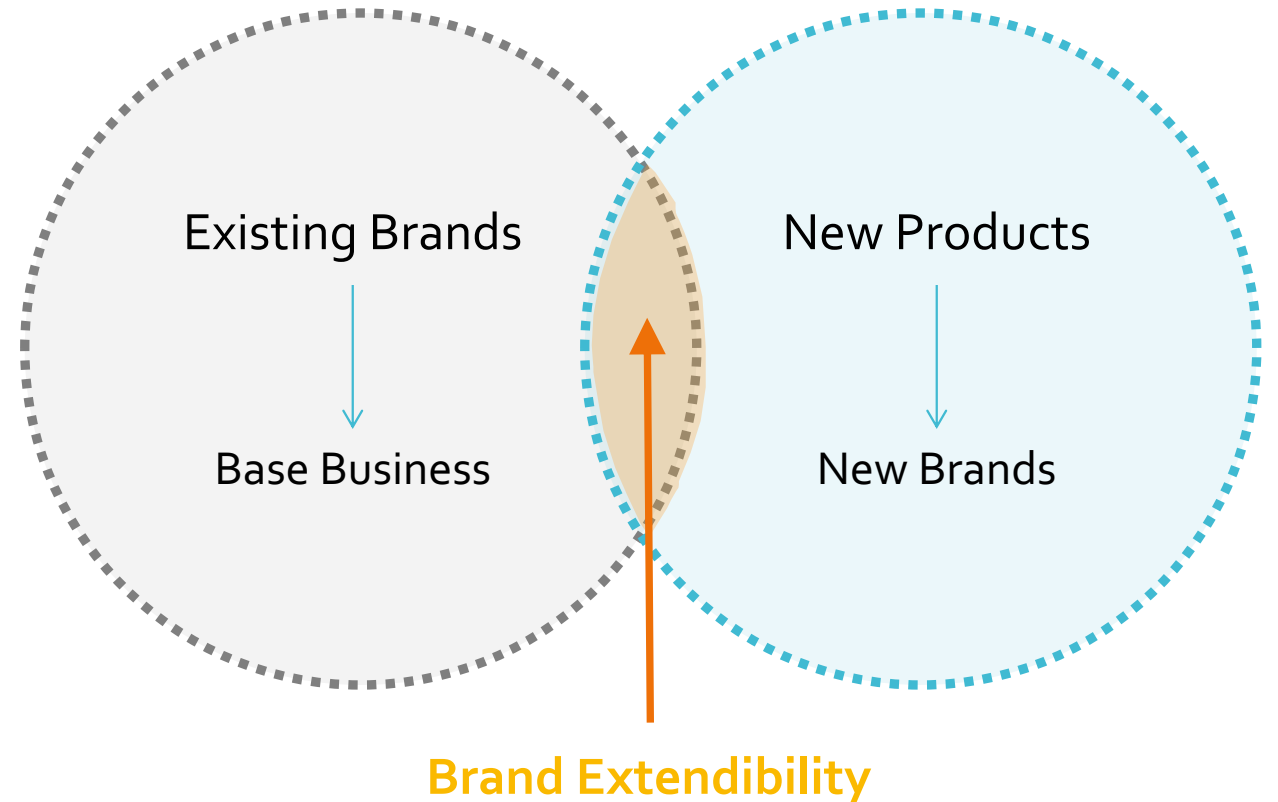
# What are Brand Extension decisions?

BRAND EXTENSION FEASIBILITY

# The Brand Extension



leveraging the  
brand strength to  
new products





# What is Brand Extension, btw?

- **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.
- **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.
  - Related Brand Extension: **Amul** (Milk, Ghee, Dahi, Paneer, Cheese, Chocolate)
  - Unrelated Brand Extension: **Wipro** From IT to FMCG



# Common terms in extension

## Parent Brand:

- An existing brand that gives rise to a brand extension is referred to as **parent brand**.

## Extended Brand:

- The new product coming from the parent brand is termed as **extended brand**



# Advantages of Extension

- To increase the product line and product mix
- To **leverage brand image**
- To **maximize the customer's perceived value** towards brands
- To occupy the market share
- To meet the **benefits of the economies of scale**
- To enhance the parent brand image
- To occupy the new market segments
- For better market positioning
- To **make the customers purchase and repurchase** the same brand's products
- To face the severe competition
- To **create positive brand attitude** in the target customer's mind
- To reduce the efforts, money and time while promoting new products
- To get **rid of the customer confusions** about brands



# Disadvantages

- Unsuccessful brand extensions can **dilute** the parent brand image
- Lack of similarity, quality, familiarity and inconsistency can **disturb the image of the entire brand family**
- Unsuccessful brand strategies can create negatively perceived value towards brands in the minds of the loyal customers
- Increase in brand extensions **may lead to customer confusions** due to over information
- Some brand extensions can succeed but these can show negative impact on the parent brand

# Approach to Brand Extension





# How does consumer **evaluate** brand extensions?

- Attitude toward the original brand – as overall quality
- Fit between the original and extension product classes
- Dimensions of fit
  - **COMPLEMENT**
  - **SUBSTITUTE**
  - **TRANSFER**
- Perceived difficulty of making the extension



# Brand Extensions: The Good Use-Cases

- Brand Associations

- Same product **different form**
  - Tide (Bar, powder)
- **Distinct taste**, ingredient, or component – Oreo (flavors)
- **Companion** Product – Colgate (paste/brush)
- Same Customer Franchise – Nivea, J&J

- **Expertise** – Gillette in men's grooming products
- **Benefit**, attribute, feature - Dettol
- Designer or ethnic image

- Quality Associations
- Awareness and Presence
- Enhancement of the Core Brand

# Brand Extensions: The Good



Line extension

Complementary product extension

Customer based extension

Company expertise extension

Brand lifestyle extension



## USHA Electricals and Home Appliances



NEXA  
INSPIRING  
ONE  
**MILLION**  
—customers—



# Brand Extensions: The Bad

- No Value Added
- Negative Associations
- Name Confuses
- Poor Fit
- Poor Quality Perception
- Extension Not Supported



# Brand Extensions: The Ugly



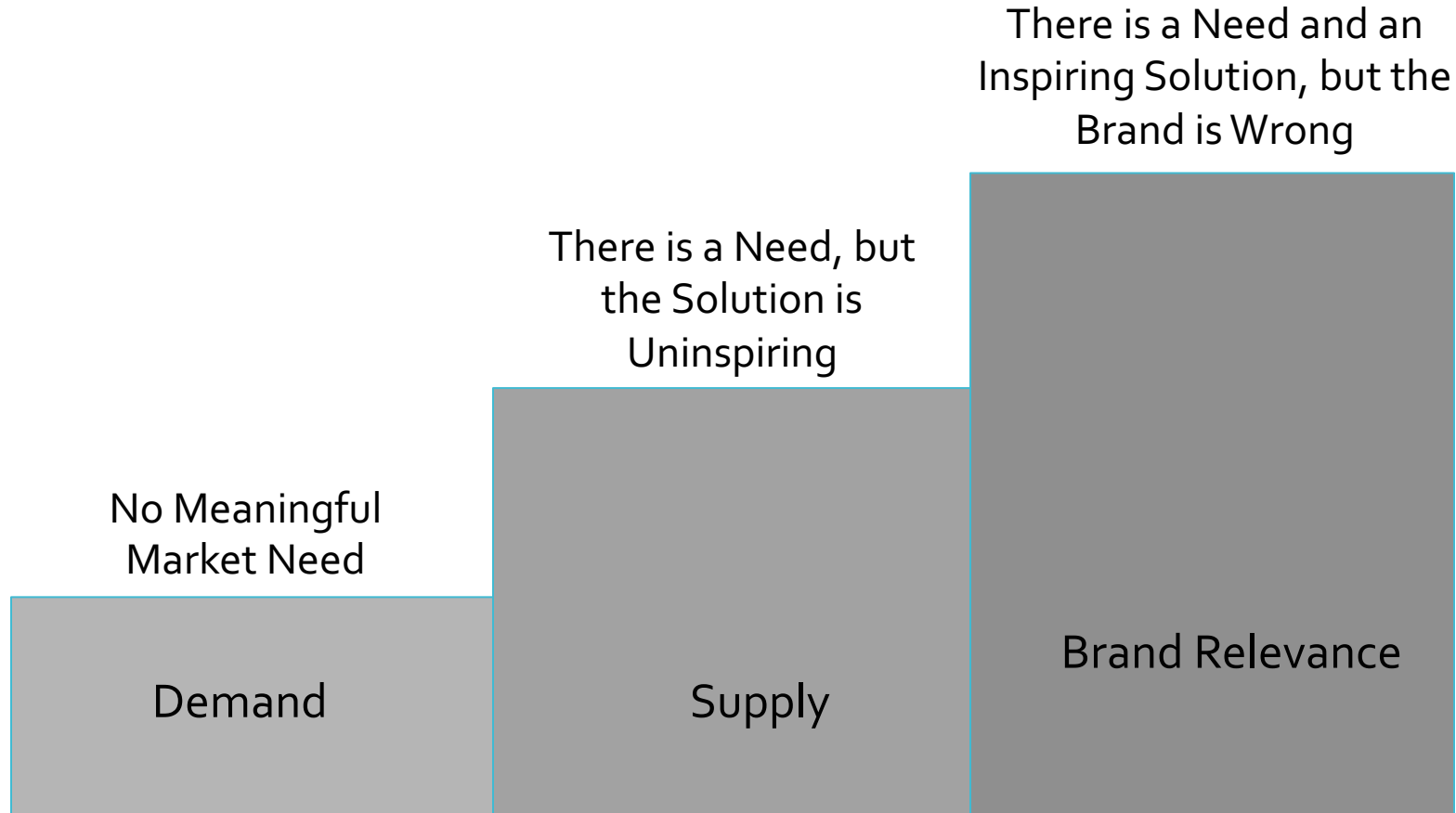
- Undesirable Association Are Created
- Existing Association Is Weakened
- Quality Image Is Affected
- A Disaster Occurs
- The Brand Franchise Is Cannibalized
- Opportunity To Create a New Brand Foregone



# Top Barriers of Brand Extension

BRAND EXTENSION & THE FAILURES

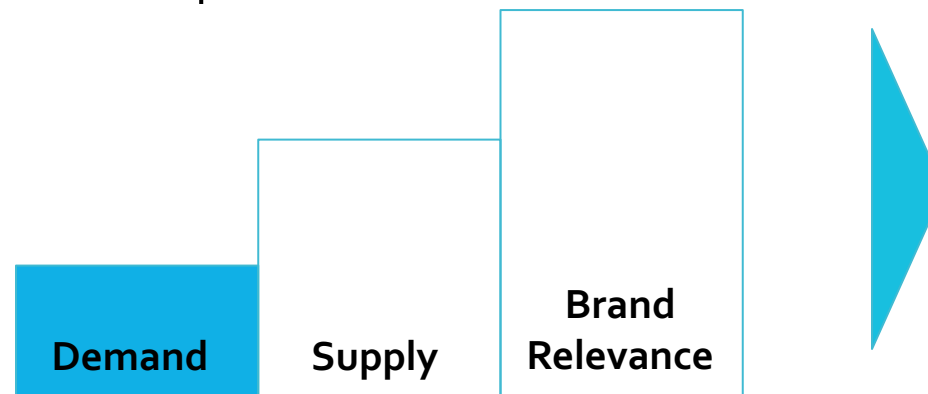
# Top Barriers to Successful Brand Extendibility



# Reason #1: No Meaningful Market Need (Demand)

Underlying Components:

- No Need, difficult to create need
- Satisfactory solutions already exist
- The unmet need is too niche
- Addressing the need is not profitable



Example

PlantCam™

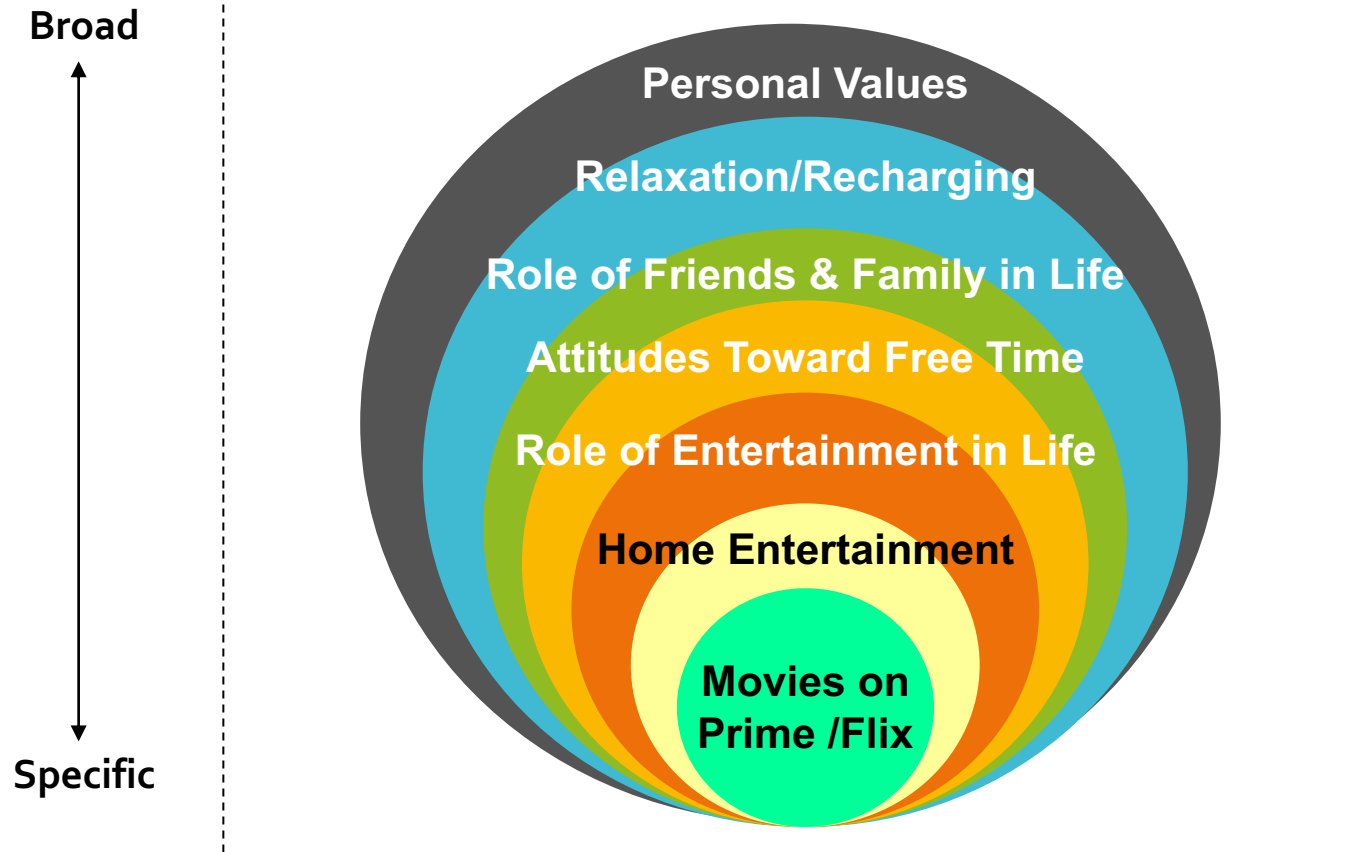


Track plant growth and watch  
an entire growing cycle in  
seconds!

# Think Broad



## Dimensions for Understanding Consumers



# The Latency Effect



*"If I had asked customers what they wanted, they would have told me a faster horse."*  
–Henry Ford

- Customers are often unaware they even have a particular need (**latent**)
- Customers may be aware of a need, but have trouble articulating it (**tacit**)
- Some of the most successful new products and brand extensions in history were not inspired by an *articulated* need

None of these products addressed a widely recognized problem that any of us had



# The Importance of Precision



*"If you don't know where you're going, any road will take you there."*

–Lewis Carroll

- Big problems and challenges are often comprised of smaller component challenges—each of which has different ideal solutions
  - **Performance**—Is it about productivity? Accuracy? Throughput? Speed?
  - **Convenience**—Is it about speed? Ease? Simplicity? Portability?

How can a 9-hour solution solve the problem of dinner preparation taking too long?



# Beyond Problems... Opportunities



"Effective innovators don't wait for problems to arise. They fix what isn't broken and improve things with no apparent deficit."

–Dennis Stauffer, *Thinking Clockwise*

- Uncovering opportunities that are not inherently problem-solving in nature requires a different approach
- It's less about **asking** customers what they **think/want**...
- It's more about **observing** what customers actually **do**— "and connecting the dots"

Consumers weren't exactly sitting around thinking to themselves, "Gee, if only I had a tablet..."

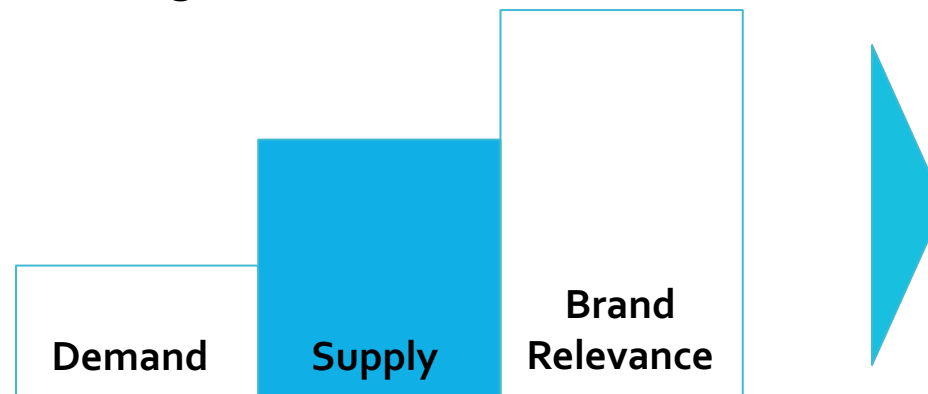


# Reason #2: Uninspiring Product or Service Solution (Supply)



Underlying Components:

- Solutions not aligned with need
- Lack of imagination / creative
- “Side effects” or other drawbacks
- “Flavor of the day” offering



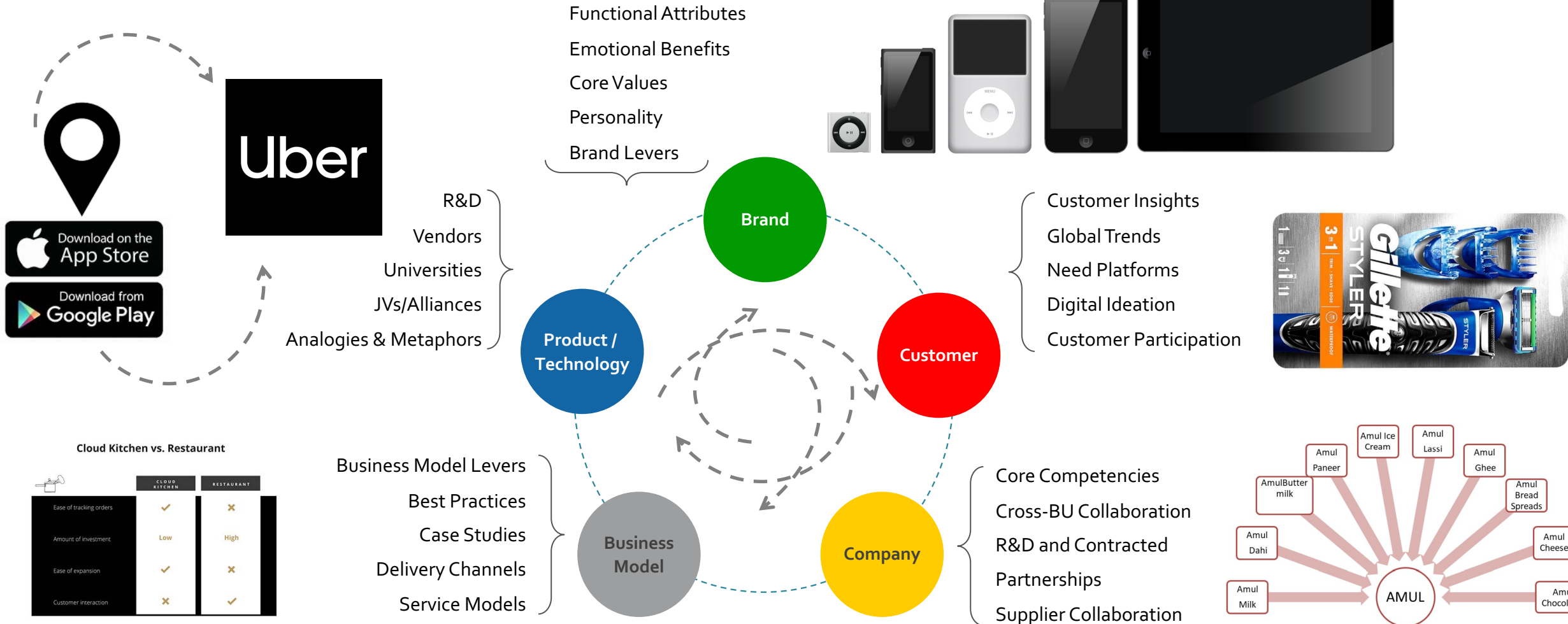
**Example**

Smokeless Cigarettes...

“produced a flavor and a smell so offensive that it left users retching...”

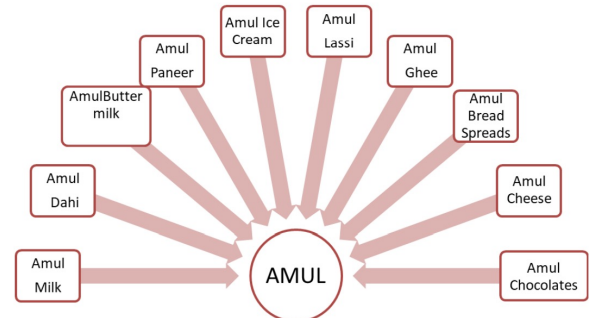
The example shows a pack of RJ Reynolds Premier American Blend smokeless cigarettes. The pack is red and white with the RJ Reynolds logo at the top. Below the pack, there is a quote: “produced a flavor and a smell so offensive that it left users retching...”

# Sources of Inspiration

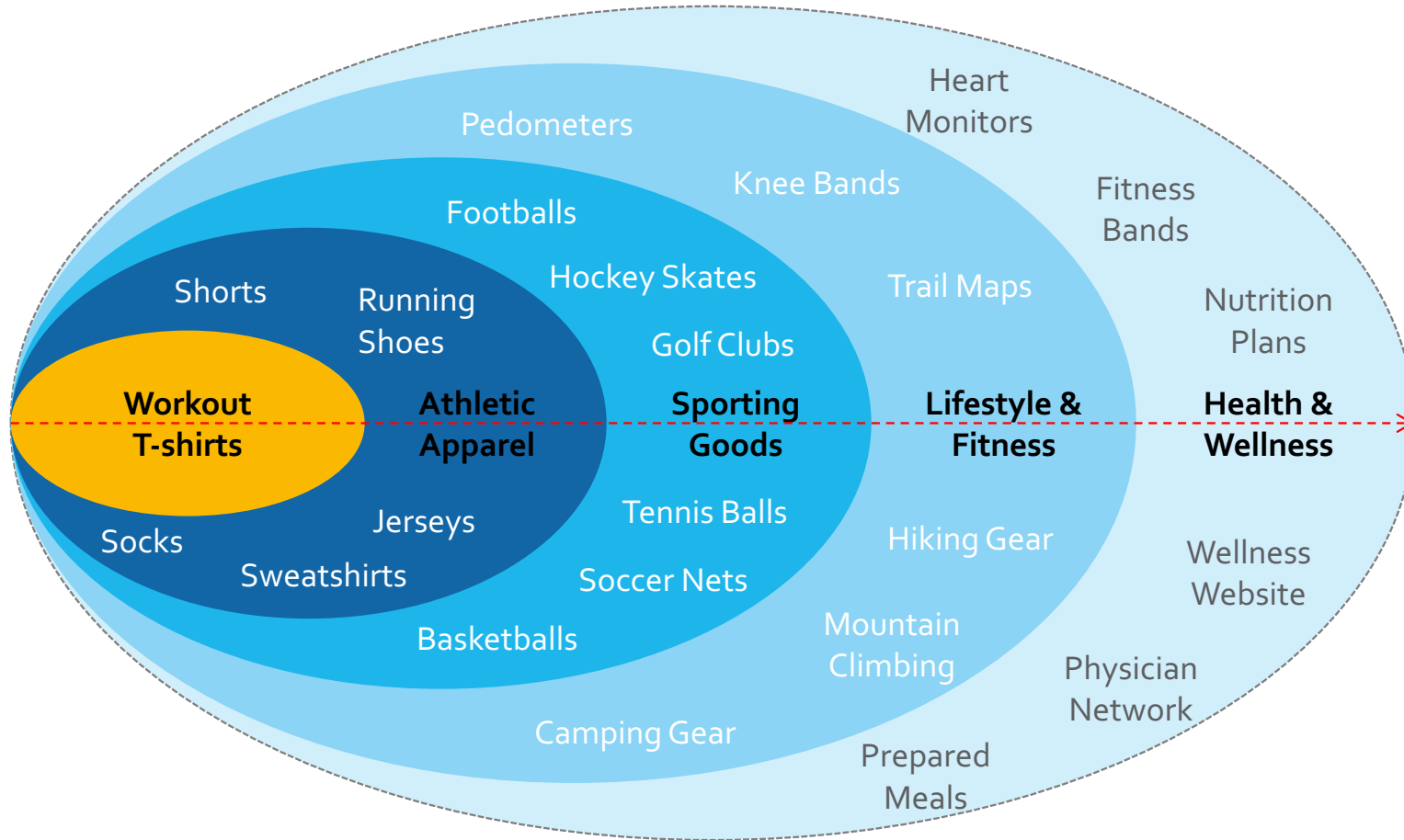


**Cloud Kitchen vs. Restaurant**

	CLOUD KITCHEN	RESTAURANT
Ease of tracking orders	✓	✗
Amount of investment	Low	High
Ease of expansion	✓	✗
Customer interaction	✗	✓



# Defining Your Frame of Reference



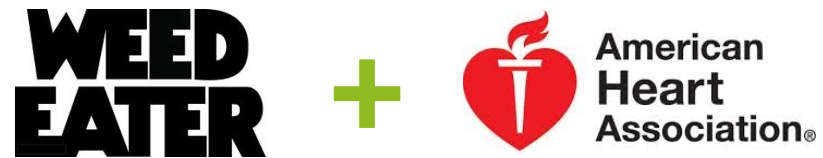
# The Power of Convergence



# Cross-Pollinating the Unlikely



## Mash-ups



Using the same design as a **weed whacker** with a motor on one end and an impeller at the other, a miniature computer-controlled **heart pump** has been designed to help patients waiting on the transplant list.

## How Would X Approach Y?

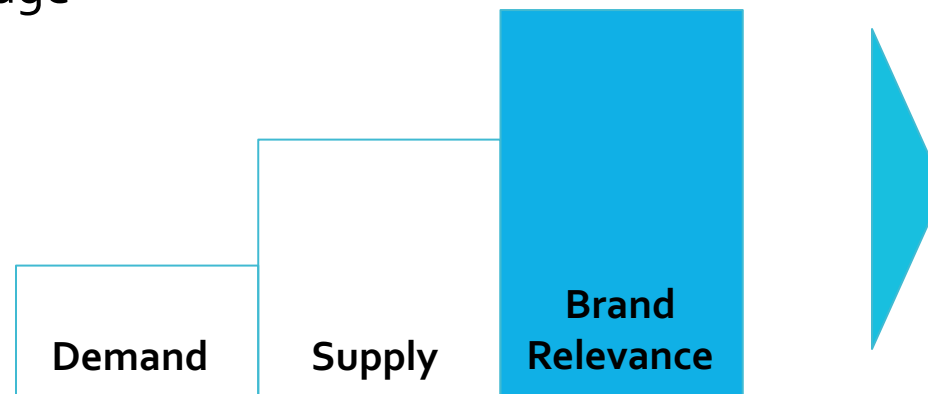


If **Google** were in the business of manufacturing **nuts and bolts**, how would they go about it? In what ways would their nuts and bolts be different from others on the market today? Why would they be different and better?

# Reason #3: Lack of Brand Relevance

Underlying Components:

- Lack of credibility
- Inconsistent persona
- Contradictory price/value relationship
- Base brand “baggage”



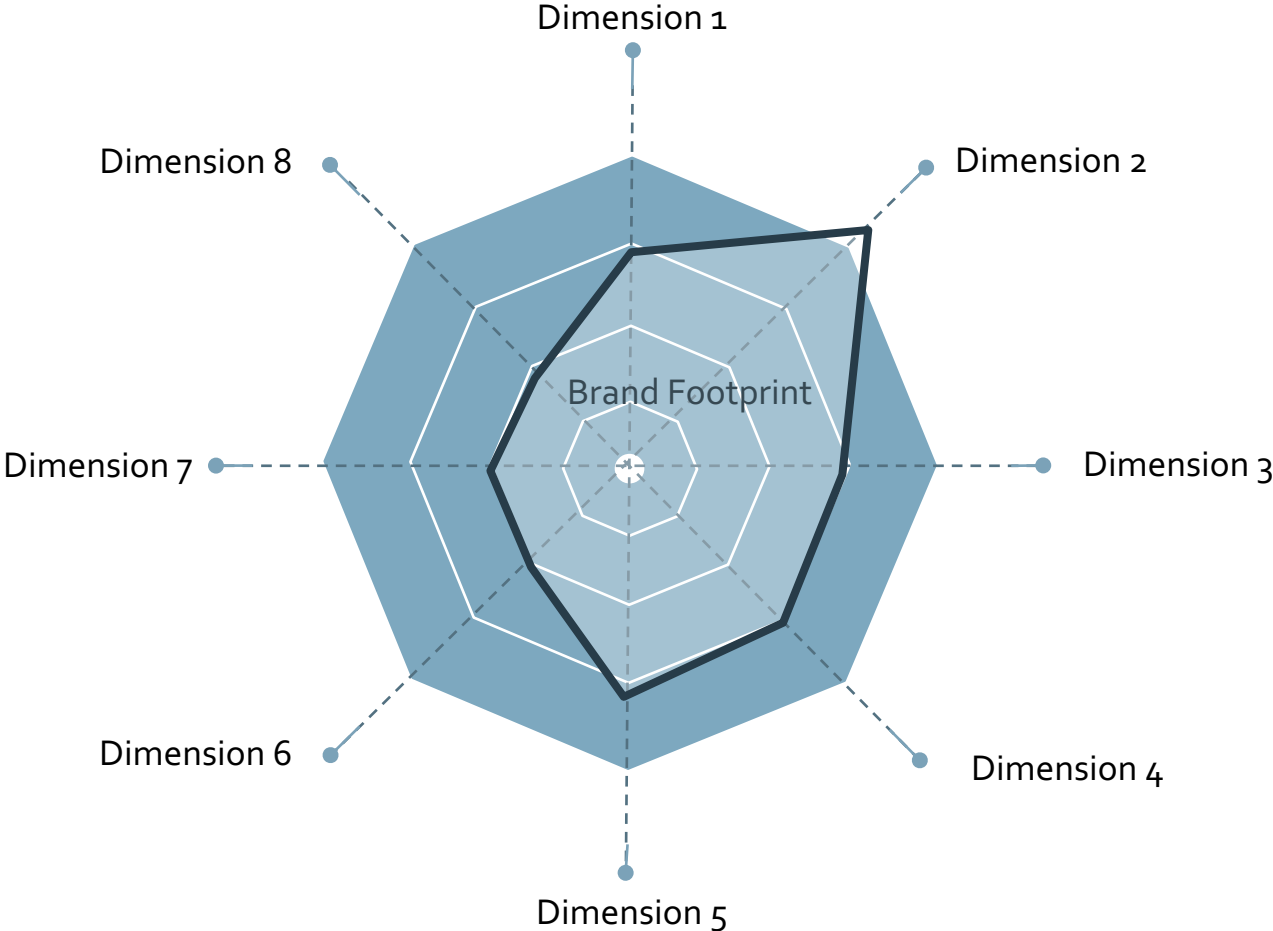
## Example



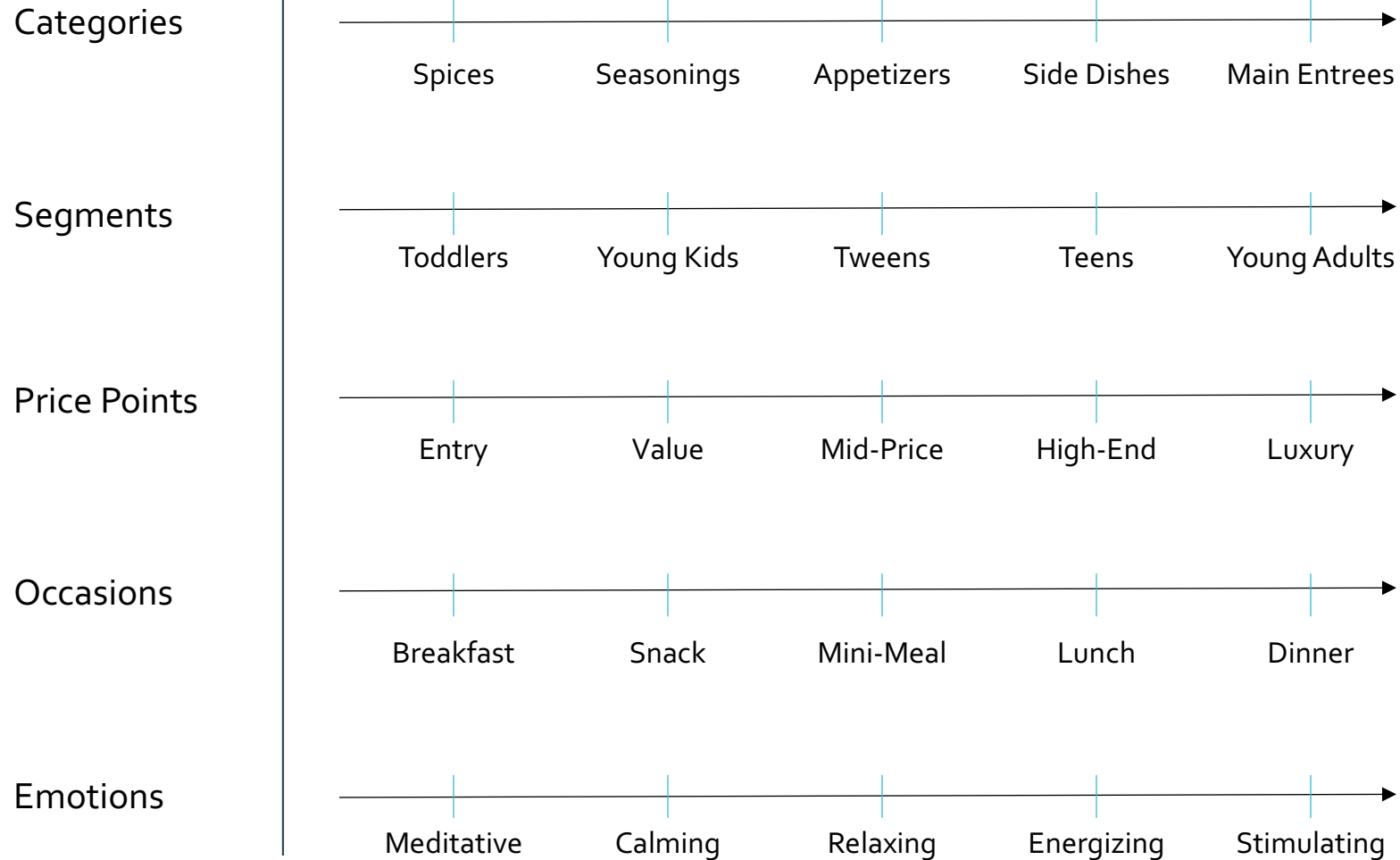
EBay selling goods at fixed prices made no sense for the brand or to consumers...

*EBay Express* was a confusing and contradictory concept

# Brand Extendibility Footprint



# Illustrative Dimensions/Axes



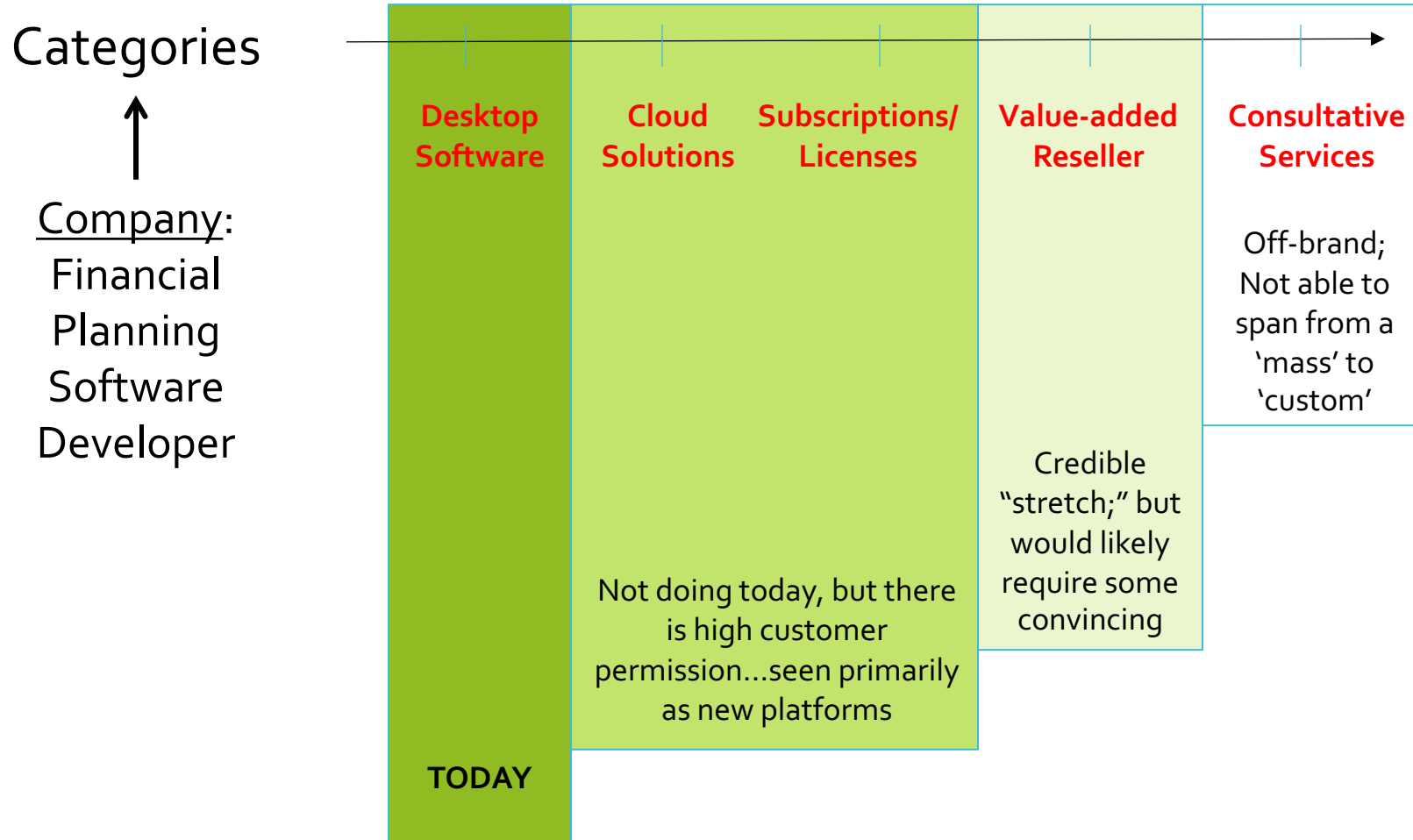
# Discussion:



Which 'dimension' your company or a company you know of considers when extending brands?

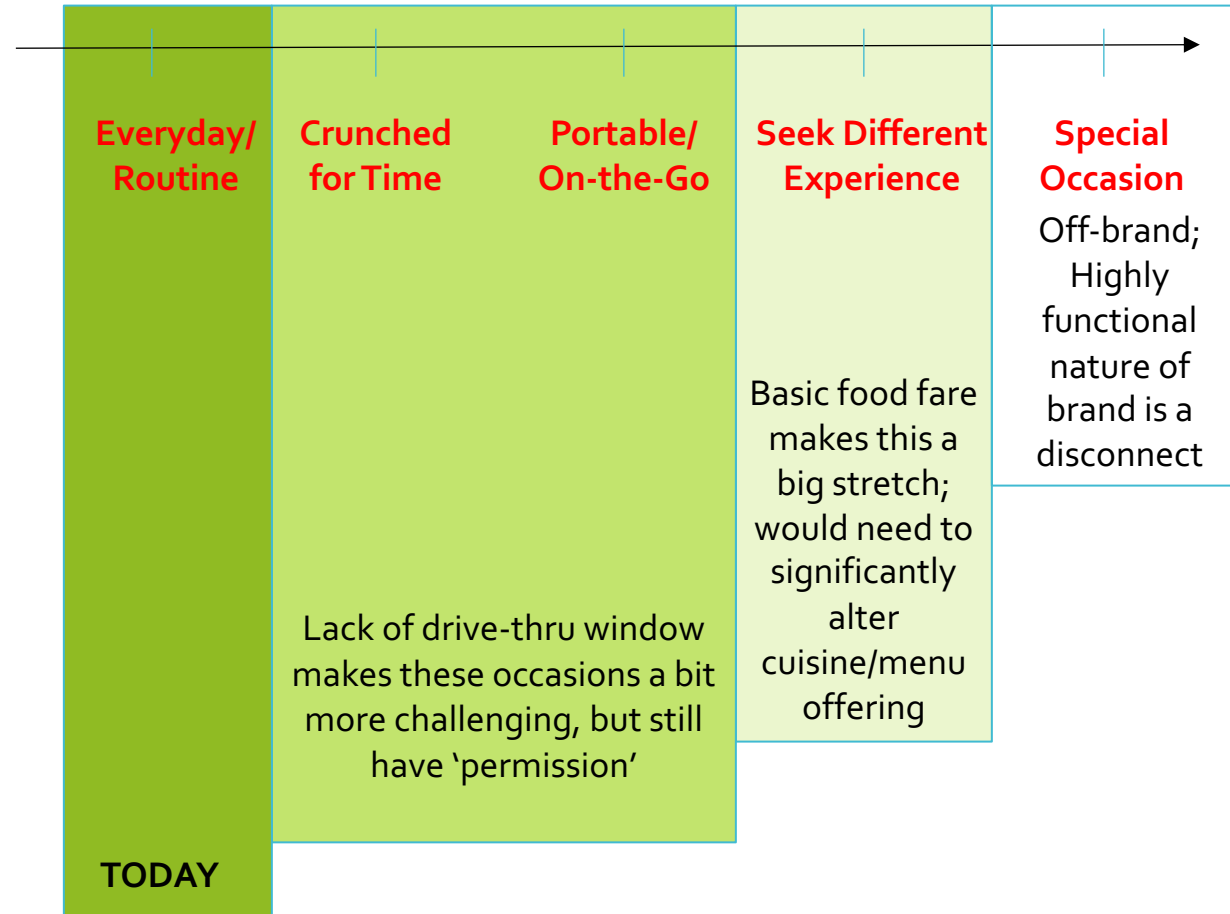
- a) Product category
- b) Customer segment
- c) Usage occasion
- d) Functional benefit
- e) Something else

# Example—Extending Along Categories



# Example—Extending Along Occasions

Occasions  
↑  
Company:  
'Fast Casual'  
Restaurant  
Chain



# Example—Extending Across Different Dimensions



# The Power of the Intangibles



“At Caterpillar, we build the machines that help our customers build a better world. The boots and shoes we build are made with the same commitment.”



**TATA CAPITAL TATA MOTORS**  
**TATA COMMUNICATIONS**  
**TATA POWER**



“Excellence is a continual quest at the Tata group and Tata companies are supported in their efforts to achieve world-class standards in all aspects of operations...”

# Key Thought...



The hard part is letting go of what worked for you two years ago, but will soon be out of date

Roger Von Oech



# How to Succeed with Brand Extension

BRAND EXTENSION PROCESS



# Characteristics of Successful Brand Extensions

- **Successful Brand Extensions have “Fit” and “Leverage.”**

**Fit:** What categories consumers will accept from a brand. A brand’s stretch-ability or boundaries.

**Leverage:** Distinctive properties a brand “owns” that provide a competitive advantage to the brand extension in its new category



# Dissecting this definition:

- Parent brands considered for extension must own some distinctive properties (though not necessarily exclusive ones)
- Some reasonable segment of consumers in the new category must want this property. The critical factor in a brand's extension success is whether the distinctive property owned by the brand is important in the new category and provides a competitive edge.



# What are the brand extension traits?

- Successful brand extensions are not that easy to identify, develop and position.
- Just sticking a known name on a new product does not guarantee its success.
- If it were that easy, companies with national brands would not have so much difficulty in launching big new product successes.
- One trap companies sometimes fall into is what we call the “great reputation” trap. What is relevant is whether customers in the new target category find some reason to prefer the new brand extension to current offerings. Having a great reputation for quality is not enough.



# Benefits of Brand Extensions

- Identify logical new product possibilities
- Capitalize on the paid-for equity in established brand names
- Enable a company to enter new categories at significantly lower cost
- Reduce the risk of failure given the established awareness and trust
- Create a positive synergistic effect with the efficiencies of umbrella branding and advertising
- Reinforce the consumers' perceptions of the parent brand name
- Bring news to existing brands - otherwise nothing new to say about them

# Risks of Brand Extensions



- If a brand extension is so off target or lacks fit and or leverage, it likely will fail and do little damage to itself.
- There can be real damage to the parent brand



# 10 Principles of Brand Extensions

1. Brands should **not be extended unless they are well-known, have high awareness and a good reputation** among the new target market.
2. Brand extensions **must be a logical fit with consumers' expectations.**
3. Brand extensions **must have leverage in the new category – a transfer to the new product of a distinctive property associated with the parent brand that gives the brand extension an edge in the new category.** The test: “Just knowing the brand name, customers of the new category should be able to identify a reason why they might prefer the new brand extension to existing competition.”



## 10 Principles [cont...]

4. Brand extensions that **could create confusion or a negative image** for the parent **should not be undertaken**.
5. Brands that **consumers use synonymously with a category (generic) should not be extended** to other categories.
6. Brands should **not be stretched to too many diverse categories** risking dilution in the long run.
7. Brand extensions that will not create positive synergy for the parent brand should not be pursued. (Ask consumers whether their opinion of the parent would be lowered if the new brand extension were available.)



## 10 Principles [...cont...]

8. Brand extensions **must make business sense.**
9. **Every brand extension should open a category for the firm.** The whole point of brand extension is to efficiently and successfully enter a new category.
10. **A critical part of every brand extension research study is developing a brand plan.** Short and long term possibilities should be identified up-front.



# Brand Extension Strategies

BRAND EXTENSION PROCESS

# Brand Reinforcement



- Brand Reinforcement refers to the set of activities where companies ensure that brand equity created doesn't depreciate with time, especially during brand extension exercises.
- Many brands who have survived and thrived multiple decades have always made sure that they keep reinforcing the brand values.
- Use marketing actions that consistently convey the meaning of the brand to consumers in terms of awareness and image
- Fortify the brand by raising awareness and building favorable associations - sponsorships, product placements

# Brand Reinforcement Strategies



## Brand Awareness

- What products does the brand represent?
- What benefits does it supply?
- What needs does it satisfy?

## Brand Image

- How does the brand make products superior?
- What strong, favorable, and unique brand associations exist in customers' minds?

Innovation in Product Design, Manufacturing and Merchandising

Relevance in User and Usage Imagery

Consistency in Amount and Nature of Marketing Support

Continuity in Brand Meaning: Changes in Marketing Tactics

Protecting Sources of Brand Equity

Trading Off Marketing Activities to Fortify vs. Leverage Brand Equity

Expanding the categories across which the brand delivers the core benefit satisfying various needs. E.g. Fortune: Primarily, an oil brand in India, expanded to other food ingredients.

# Brand Reinforcement: Example Fortune Brand

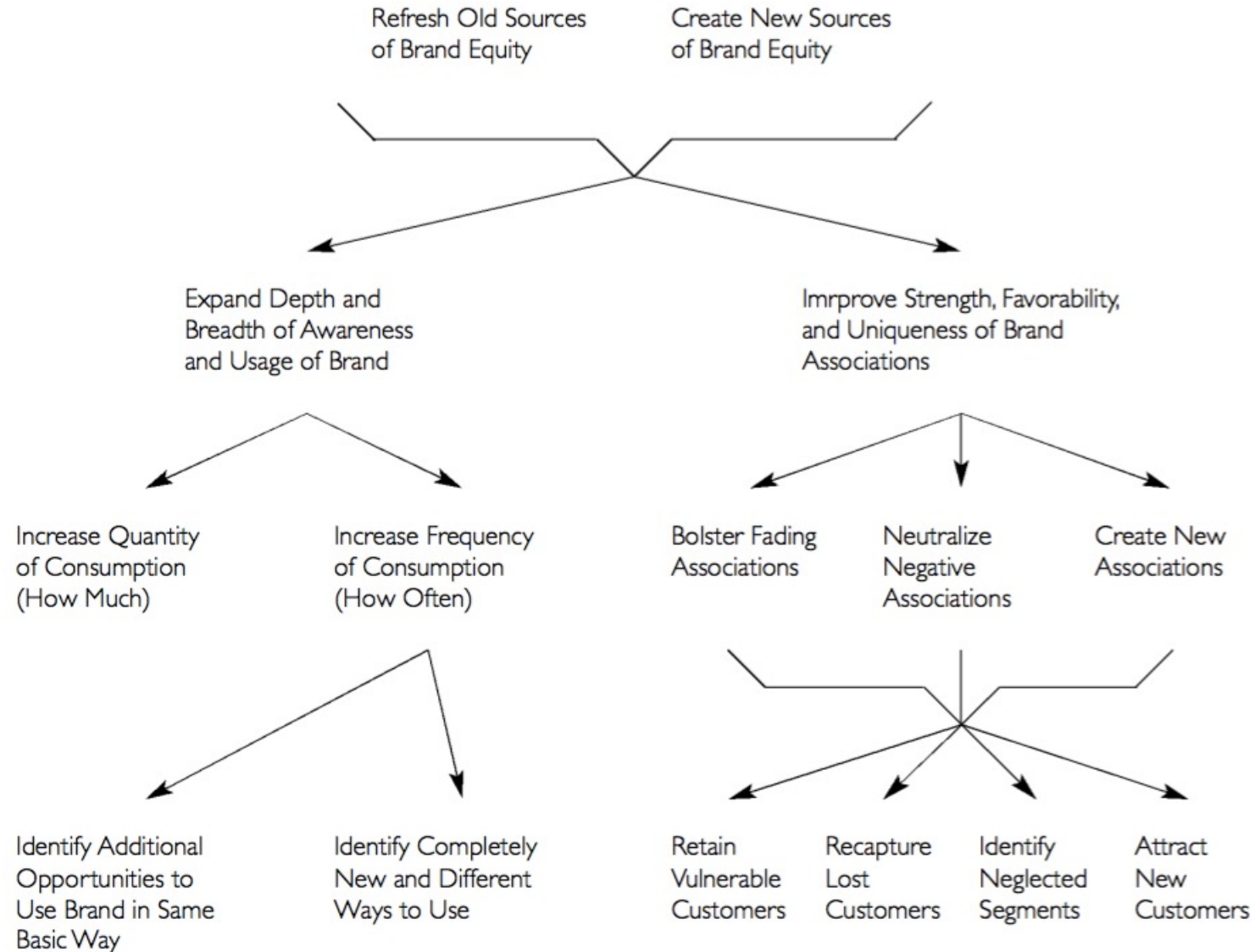




# Brand Revitalization: Dealing with Extension

- It is the marketing strategy adopted when the product reaches the maturity stage of product life cycle, and profits have fallen drastically.
- It is an attempt to bring the brand back in the market and secure the sources of equity i.e. customers, by either reinvigorating the existing brand, or by creating a new brand extension.
- Recapturing lost sources of equity, and returning to values of original brand
- Repositioning, and expanding awareness and image

# Brand Revitalization Strategies



# Brand Revitalization: with Brand Extension



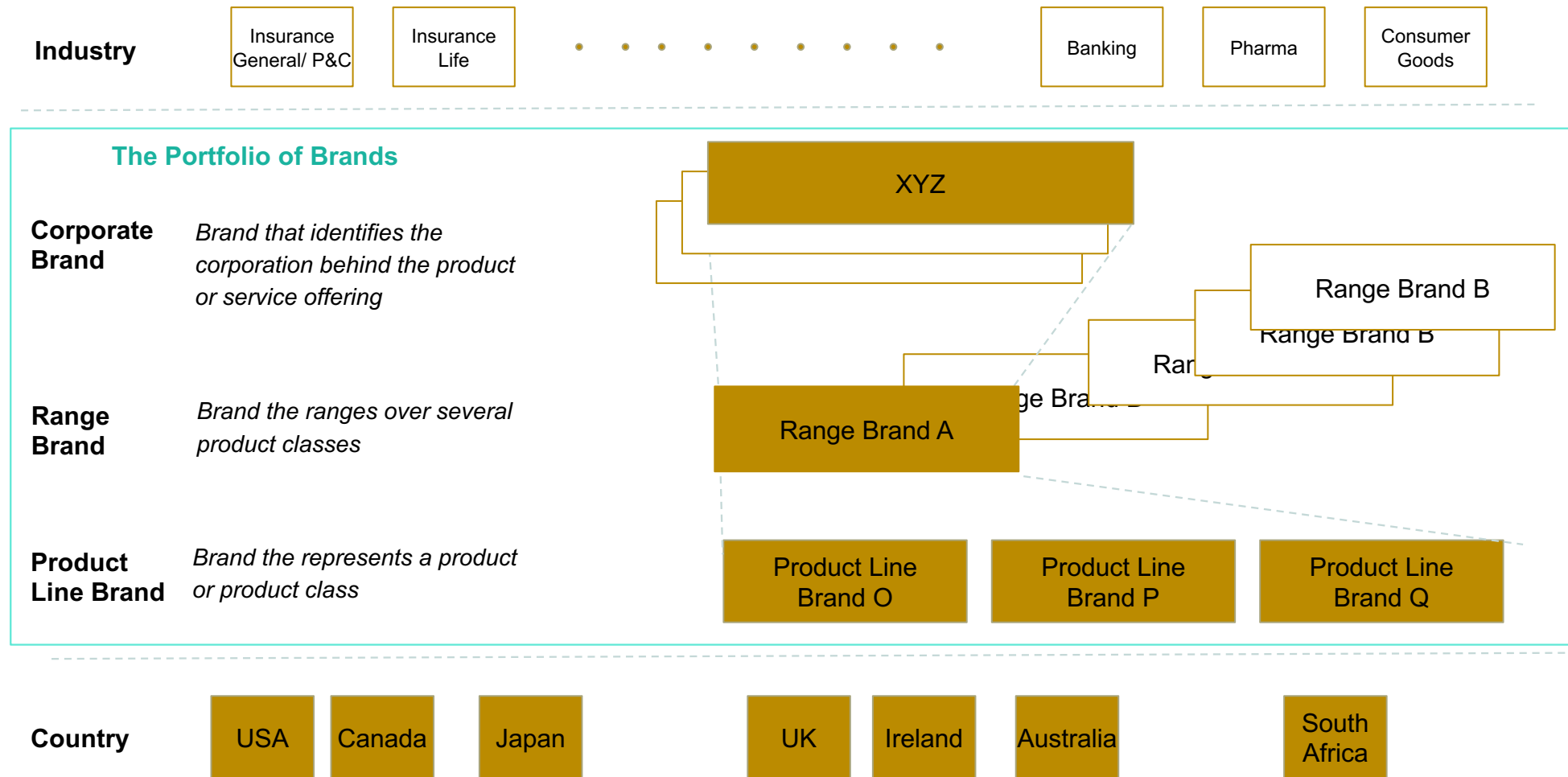
Avengers Assemble proved beyond all doubt that Marvel's movie strategy had paid off  
(Image credit: Marvel/Disney)

**The problem:** Marvel had once been king of the superhero comic. But in the 1990s, a general collapse in comic book sales, along with a string of bad business decisions, left it in dire straits and massive debt. In 1996 the Marvel Group filed for bankruptcy, which prompted a nasty two-year court battle for control of the company.

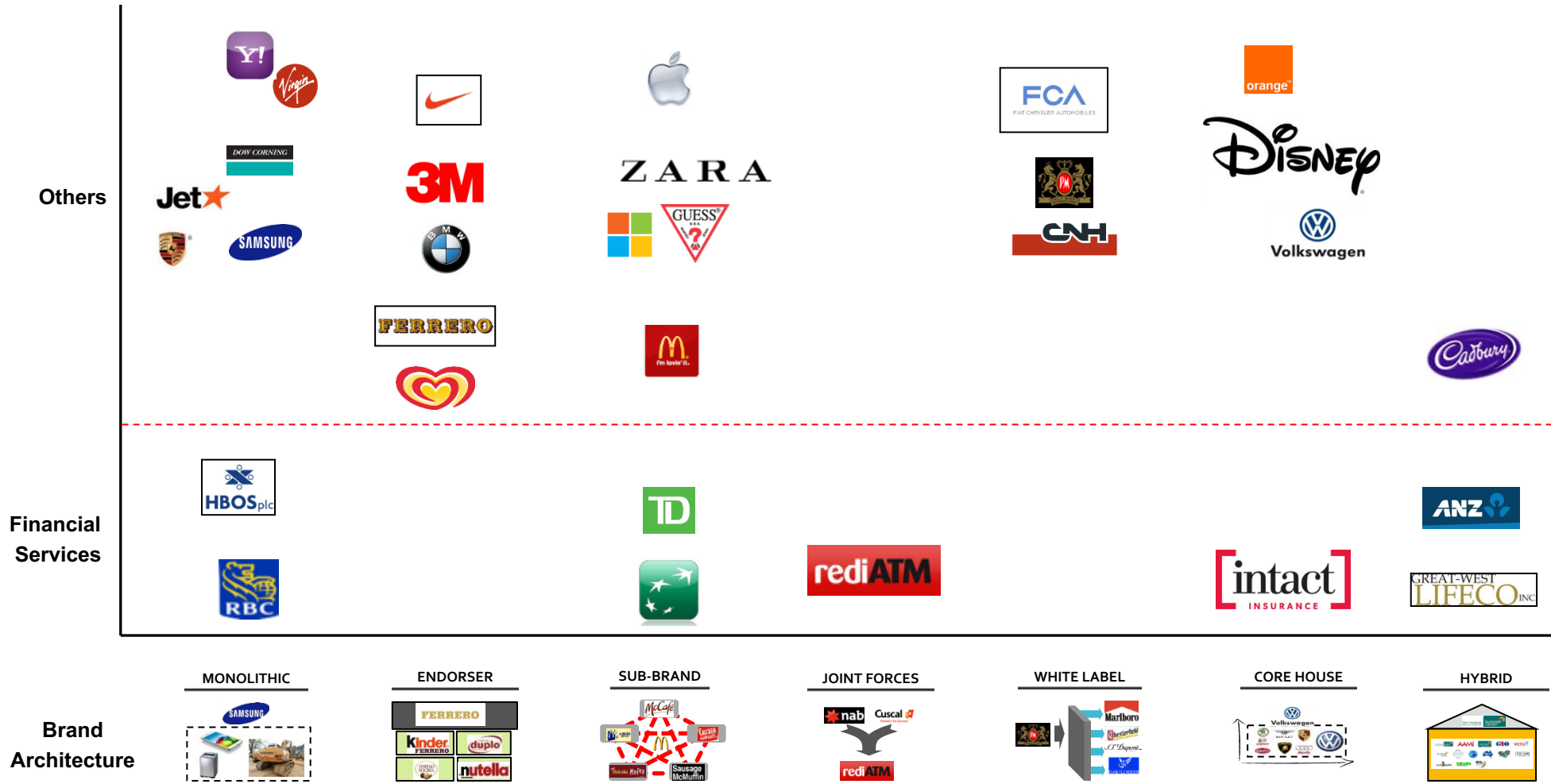
**The solution:** Once things were settled, new CEO Joseph Calamari turned his attention to a new strategy: targeting the movie business. In retrospect, rarely has a company made a smarter move.

# Brand Portfolio Taxonomy

Taking stock of the hierarchy of brands for a portfolio of brands – before Brand Extension

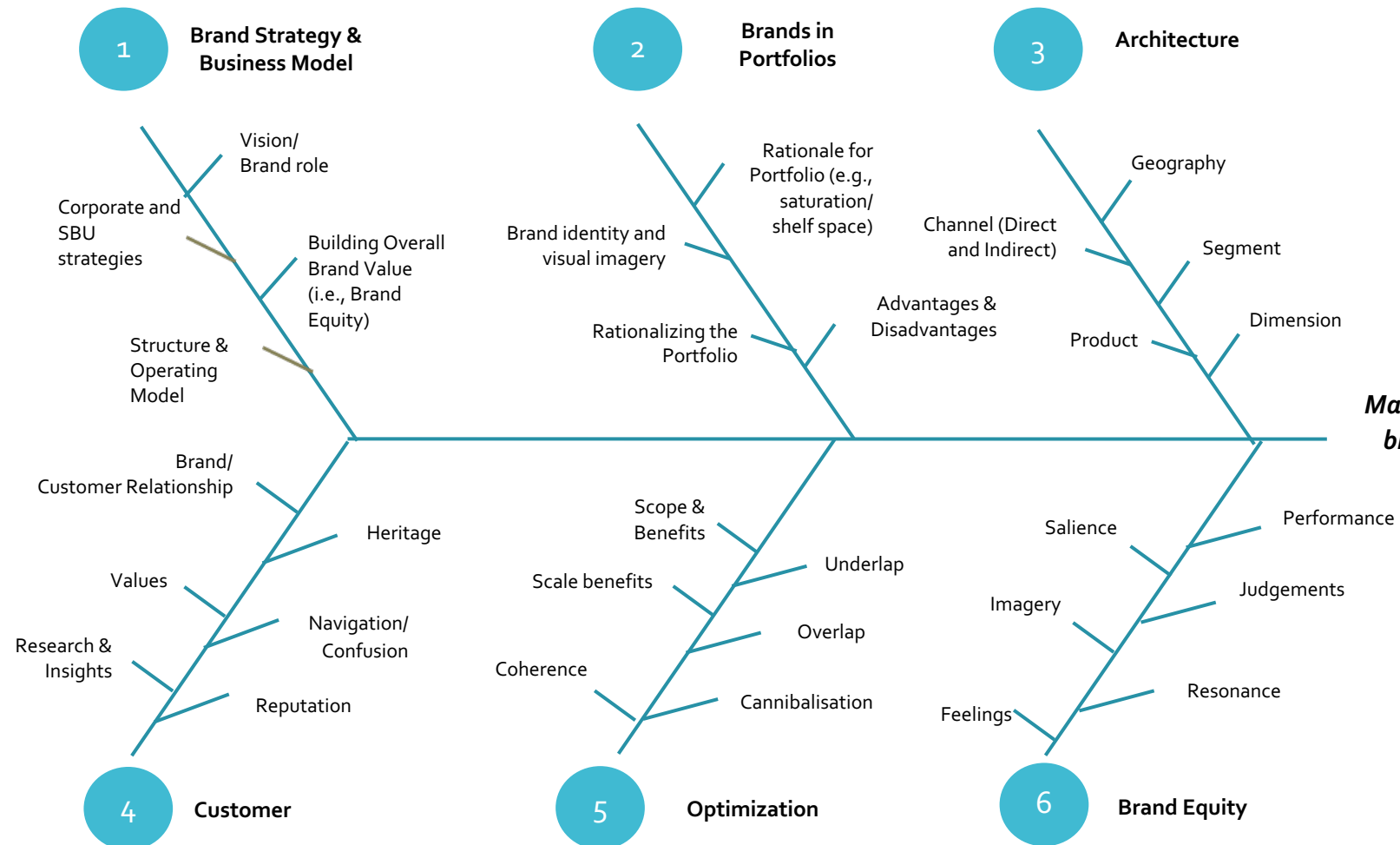


# Brand Portfolio types and extensions



Source: ICG analysis

# Six dimensions of world class brand portfolio management



# Guiding principles of a “Brand Portfolio Strategy” for Brand Extensions



Great brands are easy to recognize with clearly defined positioning and value propositions aligned with segment target needs. Strategic objectives align to target segment needs or fulfil a strategic role to inform investment and resource allocation decisions. Strategic roles are identified for each brand within the portfolio and definitive expectations for each role in terms of growth and margin contribution, and identified metrics to measure performance against

- A** Define (one of 4) strategic objectives for brands
- B** Maximize the extendibility of brands
- C** Build relevance across value tiers – one or multi brand?
- D** Build and leverage a strong corporate brand where it makes sense
- E** Employ a simple and clear brand architecture

Source: Mitch Ducler, FullSurge

# Define one of four strategic objectives for brands

A



1

## Core Brands

### What they set out to do?

- Generate positive cash flows, are highly profitable, and account for the majority of an organization's sales

### An Illustration

- Royal Bank of Canada (RBC) is Canada's largest financial institution, and one of the world's top 20 largest. However **years of internal brand creation combined with numerous acquisitions had led to a broad brand proliferation**. The fragmented branding that resulted was holding them back from building a single master brand that could be deployed in Canada, US and other growth markets.
- The RBC brand portfolio strategy **established a new RBC Financial Group**, parenting all business units built around five core customer markets: RBC Royal Bank, RBC Global Asset Management, RBC Insurance, RBC Wealth Management and RBC Capital Markets



Source: Mitch Ducler, FullSurge

2

## Strategic Growth

### What they set out to do?

- Target highly lucrative and high growth market segments.

### An Illustration

- **Porsche never suffered much until early 1990's, when it almost died.** Porsche needed a third model line, something with much broader sales appeal than the Porsche Boxster and Porsche 911, if it hoped to have the wherewithal to continue building more great sports cars. In the 1990's, two-thirds of Porsche buyers also owned two other vehicles, one likely an SUV, and America, **Porsche's largest market, was in the midst of its love affair with SUV's.**
- The **Porsche Cayenne was introduced** to Europe in late 2001 and went on sale in North America for model-year 2003



# Define strategic objectives for brands

A



3

## Defensive Brands

### What they set out to do?

- Enhance a company's position vis-à-vis competition

### An Illustration

- The classic example of a defensive or fighter brand is when Virgin Australia entered the Australian market in 2004 and began undercutting Qantas Airlines.
- Qantas counter by creating Jetstar, a low-cost brand that offers no-frills service and appeals to cost conscious travellers





4

## Channel Specific Brands

### What they set out to do?

- Reduce channel conflict while allowing a company to reduce its cost structure

### An Illustration

- In the 1990's, Dow Corning discovered that many customers experienced in silicone application no longer needed Dow's technical services. As the product matured, the priorities of customers shifted from wanting help with innovation to wanting to keep costs low. This change in what some customers valued consequently decreased profit margins. Dow needed a radically lower cost structure that would allow it to profit solely from selling products. At the time, Dow had no online sales component.
- In 2002, Dow created a  web-based offering called Xiameter to help enable  customers to purchase silicon-based products in bulk, directly off of the Internet

Source: Mitch Ducler, FullSurge

# Case Study: Virgin group

A

Virgin has used its strong corporate brand to expand and compete across a number of geographies and unrelated industries



## VIRGIN GROUP BRAND PORTFOLIO



## KEY ATTRIBUTES & INSIGHTS

- A strong corporate brand with set of related brands across unrelated industries.
- Corporate brand values and positioning drives brand entry into new industries
- **Product description used for sub-brands** (e.g., Virgin Money, Virgin Active, Virgin Airlines)
- Corporate brand promise defines each category entered even across industry with the brand archetype personality of a 'Maverick' achieving freedom from the category establishment through non-conformity, the Robin Hood
- Differentiation by price is on two tiers - Virgin Red Logos denotes quality mainstream service, Virgin Blue denotes economy value, more recently Silver as premium de-luxe.
- Global Branded revenues 15 billion pounds in 2012.

Source: secondary research

# Maximize the extendibility of brands

B

- We maximize brand extendibility by selecting those that can extend across multiple dimensions.
- This entails fewer, stronger brands leveraged across multiple dimensions, e.g., Geographies, Industries, Sectors, Applications and Channels, and new growth platforms to achieve synergies, capitalize on economies of scale and penetrate new markets

## An Illustration – The Situation

- Spanish brand Inditex Group has built a multi-brand portfolio, which has allowed them to target various market segments more effectively.
- Zara, Inditex's flagship brand and the world's largest fashion retailer, is all about instant "runway" fashion made accessible to everyone. The brand is consistently delivered by controlling most of the supply chain and the customer experience.
- Zara has several basic product lines. Women and men's clothing are Zara's most important product line, additionally there are perfume, shoes, belts, and cosmetics lines
- Issue: how to continue to grow the breadth of offerings?

## The Response

- **Zara is a successful and strong brand, so it was extended to the new product class**
- In 2003, **Zara developed a new extended brand, Zara Home.**
- The Zara Home brand includes Zara Home Kids collection, offering bedding, nursery accessories, sleepwear, plush toys, etc.
- Awareness of the brand name Zara Home is higher as consumers already know Zara, its parent brand
- In addition, **Zara evokes feelings of familiarity (i.e. positive association) within consumers, which perhaps results in a greater probability of purchasing Zara Home**

**INDITEX**

**ZARA**

Source: Mitch Ducler, FullSurge

# One Brand or Multiple Brands?



While doing brand extension decisions, organizations can acquire multiple brands. To optimize, they need to express their brands – or portfolios of brands – into the market in a way that key audiences will find easy to understand and expect

	One Brand	Multiple Brands
<b>Brand Equity</b>	Parent brand stronger than acquired brand	Acquired brand strong than parent brand
<b>Product Diversity</b>	Fairly homogeneous; line extension	Diverse; new category type
<b>Brand Attributes</b>	Well aligned with company/ parent brand attributes	Complementary or not aligned with company/ parent brand attributes
<b>Channel Opportunities</b>	Minimal opportunity to increase penetration or share	Will increase share or penetration (add channel partners for new brand)
<b>Marketing Investment</b>	No more than enough to support one brand	Enough to support company/ parent brand and sub-brand
<b>Marketing Management</b>	Product management model	Brand management model

***The key is to have a plan, implement it assertively, measure the results and have a firm definition and metric for completion***

# Case Study: 3M

3M maintains one brand which endorses every one of its 55,000 products



## 3M BRAND ENDORSING BRANDS

## KEY ATTRIBUTES & INSIGHTS



- Formerly known as Minnesota Mining and Manufacturing company
- 30B in revenues, has 55,000 products
- The main product categories are:
  - Adhesive
  - Abrasives
  - Laminates
  - Passive fire protection
  - Dental products
  - Electronic material
  - Car care products
  - Electronic circuits
  - Optical films
- At 3M, the driver is the sub-brand ( e.g. Post it Note or Scotch tape), not the corporate brand
- Similar to Ferrero, every product category is a main sub-brand, endorsed by 3M

Source: secondary research

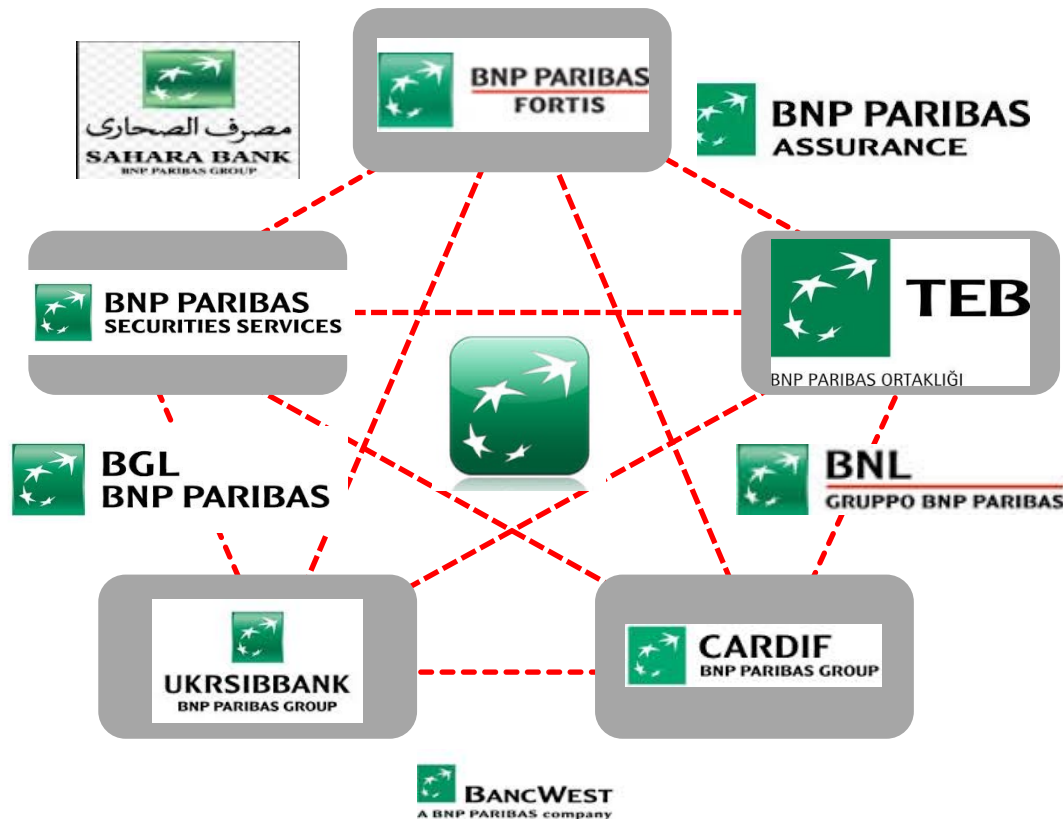
# Case Study: BNP Paribas

As it has acquired new holdings, BNP Paribas has kept local brands and maintained a strong brand to demonstrate global reach and security

C



## MONOLITHIC IDENTITY – LOCAL BRAND



Source: secondary research

## KEY ATTRIBUTES & INSIGHTS

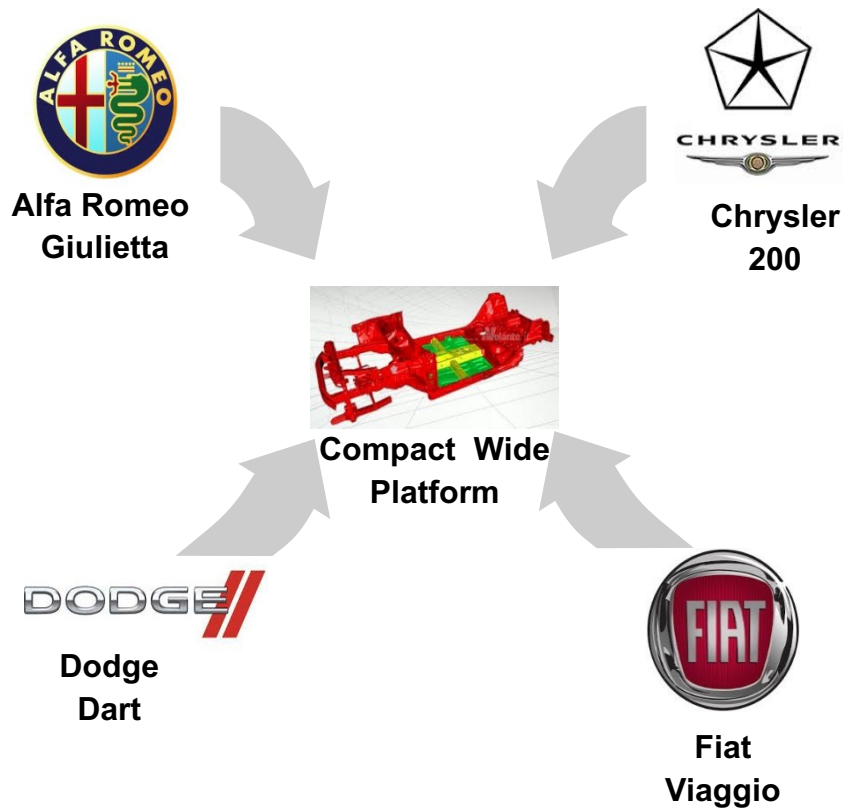
- French bank and financial services company based in Paris. Fourth largest bank in the world
- Split into **three strategic business units**: Retail Banking, Corporate and Investment Banking, Investment Solutions
- Has a policy of organic growth through acquisitions of banks with a **strong local footprint**
- Strong EU presence in France, Italy, Belgium and Luxembourg
- In US operates Bank of the West and Hawaiian First through the Bancwest holding each which operate with their own local brands
- BNP **maintains the local brand together with the BNP logo** to provide international awareness
- Example of sub-brand, where the local name is preserved but joined together with the BNP logo and lettering (see section C – Architecture)

# Case Study: FCA

FCA (Fiat Chrysler Automobiles) has a “single platform, multiple brands” policy to target different segments, common between all major car manufacturers



## FCA BRAND PORTFOLIO



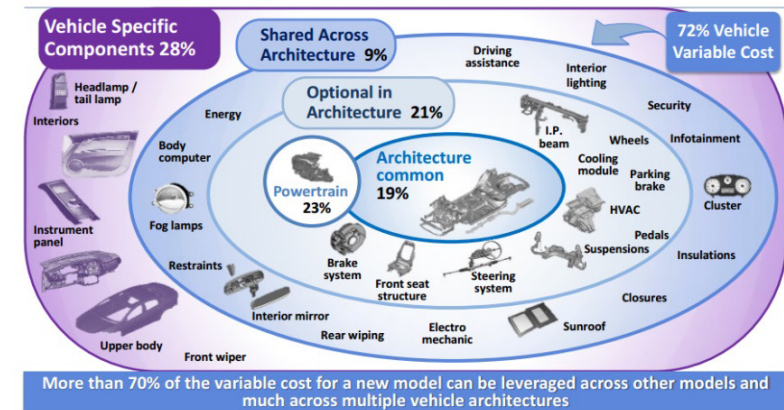
Source: secondary research

## KEY ATTRIBUTES & INSIGHTS

- FCA uses the “Compact Wide” platform to produce cars with four different brands
- Only 28% of a car component is “vehicle specific”
- The four different brands target different demographics, in different geographies, at very different price point (Giulietta price is more than double of Viaggio, even if they basically share 75% of the components)

### Global standardization:

Purchasing & Engineering collaboration - segmentation



Vehicle Architectures

# Brand extension

Extending a brand can be dangerous if not matched by a combination of marketing rigour and a regular regime of qualitative market research



## EXAMPLES OF FAILED BRAND EXTENSIONS

- In 1989, lighter manufacturer **BIC** backed its launch of a perfume with a \$20m ad campaign. The perfume was intended to be a handy accessory, carried around like lipstick or a comb
- Red-blooded **Harley-Davidson** riders were offered to celebrate their birthdays with a cake decorated with a mini replica of their hog. The kits comprised a motorcycle (style may vary), Harley-Davidson logo and, usefully, two bushes
- For male riders watching their waistline, **Harley** produced a cologne, as well as a perfume for their ladies
- **Pond's**, the face-cream manufacturer, had a hard time convincing people that its toothpaste would be palatable
- Tailored suits from **Levi's**, introduced in the 80s, did not enjoy quite as positive a reception as its jeans
- **Victoria's Secret** announced an extension of the brand into athletic wear. The core competences to make great lingerie would seem to support the manufacture of athletic apparel. But the problem is not production, but the usage occasion and differing brand associations between a very private bedroom and public gym

Source: "Don't catch brand extension disease", Mark Ritson

## KEY INSIGHTS

Signs of a bad brand extension idea

- Apparent **reliance** on brand equity despite the complete lack of value that the existing brand brings to the proposed extension
- **Ignorance** of how competitive and cluttered the market being entered is
- The **inability** to distinguish between a logical brand extension and an entirely bonkers one with no possibility of success

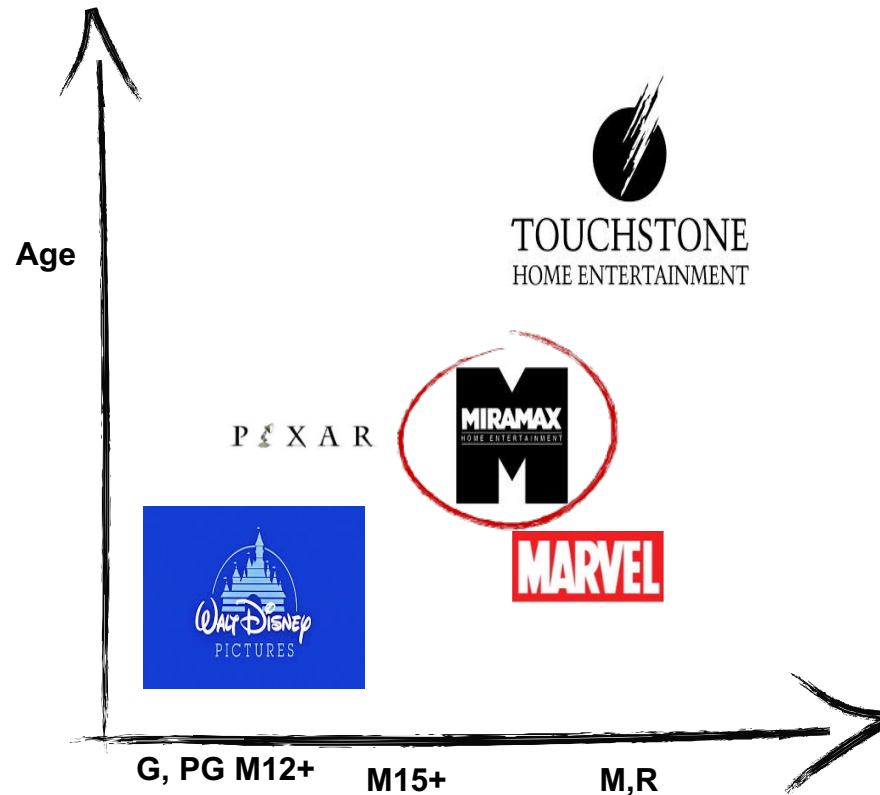
# Case Study: Disney

D

## Disney refocused its corporate brand portfolio by selling Miramax in 2010



### BRAND EXTENSION -- DISNEY BRAND POSITIONING



Source: secondary research

### KEY ATTRIBUTES & INSIGHTS

- Prior to the divestiture of Miramax in 2010, the Disney Group had three different sub-brands focused on three distinct customer segments, with Disney also operating as the lead brand in a house of brands
  - Disney (G, PG, M12+),
  - Miramax (M15+)
  - Touchstone (M, R)
- It also had Pixar and Marvel playing in the same space as Miramax
- Disney divested Miramax for \$660M to a real estate businessman, with a library containing more than 700 movies, after struggling 6 months to find an investor
- Disney refocused its business strategy on larger, tent-pole movies from its Pixar and Marvel labels under new CEO
- By shedding Miramax, the studio moved away from lower-budget, indie fare toward films based on established franchises

*"Although we are very proud of Miramax's many accomplishments, our current strategy for Walt Disney Studios is to focus on the development of great motion pictures under the Disney, Pixar and Marvel brands. We are delighted that we have found a home for the Miramax brand and Miramax's very highly regarded motion picture library."*

Rober Iger, Disney CEO

# The brand relationship spectrum



Many company/ brand structures have become increasingly complex. Boston University outlines 5 portfolio strategy variations, the prevalence of each, along with the level of leverage and prominence (perceptual) and the specific entity that drives customer behaviour (physical) that can be derived from each.

Corporate Brand Driver Role (Perceptual dimension)	Brand Portfolio Strategy Variation	Corporate Brand Visibility/ Prominence (Physical dimension)
<p style="text-align: center;">Strong</p> <p style="text-align: center;">↑</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Weak</p>	<p style="text-align: center;"><b>Branded House (Monolithic) – 28%</b> e.g., Boeing, Fedex, IBM, Tiffany &amp; Co., Starbucks, UPS</p>	<p style="text-align: center;">High</p> <p style="text-align: center;">↑</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Low</p>
	<p style="text-align: center;"><b>Branded House (Sub-brand) – 10%</b> e.g., Apple Bausch &amp; Lomb, Intel, Analog Devices, Microsoft</p>	
	<p style="text-align: center;"><b>Branded House (Endorsed Branding) – 6%</b> e.g., 3M, Intuit, AstraZeneca, Genzyme</p>	
	<p style="text-align: center;"><b>House of Brands – 12%</b> e.g., Darden Restaurants, Fortune Brands, Proctor &amp; Gamble, Yum! Brands</p>	
<p><b>Hybrid Strategy – 44%</b> Combination of above branding strategies e.g., Black &amp; Decker, Sysco, Heinz, Kimberley Clark Corporation, Limited Inc., Campbell Soup, Gillette Corporation, Hershey Food Corporation</p>		

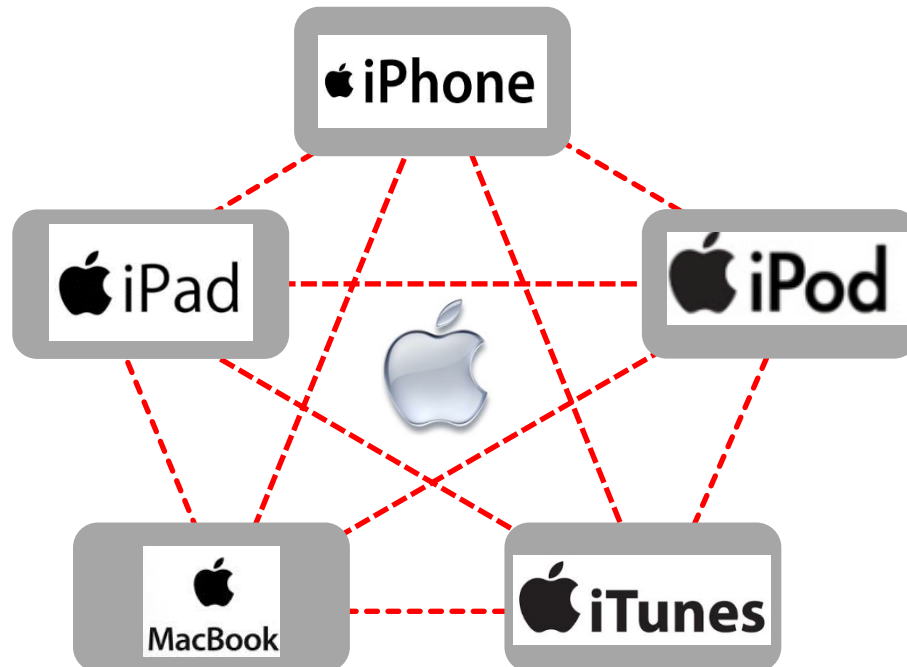
Source: Hsu, Fournier and Srinivasan: Brand Portfolio Strategy Effects on Firm Value and Risks, Boston University School of Management

# Case Study: Apple

As Apple has expanded its product lines, it has used one logo, one colour palette, one font and one layout for all of its sub-brands



## SUB-BRAND



## KEY ATTRIBUTES & INSIGHTS

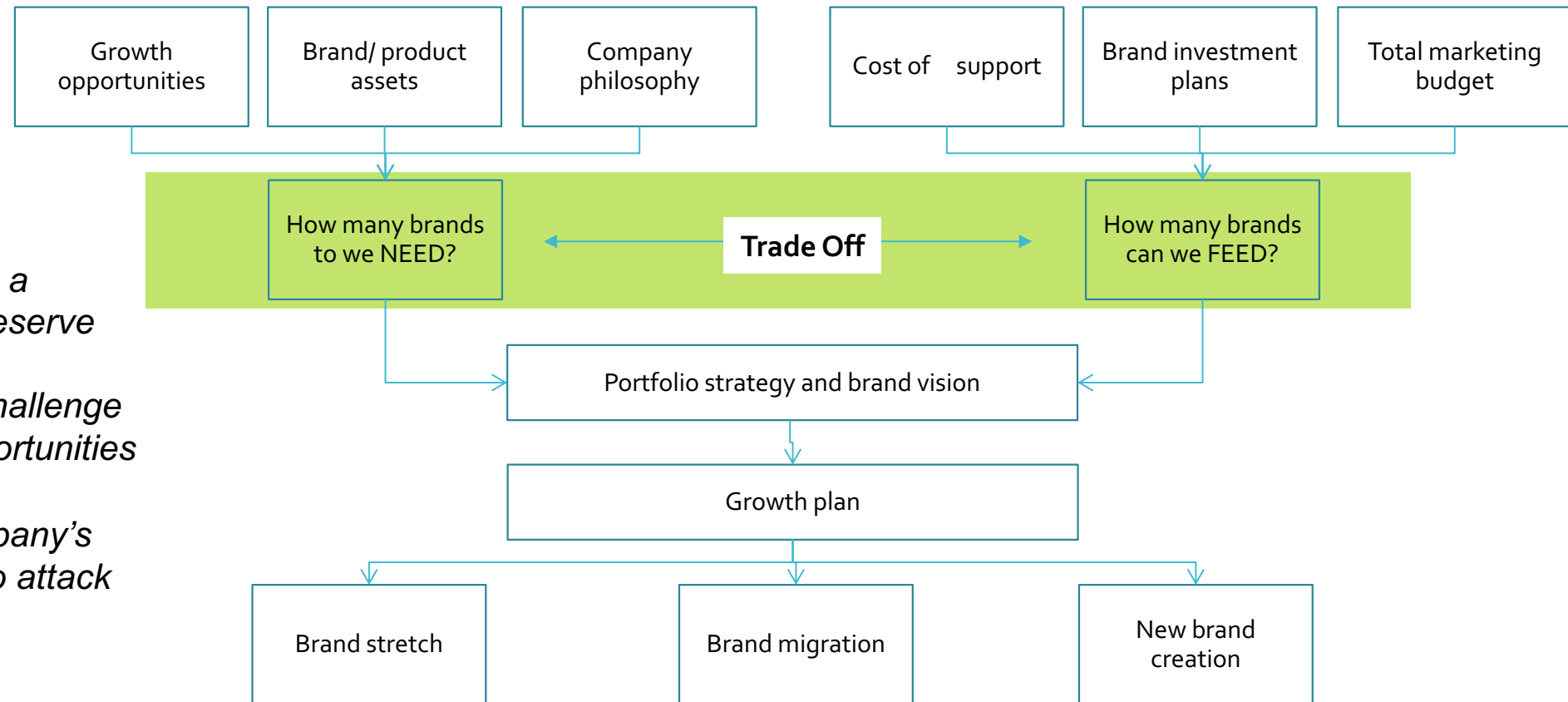
- Compared to Microsoft, Apple has a far more stream-lined sub-brand architecture
- Benefits from a smaller portfolio of products, more focused base of target customers, and careful naming strategies
- Apple even incorporates certain subbrand architecture traits by only having only one logo, one colour palette, one font, and one layout style
- However, the Apple brand architecture differs from the sub brand architecture by having unique trademarked names for its offerings, for example “iPod”, “iPad”, “MacBook” and “iTunes”.
- Further, while Apple eschews unique word mark designs, its sub-brands always feature distinctive icons that serve as sub-brand logos.

Source: secondary research

# Looking at the bigger picture in a systemic fashion – Need and Feed



## Brand Portfolio Process



*Rather than jump straight into a debate about which brands deserve more or less support, leading organizations approach the challenge by first identifying growth opportunities in the marketplace and then considering which of the company's brand assets could be used to attack these*



# Let's Summarize

## Why is it a big deal?

- Leveraging existing brand to save time & cost
- Clarity of customer value, Resonance to core brand values
- 84% of Brand Extensions fail
- The good, bad and ugly part of brand extensions

## How to succeed with BE?

- Fit and Leverage – check if your brand has it in new category?
- 10 principles of Brand Extensions
- Brand Extension Strategies

## Top Barriers of Brand Extension

- Is there a demand?
- If yes, Is your Product inspiring?
- If yes, does it have a good brand relevance?



# Reach Out



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