

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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