

ADVERTISING

## How far is too far with brand and line extensions?

August 10, 2011



By RACHEL LAMB

To fully establish themselves, some luxury brands have expanded their product lines to include new goods. However, how does a brand know if it is a smart extension or a step too far?

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Brand extensions can add value to a brand if it is reasonable and makes sense. However, a random change of product line can confuse the consumer and give a false impression of the branded voice.

“It’s difficult to tell whether or not brands know if they are stretching too far, because many line extensions are successful in the short term, but not in the long term,” said Al Ries, chairman of marketing strategy consultancy [Ries & Ries](#), Roswell, GA.

“It’s a judgment call,” he said. “Executives should try to figure out whether or not the line extension would be perceived by consumers as a flavor enhancement and not an extension of the brand into a new category.”

Spreading thin

Some major luxury brands have chosen to start small with their brand extensions.

Retailers such as Ralph Lauren, Christian Dior, Chanel, Givenchy, Dolce & Gabbana, Louis Vuitton, Gucci, Burberry and Marc Jacobs have stretched their lines from couture to cosmetics.

Indeed, jewelers such as Bulgari and David Yurman have tried other lines such as eyewear and fragrance to bolster their appeal to more customers.



### *Fragrance by Bulgari*

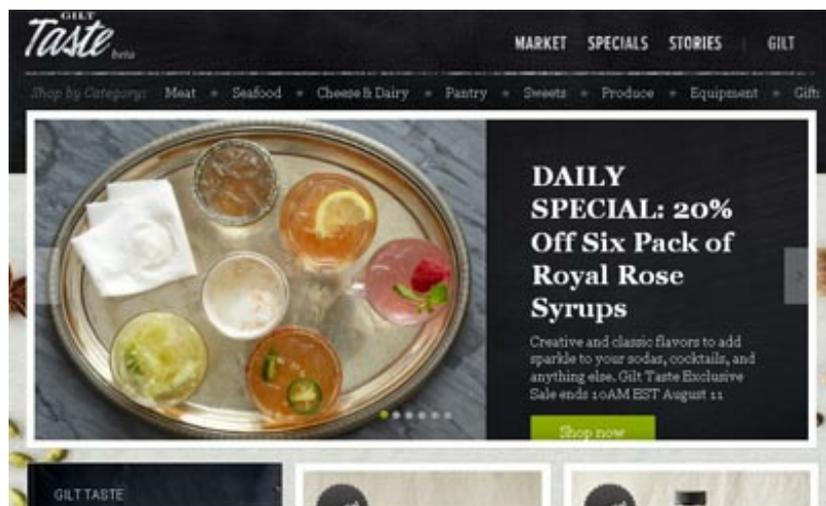
Since luxury branded fragrances and cosmetics are less expensive than apparel and handbags, more consumers are likely to buy them so that they still feel like they are part of the brand experience.

Some experts believe that this strategy is actually advantageous for luxury brands, since consumers will always buy cosmetics and fragrances, and having these options will enable companies to keep customers, even in an economic recession ([see story](#)).

However, other brands go a little bit further and the decisions they make may not always seem plausible.

For instance, online retailer Gilt Groupe, known for its flash sales, recently launched Gilt Taste, a food and recipe site.

Gilt has been selling iconic luxury brands such as Alexander McQueen, Valentino, Cynthia Rowley and Helmut Lang and unless the retailer decides to sell high-priced cheeses for limited times, the new endeavor does not seem to conform with Gilt's luxury image ([see story](#)).



## *Gilt Taste*

Gilt's digital repertoire also consists of Gilt City, a flash-sale experience site and mobile application as well as Jet Setter, a flash-sale traveling app and site.

"In general, it's not wise to do brand extensions," Mr. Ries said. "Most line extensions are not profitable in the long term.

"Furthermore, they tend to undermine the position of the base brand, although that is hard to measure," he said.

On the line

Despite the consequences, most luxury brands will likely choose to extend their product lines.

What brands could do, in that case, is to make a second brand instead of running the risk of diluting the first name.

For instance, Apple uses the product names Mac, iPhone and iPod to market its products, not Apple computer, Apple MP3-player or Apple smartphone.

On the other hand, Nokia's extension into the smartphone market was still called Nokia.

"Today, Nokia is in trouble while Apple is currently the second most-valuable company in the world," Mr. Ries said. "Take your choice – Nokia's line extension or Apple's multiple-brand strategy."

Furthermore, Google has seen enormous success with YouTube and Android, which are second brand names. On the other hand, the jury is still out with whether or not Google+ will be successful.

"Line extensions, even though they might weaken the base brands, don't really wind up hurting the company very much," Mr. Ries said.

"Even so, it is usually best to launch second and third brands, rather than line extend the base brand," he said.

Final Take

*Rachel Lamb, associate reporter on Luxury Daily, New York*

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