

Model: Success and failure factors for brand extensions

Type of model: Brand model (structure model)
Author(s): Charlotte Blom (SWOCC)
Domain: Brand stretching (brand extension)

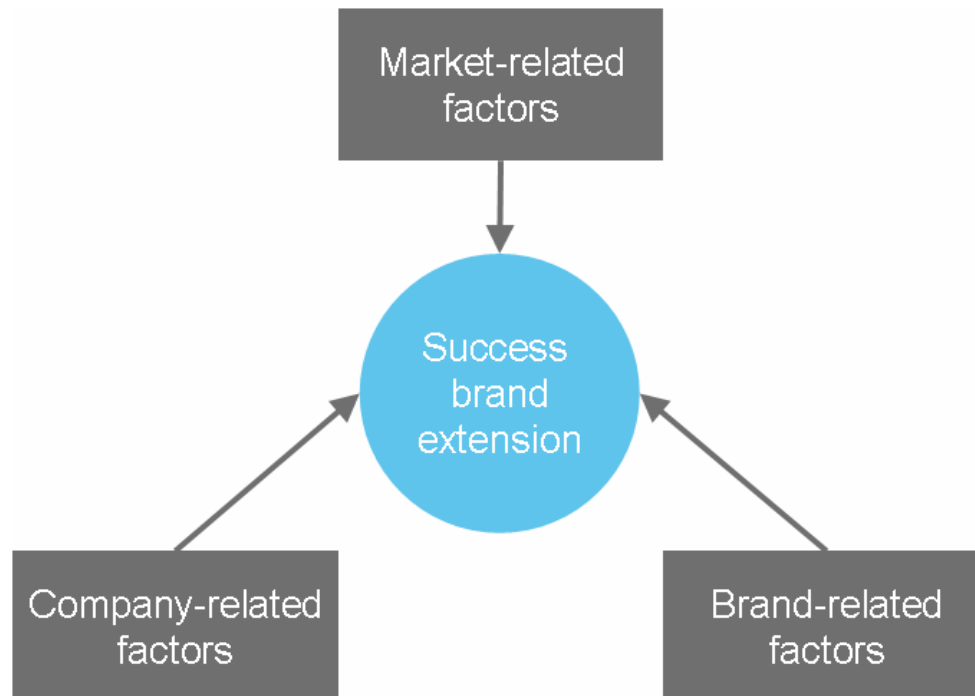


Figure 1: Factors influencing the success of a brand extension.

Blom's brand extension model distinguishes three factors that are crucial for the success of brand extensions: (1) market-related, (2) company-related and (3) brand-related factors. Blom draws these factors from literature on the subject, and furthermore bases herself on an analysis she ran in conjunction with ACNielsen, assessing the sales figures of one hundred brand extensions of fifty major fast-moving consumer goods brands in the Dutch market. This analysis and further qualitative research were used to further look into company-related and brand-related factors.

In order to gain insight into the factors that can make or break brand extensions, Blom devised the brand extension model. The main success indicators are brand meaning (difference between abstract, symbolic and functional brands), fit (in terms of product and symbol associations), brand scope, distance and sequence, price in combination with brand strength, and retail acceptance.

Based on her research, Blom identified for each factor which variables have an impact on the success of brand extensions: These are the following:

1. Market-related factors:
 - a. Competition: the greater the competition in the market an extension is launched into, the smaller the chance of success.
 - b. Retail acceptance: retailers decide whether to make room on their shelves for the new product, making them a key intermediary. Retailers have to be convinced of the product's power to stand out, as well as of its price and the strength of the brand.
2. Company-related factors:
 - a. Marketing experience: companies with ample experience and knowledge in the area of product development, product launches and branding have a greater chance of being successful in brand extensions.
 - b. Success of earlier product launches: previous successful extension(s) will work in any subsequent extension's favour.
 - c. Size of the company: larger companies are more likely to launch a successful extension than smaller ones.
 - d. Brand scope: a brand that has already established itself in other categories is better suited for brand extension than a narrow brand that is closely linked to one specific category.
 - e. Distance to the parent brand: by gradually increasing the distance between the extension and the flagship product, instead of a sudden launch, the extension will be more likely to be successful.
 - f. Entry moment into new category: being one of the first to introduce the product in a new category makes you more likely to succeed. Delayed introduction can, however, also prove successful due to better overview of the market, allowing you to offset your product against inadequate competing products that were launched earlier.
 - g. Launch budget: campaign(s) that are specifically intended to support the extension will boost any chances of success.
 - h. Distribution of strength and scope: distribution is an important factor, but also depends on other factors.
3. Brand-related factors:
 - a. Brand-added value: the strength of the parent brand as perceived by the consumer, and as reflected in consumer behaviour, is what makes an extension a success or a failure.
 - b. Brand-added value of competing brands: small brands will find it harder to break into a market that is already being dominated by big brands.
 - c. Brand focus: a brand that is closely associated with a very specific (sub)category will struggle to branch out into other categories.
 - d. Quality perception: high quality perception will lower purchase risk and encourage people to try out the new product.
 - e. Brand loyalty: consumers that are loyal to a brand will sooner try out an extension of that brand than consumers that are not loyal to that brand.

- f. Product associations: a brand that is closely related to specific product attributes will find it hard to launch extensions in unrelated sub(categories). When a functional brand launches a brand extension, it is crucial that the brand extension fit in the brand's product line.
- g. Symbolic associations: a brand that is associated with symbolic meaning is more likely to succeed when launching an extension in a new category.
- h. Suitability perception: an extension that is difficult to produce is more likely to succeed when the consumer considers the parent brand capable of such production.
- i. Brand credibility: an extension's credibility hinges on the perception of suitability and reliability consumers have in relation to the parent brand. If this is considered important in the category in question, this factor takes on even greater importance.
- j. Relevance in the category: brand attributes have to be seen as relevant in the new category to have any chance of being successful.
- k. Perception of a company's ability to effectively deploy skills and experience in the new category: the greater belief consumers have in the company, the greater the chance of success.

Reference(s)

- Blom, C. (2005), *Stretchen in de supermarkt* [Stretching at the supermarket]. SWOCC publicatie (number 32), Amsterdam. *
- Franzen, G. (2009), *Brand portfolio and brand architecture strategies*. SWOCC publicatie (nummer 49), Amsterdam. *

* : Available in the EURIB library.