Successful brand extension case study

Business

Brand extensionis always a challenge. The success of it depends on various factors such as management vision, marketing strategies, and the ability to differentiate the product and add value for the customers or make it an ' expert' product in its product category. But when a brand extension is successful, their results are advantageous for the company, its management, financial assets and the brand value. TheNestleCompany that was founded in 1866 by Henry Nestle was initially a baby food company [3]. Now it is the world's biggest food and beverage company that owes a significant part of its success in the market to numerous fortunate mergers, acquisitions and joint ventures that resulted in various brand extensions. Nowadays, Nestle brand is represented in such product categories as coffee, water (and other beverages), ice cream, infant foods, frozen and refrigerated foods, confectionery, seasonings, pet food, performance, and healthcare nutrition. The range of products and brands Nestle provides include such global brands as Nescafe, Taster's Choice (coffee), Nestea, Nesquik (beverages), Perrier, Vittel (water), Mega, Movenpick, Dreyer's/Edy's (ice-cream), Maggi, Buitoni (pasta, soups, billions), Kit Kat, Smarties, Butterfinger, Aero (chocolates), Purina, Friskies, Dog Chow, Cat Chow (pet products), and many more [2]. The Nestle brand extension success is evident from the financial figures the company provides.

According to the corporate consolidated key statistics of 2005, consolidated sales were CHF 91. 075 bn, and net profit was CHF 20. 58 bn [4]. The sales analysis by the product group is the following: 26% of sales are in beverages, 25, 5% are of revenues are from milk and food products, 18% from ready-prepared dishes and ready-cooked dishes, almost 12% from chocolate, 11, 5% from pet products, and 6, 5% from pharmaceutical products. The figures talk for themselves.

The brand extension into other business fields was successful for Nestle, allowing it to become one of the world's biggest and highly recognized companies. The brands sometimes are accepted so well, that what initially was planned as brand extension becomes a single independent brand. The growth went further: the 2006 results so far are pleasantly impressive, for Nestle has become the world's biggest ice cream maker after taking full ownership of US firm Dreyer's Grand Ice Cream in January 2006. It and the earlier purchase (December 2005) of the Greek company Delta Ice Cream gave Nestle a 17. 5% share of the world ice cream market.

It automatically leaves behind Nestle's primary rival in this field – the Unilever Company [5]. Nowadays, the Nestle Company is changing its initial image of the primary processor of raw materials (e. g., cocoa, coffee, and milk). The company's management has adopted a strategy of moving into higher-margin food and drink products that guarantee customers' satisfaction.

There is almost no doubt the company will continue successful growth and development of its products and brands.