Brand Extension - Meaning, Advantages and Disadvantages

**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. 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.

Brand extension may be successful or unsuccessful.

**Instances where brand extension has been a success** are-

1. **Wipro** which was originally into computers has extended into shampoo, powder, and soap.
2. **Mars** is no longer a famous bar only, but an ice-cream, chocolate drink and a slab of chocolate.

**Instances where brand extension has been a failure** are-

1. In case of new **Coke**, Coca Cola has forgotten what the core brand was meant to stand for. It thought that taste was the only factor that consumer cared about. It was wrong. The time and money spent on research on new Coca Cola could not evaluate the deep emotional attachment to the original Coca- Cola.
2. Rasna Ltd. - Is among the famous soft drink companies in India. But when it tried to move away from its niche, it hasn’t had much success. When it experimented with fizzy fruit drink **“Oranjolt”**, the brand bombed even before it could take off. Oranjolt was a fruit drink in which carbonates were used as preservative. It didn’t work out because it was out of synchronization with retail practices. Oranjolt need to be refrigerated and it also faced quality problems. It has a shelf life of three-four weeks, while other soft- drinks assured life of five months.

**Advantages of Brand Extension**

Brand Extension has following advantages:

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.**