When you develop a new product line or enter a new category, should you use a brand extension of an existing brand, or should you develop an entirely new name and brand?

The answer depends on:

- The state of the existing brand (does it have a lot of awareness and equity?
- Are perceptions of it elastic enough that customers will accept it stretching over the new offering?)
- Your resources (do you have the time, money, channel relationships, etc. to build a new brand from scratch?)
- And, most importantly, your target customers (are you trying to appeal to brand new customers or existing customers in new ways?)

In this new Smartbrief video, I lay out the pros and cons for brand extensions and helps you figure out the right approach for you.

To learn more from Yohn or to book her to speak to your organization, see her <u>website</u> and <u>YouTube channel</u>.

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Have you seen the latest new vehicle from Ford? It's an electric SUV and it's branded Mustang -- yes, Ford is using the classic iconic Mustang name and galloping logo to brand a five-passenger, four-door crossover SUV powered by a battery pack and electric motor.

The automotive press praises the vehicle's performance and the first edition has already sold out in the US, so it may indeed be a great product, but the use of the Mustang brand on it raises the question of whether it's better to use an existing brand name when extending into a new category or to develop a new name for a new line of products.

Here are some of the pros and cons for brand extensions.

A brand extension allows you to leverage the awareness and equity of an existing brand name. A well-regarded brand gives your new offering a better chance of being recognized and trusted since it casts a positive halo on it.

Also using an existing brand offsets the proliferation of names which can be confusing to customers and a drain on your resources. Each new brand requires marketing support, solid execution and ongoing innovation, so you may be better off building off the existing base of an established brand than starting from scratch.

And brand extensions can revitalize old or tired brands. When McDonald's introduced its McCafe menu, it brought the brand up to date and relevant to consumers' tastes and made McDonald's seem more competitive with Starbucks and Dunkin' Donuts, which it had been losing business to.

But brand extensions involve more risk. If you stretch an existing brand into a new offering and it fails, that might damage the perceptions of the brand and existing products. For example, the failures of Google Glass and Google+ put some chinks in the shining armor of the Google brand and have led people to question the company's chops in wearables and social networking.

Brand extensions can also contribute to brand dilution or burnout. When the fashion brand Tommy Hilfiger allowed its name to be licensed on everything from cheap T-shirts to sunglasses, the brand fell out of favor with consumers because it no longer conveyed value and prestige. This is the risk that Ford has opened itself up to. By using the Mustang name on something other than a sport coupe or convertible, there's a chance the brand will lose its uniqueness and appeal. But only time will tell if the benefits outweigh the risks.

If you're considering a brand extension, I recommend you consider your target audience. If you're trying to appeal to existing customers in different occasions or uses, then extending an existing brand makes sense. But if you want to reach new customers who may not be attracted to your existing offering, then your best bet is to use a different name and logo and keep the linkage to your existing brand to a minimum.