BRAND EXTENSIONS

Finding Opportunity at the Intersection of Demand and White Space
INTRODUCTION

The Two-Way Stretch to Success

It is no secret that brands are valuable and powerful assets for all types of organizations. They simplify consumer choice, differentiate commodity products, and sometimes provide the basis for a price premium. But perhaps the greatest value afforded by a strong brand is its use as a foundation for growth. Strong brands can stretch to additional categories, additional segments, additional uses, and additional markets. These brand extensions come in two general forms:

• **New uses/same category (Line Extension):** Products can be reformulated with variations “at the edges” to attract new users within the same category. A simple example is when Arm & Hammer Baking Powder marketed its use to reduce smells in the refrigerator.

• **New uses/New category (Market Extension):** Brands can stretch to new categories as ingredients of other products (Arm & Hammer laundry detergent, or toothpaste) or as totally new entrants into that category (3M applying the Post-It adhesive to flip charts for meetings and conferences).

In either case, the potential for expanding the brand and defining the marketplace is an important opportunity for organizations. Unfortunately, there are probably more failed brand extensions than there are blockbusters. Brand extension is easier said than done.

In 1979, Edward M. Tauber, Ph.D., coined the term brand extension saying, “The brand should be a logical fit with the parent brand; the parent should give the extension an edge in the new category, and the extension should have the potential to generate significant sales.” Almost 40 years later, this (like most “laws of branding”) still holds true.

As we seek to find the white space that offers promise for brand extensions, we should keep in mind Tauber’s three requirements: **Fit, Leverage, and Opportunity.**
FIT, LEVERAGE, AND OPPORTUNITY

When we are looking at brand extensions, we are looking for opportunities in current and adjacent marketplaces.

What is Fit?

‘Fit’ is simply whether your brand has the believability and credibility – the consumer’s “permission” – to stretch into a new category or segment. If you have dominated the Boomer market, will Millennials and Gen Xers take to your brand? If you are a breakfast cereal brand, can you offer snacks? Simply, is your target audience willing to accept your brand in their space?

3 WHO THRIVED:

ZzzQuil: The sleep aid from the makers of NyQuil. Consumers bought it because if NyQuil can help you sleep through a bad cold, why not when you’re healthy?

Orville Redenbacher Ready-to-Eat Popcorn: Orville Redenbacher’s brand is synonymous with popcorn for your popcorn popper. Moving into ready-to-eat popcorn was a natural.

Nestlé Crunch Girl Scout Cookie Candy Bars: Thin mints in a candy bar format from a brand with a global reputation for great confectionary products? Who wouldn’t buy that?!

3 WHO FAILED:

Paula Dean’s Kids Furniture: While Paula Dean’s celebrity chef brand might extend easily into other food and cooking related product lines, it could not stretch to upscale kids furniture.

Levi’s Men’s Suits: Is Levi’s known for denim? Or men’s clothing? Apparently, denim, as this product was very short-lived.

Virgin Water Purifier: What does the Virgin brand stand for and how does that relate to water purifiers? Not well, according to consumers!
What is Leverage?

Leverage is essentially the power of your brand and its ability to gain share in a competitive marketplace. The stronger your brand connects to the core and unique benefits it aspires to deliver, the more leverage the brand has in bringing those benefits to a new category. Mercedes-Benz is known for quality and precision. They manufacture automobiles. If they were to extend into home furnishings or fashion, would the Mercedes brand’s equity translate to those markets?

3 WHO THRIVED:

Disney Baby Store: A Magic Kingdom of things for baby. As Disney is known for wholesome, family entertainment and imaginative journeys/adventures, they logically (and profitably) extended their brand into cruise ships, vacation ownership, and resorts.

The IBM brand was, for many years, synonymous with mainframe computers and then with personal computers. Perhaps even more importantly, they built a reputation of being right (“nobody gets fired for buying IBM”). As the computer market changed, IBM was able to transform itself and its brand into a highly respected big data and analytics consulting company.

Americans love to eat, but even more, they love to watch television shows about eating, a fact which is underscored by the popularity of the Food Network. No wonder they were able to leverage that expertise and positive energy into brand extensions such as cookware, gadgets, and kitchen design.

3 WHO FAILED:

Zippo’s Women’s Perfume: In a lighter-shaped bottle, women did not make the connection between the smell of lighter fluid and their perfume.

Samsonite Outerwear: While the Samsonite brand may be known for travel products, it, unfortunately, did not stretch to travel clothing.

Smith and Wesson Apparel: Another brand that did not stretch to include clothing. Unless perhaps bulletproof vests?
What is Opportunity?
The third requirement for successful brand extensions is opportunity: is there sufficient sales potential to make the extension profitable, without completely cannibalizing your overall brand sales or diluting your brand’s equity?

3 WHO THRIVED:

Apple iPad: When introduced, the iPad created a new market for computer hardware that was previously non-existent. Clearly, a huge opportunity.

California Pizza Kitchen: Introducing its line of CPK frozen pizza to grocery stores, the brand stretched from in-restaurant to bring their uniquely flavored pizza offerings to in-home dining.

Oprah Winfrey: Yes, even individuals can be brands. And O, The Oprah Magazine is one of the most successful brand extensions ever, reaching nearly 2.4M readers each month.

3 WHO FAILED:

Gerber’s Adult Foods: Gerber’s learned that college students were eating baby food as a snack. But that audience aside, the Gerber brand is not appealing to anyone who is not an infant or a toddler. Fail.

Zune: Introduced to compete with Apple’s iPod, Microsoft’s Zune product failed to create a market for itself as the preferred alternative.

Kellogg’s Breakfast Mates: Combine a box of cereal with milk and a spoon and you have breakfast. Unfortunately, consumers did not like warm milk on their cereal. That, combined with child-unfriendly packaging, led to the product’s quick demise.
FINDING WHITE SPACE

Now you know the three criteria for a successful brand extension. But where do you begin your journey? How do you know where the opportunities are to flex your brand’s fit and leverage? You need to find the “white space.” But finding it can be elusive if taken too literally. White space doesn’t necessarily mean a space within the market where no brands exist – though that is a great, but very rare find! White space opportunity lives where consumer demand is unmet – where functional or emotional benefits are desired by consumers, but no brand (product or service) is completely fulfilling that demand. That white space is opportunity. Finding it takes integrated information about your brand, your consumer, and the market.

STEP 1
Information on Your Brand
First, you need to map the landscape for your brand – and competitor brands. What are the key dimensions of product use? What’s driving purchase? And based on those drivers, what are the positions of your brand and other brands? This is the “supply” – what is being supplied to the market currently.

STEP 2
Information on Your Consumer
Applying the same dimensions used on your brand map, where are the key consumer segments located? Then, overlay the brand positions: what segments are being satisfied by the benefits delivered by which brands? What targets, if any, do you “own”? For which targets are you consistently in the consideration set? Finally, which targets do not consider your brand an acceptable solution? And, of course, why? Here is where you identify the brand strengths and weaknesses that enable or limit your brand’s extendibility. This can be characterized as “demand” – what consumers need or desire.
STEP 3

Locate the Growth Opportunities

Using the map, overlay supply and demand to identify the opportunities for growing your brand. Are there segments among whom you can increase share? What will you need to do to win share in those segments? Then consider the segments where you don’t currently play. Is there a way to become a bigger player in those segments?

And finally, where can your brand provide unique and important benefits not being offered? There’s your white space, where there is demand, but no/limited supply, which could present the biggest opportunity of all. If there is unmet consumer demand in your marketplace (or you can create that demand), consider the potential size of those opportunities and what it would take for your brand to be a solution to those unmet needs.

These three steps may sound like a lot of effort, but the fact is that most brand managers probably have a lot of this information already. Awareness and usage studies, brand tracking studies, market segmentation studies all provide a lot of the basic information you would need to complete this analysis. You can complete a preliminary analysis based on the information you have, and conduct research to test your hypotheses. Or you may need to do some research first to fill in your knowledge gaps. Rarely do we see brand managers who need to start at square one and produce all of this information at once.
WHERE’S MY WHITE SPACE?

10 Thought Starters

Finding the white space is not always easy, even when you have an insightful map of the marketplace. You also need a good understanding of your target audiences, what your brand stands for to each of them, and a crystal ball that gives you news about what your competitors are doing.

Nonetheless, brand extensions can create significant growth and new revenue. Experts agree that there are 10 ways to extend brands. Use these to help your creative process and think about how each of these might apply to your brand:

1. **SHIFT THE FORM.** Change the form of your product to deliver the same benefits but at a different need state or use: Starbucks Frappuccino, Snickers Ice Cream Bars, or Clorox Bleach.

2. **TRANSFER A COMPONENT.** Leverage just one of your brand’s features or attributes into a new category: Dr. Scholl’s shoes, or Ghirardelli Brownie Mix.

3. **TRANSFER A BENEFIT.** What benefits is your brand known for delivering? Pick the most salient, and apply it to other categories needing that benefit: Arm & Hammer Cat Litter Deodorizer, or Mr. Clean Magic Eraser.

4. **LEVERAGE AN EXPERTISE.** If your brand has “expert” status, in what other products could you offer your expertise? Honda lawnmowers, Gold’s Gym 7-in-1 Body Building system, or the Mayo Clinic Diet.
5. **COMPANION PRODUCTS.** Could your brand work on other products/services used at the same time as your brand? Coleman Sleeping Bags, Coppertone Sunglasses, or Amex airport lounges.

6. **LEVERAGE THE CUSTOMER BASE.** What else could you sell to your loyal customer? Trix Yogurt, Sesame Street Toys, or Adidas Watches.

7. **LEVERAGE A LIFESTYLE.** Do you have a lifestyle brand? What products do people aspiring to this lifestyle need? Biggest Loser Kitchen Scale, Cover Girl Sunglasses, Discovery Kids Telescope.

8. **LEVERAGE A CELEBRITY EXPERTISE.** What is your celebrity brand known for? Jack Welch Management Institute, Martha Stewart Bedding, or Ralph Lauren Interior Paints.


10. **STRETCH YOUR BRAND IMAGE.** Move just beyond your current category to extend and leverage your brand position and value proposition. Old Spice High Endurance Deodorant, V8 V-Fusion Vegetable and Fruit Juice, or Zagat Health Survey Doctor’s Ratings.
SUMMARY

The Opportunity of Brand Extension

Brand extension is not easy, but can present a huge opportunity to leverage a key asset. The critical element is understanding your brand position, your competitors’ positions and your target audience’s unmet wants and needs. You must take the time to do it right, using research and data to help you evaluate the three success criteria:

1. Does my brand fit?
2. Can I build leverage with my brand?
3. Is the opportunity big enough to justify the risk?

The potential payoff from a successful brand extension is well worth the effort.