

# **Building Your Brand with Brand Line Extensions\***

his file is third in a five-part series on building and developing a brand in the market. The first file outlined the importance of branding and the process of creating a brand for a new product, while the second file examined flanker branding strategies. This series continues with discussion of brand line extensions.

#### What is a brand line extension?

A company introduces a brand line extension by using an established product's brand name to launch a new, slightly different item in the same product category. For example, Diet Coke<sup>TM</sup> is a line extension of the parent brand Coke<sup>TM</sup>. While the products have distinct differences, they are in the same product category and the extension (Diet Coke<sup>TM</sup>) is very dependent initially on customer recognition of the brand name Coke<sup>TM</sup>.

More than half of all new products introduced each year are brand line extensions. New flavors, package sizes, nutritional content or products containing special additives are included in this definition.

### **Line Extension Benefits**

- Expand company shelf space presence
- Gain more potential customers
- Offer customers more variety
- Greater marketing efficiency
- Greater production efficiency
- Lower promotional costs
- Increased profits

#### **Line ExtensionThreats**

- Potential for failure, which may damage products within the brand
- Possible intra-firm competition

## Why are brand line extensions important?

Brand line extensions reduce risk associated with new product development. Due to the established success of the parent brand, consumers will have instant recognition of the product name and will be more likely to try the new line extension. As a result, promotional costs are much lower for a line extension than for a completely new product. More products expand the company's shelf space presence – enhancing brand recognition.

For example, consider Campbell's Soups<sup>TM</sup> – the strength of the Campbell's<sup>TM</sup> brand lowers costs of launching a new flavor of soup, such as Creamy Chicken Noodle<sup>TM</sup>, due to the established brand name and package design. Consumers who have enjoyed Campbell's Chicken Noodle Soup<sup>TM</sup> are likely to try Campbell's Creamy Chicken Noodle Soup<sup>TM</sup>, even with minimal impact from advertisements and promotions.

In general, firms with broad product lines have

- More potential customers
- The opportunity to sell more to each customer
- Greater marketing efficiency
- Greater production efficiency
- Increased profits at the introduction and growth stages of product line extensions
- Lower promotional costs of product line extensions (I know, this one goes with the line above, but it is important!)

**Brand line extensions do present two potential threats.** First, if the new line extension fails to satisfy, consumers' attitudes toward other products carrying the same brand name may be damaged.

Secondly, there is potential for intra-firm competition between the parent product and the line extension, or between two or more line extensions. The Page 2 File C5-52

key to avoiding intra-firm competition is to clearly differentiate between products. Although similar, the products must be different enough that they will not compete with one another as much as they will rival other companies' brands.

#### Will Brand Line Extensions Work for You?

A brand line extension strategy is not for every company. There are a number of questions that must be answered in order to make the best decision for your situation. The most basic questions include:

- Can my company develop a product extension with characteristics that clearly differentiate it from the established product?
- Are these characteristics believable and needed?
- Does my company have the resources necessary to develop a differentiated product?
- Will combined net sales of the established product and the line extension product be greater than sales of the established product alone?
- Will the cost of product development and promotion be covered by the sales of the new brand?
- Is there already a high level of diversity in the product category?
- Will my company have to borrow a large level of funding from the established brand in order to fund the line extension?

Successful brand line extensions are not entirely new products; they are simply new branches on the main plant. In order to optimize the power of the overall brand, line extensions have to make sense, be part of a long-term plan and reflect the core images and message of the brand.

The next file in the "Building Your Brand" series will examine another type of branding, brand leveraging.

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<sup>. . .</sup> and justice for all