BRAND EXTENSIONS

FINDING OPPORTUNITY AT THE INTERSECTION OF DEMAND AND WHITE SPACE
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 put, 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 dining 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.
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, or 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.
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.
The first step in successful brand extension – and arguably the most important step – is to map the landscape for your brand. In other words, if you don’t know and understand the world where your brand is operating, you won’t be successful in finding those breakthrough brand extensions.

You’re probably thinking, “Well, thank you Captain Obvious! Doesn’t every marketer know their brand?” Well, unfortunately, no, they don’t. They may know what their internal view of their brand is. They may know what their CMO thinks about their brand. But unless they have timely, thorough, objective research into market perceptions of their brand, they don’t really know their brand.

RTi’s BrandStar℠ model is designed to help marketers make sure they have that deep, 360-degree view of their brand that can give them the insights needed to develop brand extensions and grow their brand share. BrandStar℠ guides your understanding of what you know, what you don’t know, and how to structure your brand research activities to fill in the gaps and give you the knowledge foundation you need about your brand.

Brand knowledge focuses on questions in five key areas:

1. **Market Structure.** What is the current state of the market in which your brand will compete? Who are the players, their strengths, weaknesses, and relative positions within the market? How will your brand change the market structure? How will current players react to your brand extension launch?

2. **Source of Business.** From which competing businesses or brands will your sales come? Who is going to lose if you win? Understanding how you are going to change the market dynamics – and how those brands will react – is critical to brand success.
3. **Market Target.** Who are the heavy users of existing products? What are their wants and needs – especially their unmet wants and needs? How will your brand meet or exceed those wants and needs? Why should they choose your brand rather than the brands they currently purchase?

4. **User Benefits.** At the end of the day, why does your consumer purchase your brand? What are they trying to achieve or accomplish? For every brand from whom you intend to take share, what benefit do you deliver better?

5. **Point of Difference.** Simply, how is your brand different and better than all of the competitive brands? Your brand point of difference is the one most compelling consumer benefit that puts you ahead of the market. If there is one thing people will remember about your brand, this is it.

At the heart of brand knowledge are two more key elements that define your brand. First, *Reasons to Believe* document the factual basis for why the marketplace should believe that your brand is superior – the best – in delivering the differentiation and benefits you claim. And second, *Umbrella Positioning* embodies those qualities that come from the strengths of other brands in your company, division, or brand family.

All of these provide springboards for thinking about brand extension. Having a timely and realistic view of how your brand is perceived in the marketplace – on all of these key dimensions – will ensure that you have the most thorough and accurate information for brand extension decision-making.

If your brand knowledge is based on outdated market information, or worse, purely internal perspectives, you don’t know your brand. Therefore, your ability to create breakthrough brand extension success is limited to chance, at best. If you are seeking sales growth through brand extensions, start by doing some research and get to know your brand.
Brand Extension Strategy Step Two:

KNOW THY CUSTOMER!

You don’t own your brand. Your brand is not what you say it is. As Charlene Li and Josh Bernoff state in their influential book, Groundswell, “Your brand is whatever your customers say it is.”

So, what are your customers saying? Do you have sound and current information about your customers and their perceptions of your brand? Indeed, who are your customers?

Step Two in successful brand extension is getting information about your customer. In order to truly understand your brand, and to apply that knowledge to finding opportunities in brand extensions, you have to think carefully about the customer you need to include in your research. There are several possibilities:

- **Start with the customer.** But don’t stop with the customer. Of course, current brand purchasers are the first line of defense in understanding your brand. But customers in different purchase states can also be enlightening about your brand, its benefits, and how it compares to competition. How about potential customers or prospects? And what about different types of customers? Brand loyalists versus price-driven purchasers? Heavy users versus light users? New customers versus longer-term customers? And what about lost customers? Those former customers who have switched away from your brand have a wealth of information about you and your competitors that you need to know.

- **Internal customers.** While your executive leadership does not define the brand, it is important to understand what they believe about your brand. Their perceptions, attitudes and beliefs come into play in decision-making about the brand. So are they on target? Or does every executive you ask have a different brand story? By aligning your company’s leadership – and the rank and file – around a unified understanding of the brand, you strengthen your brand. And you won’t be able to do that unless you understand leadership’s current brand beliefs.
• **Distribution Chain Partners.** How is your brand delivered? If you deliver your brand through a distribution chain, what do those partners believe about your brand? How do those beliefs express themselves in the handling, transport, stocking, and merchandising of your products? If your brand is a service, who delivers it to the customer? Whether that is a college student earning money by waiting tables, or a highly-paid consultant giving financial advice, that is your brand delivery mechanism. Understanding how all of these diverse distribution partners impact the end customer experience of your brand might be critically important insight as you develop brand extensions.

• **Other Market Players.** Depending on your industry, you might have other key audiences that you need to understand in order to have a complete picture of your brand. In some industries, regulators, the media, financial or industry analysts, and other third parties can have a huge impact on how your brand is perceived in the marketplace. So give this some thought. You may have audiences that are important that you don’t know very well.

When conducting marketing research to understand your brand, it is always good to throw a wide net and capture as many different and relevant perspectives as possible. By putting them all together, you can see the linkages and interrelationships of your brand, its strengths and weaknesses, and the opportunities for improvement and growth. Once you have a solid understanding of your brand, you can start to look for the white space opportunities.
We identified a three-step plan for identifying and evaluating brand extension opportunities. Step One was to know your brand and what it stands for. Step Two was to know your customers – indeed, all of your customers, past and present. Finally, Step Three is about putting all of the pieces together to actually identify brand extension opportunity. But just because there is white space does not mean that is an opportunity for you. After all, opportunities are not created equal! We are looking for white space that is an area in the market landscape where an attractive segment of consumers intersects with either total absence of competition (rare, but possible) or a limited number of weak competitors (more likely scenario).

There are two main types of brand extension strategies that you should consider for taking advantage of white space opportunities:

1. **Brand Stretch Strategy.** Use this strategy when your existing brand attributes, perceptions, and equities are attractive to the targeted market segment. In this case, you can reposition your brand with revised communications or modified offerings or services.

2. **New Brand/Sub-branding.** When your white space opportunity is sufficiently attractive, but aligning your brand with the new target segment is risky or unrealistic, you can create a new brand or subbrand your existing brand to take advantage of this white space opportunity.

Conducting primary market research is an excellent way to obtain the critically important information needed to support a brand extension. Some of the questions that need to be answered include:

- How well do the perceptions of my brand align with the needs of the consumers in the white space target segment?
• Where are competitive brands positioned, and how well do they align with the needs of the target consumers?
• What will we have to change/enhance about your product, service, or brand to attract this target segment?
• How big is the opportunity, what will it cost to achieve the necessary market share, and is it profitable?
• Operationally and strategically, is the corporation able and willing to pursue this opportunity?
• What are competitive brands capable of – strategically, operationally, financially?
• Does implementing this brand extension create other opportunities for your brand in the competitive landscape?

What is important to keep in mind is if you can see a white space opportunity, your competitors may see it as well. Mapping the competitive landscape will help you identify which competitors could move into the white space through brand stretch, rebranding, or sub-branding. If that were to happen – either independently or as a result of your moving into the white space – how will that change the market structure? And most importantly, what will you do about it?

Brands are like three-legged stools: they are supported and influenced by you, your consumer, and your competition. Successful brand extension decisions require information about all three. Extending brands without adequate and timely information and analysis can lead to product failure, which may actually erode your brand equities. Take the time to understand the competitive landscape and make sure your brand extension will grow your brand.

For more details on finding the white space for your brand, download our presentation: Aligning Brands with White Space Opportunities: A Competitive Landscape Approach
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203.324.2420 email: info@RTiResearch.com