

BRAND EXTENSION - BABY FOOD TO SPORTS GEAR

Introduction

In all businesses today, executives are under a tremendous pressure to achieve growth of their companies. They have a choice between the so-called 'inorganic' (meaning external growth) or the 'organic' (meaning internal growth) routes. The inorganic route, through mergers and acquisitions, is the quickest but not the easiest to achieve and, as companies grow, fewer opportunities present themselves. The internal growth route offers the most challenges, but is the time-tested way for growth. The options in this mode and their relative merits, briefly, are:

- Developing new products is the most difficult and requires the most effort and time. Knowing that about 90 percent of new product introductions are failures, makes this route less attractive. Yet, innovation and development of new products is of vital importance to the survival of a business.
- Markets for most products have reached a level where we can say that they are stable. In such markets, efforts to improve market share are not likely to yield results anywhere close to the input made. Companies must continue to run hard to stay in the same place.
- This leaves the marketing man's favourite – Brand Extension. The launch of a new product using this route is the quickest, easiest and results achieved in the shortest span of time.

'Brand Extension' means the introduction of a new product into the market, not as a new brand, but under the name and brand as an existing product of the company. Another concept is 'Brand Stretching' the two are distinguished by the type of new product being introduced. A brand is 'extended' when the parent and the new brand are in the same line, for example, Unilever extended 'Fairy' from a bathing liquid to talcum powder and coke with diet coke. Yamaha stretched their brand when they introduced pianos and Hi-fis with the same brand as their motorcycles, Sony markets televisions, walkman, game stations and even records under the same brand. (Brand extension or brand stretching are jointly referred to as brand extension in this paper). Brands have long life spans and are the most valuable assets of a company many marketing teams, with different ideas, concepts and backgrounds will come and go in the life of the brand but the brand shall continue. A company needs to consider very carefully any action that may dilute the equity of a brand, or cannibalise its sales, or otherwise affect a brand negatively and shun any short-term gains if they cause any harm to the brand equity.

Many cases exist of success and failure of brand extension. Coke introduced 'Diet Coke' in 1982 and this is the third largest selling soft drink brand in the world today. However, when 7-up introduced '7-up Gold' it cut the market share of the parent brand to half. We have cases like BIC

and Harley Davidson perfumes that bombed on the market, Virgin cola met with a similar fate. These brand extensions, coming from the stables of very successful companies, were undertaken by brilliant marketing teams, yet something went wrong. The most adventurous in brand extension has been Kraft but in 2003, Betsy Holden was fired because brand extension had run out of steam (Perils of Brand Extension). Brand extension is a very risky business at best and to risk the success of a good brand for the short-term benefit of reducing the effort required for establishing a new brand may or may not be a good strategy. A large effort and expense is required to make a brand successful. It is imperative to understand the dynamics, analyse the opportunities and risks, and develop a good strategy before deciding to extend the umbrella of one brand over another product. Consequently, for a company to grow and prosper, effective management of risks is imperative, because by managing business risks, an organisation's health, assets and opportunities will be secured and taken full advantage of (Kubitscheck, 2000).

Executed well brand extension reduces risk of failure since the consumers perceive an extension of the positive assets of the parent to the new product. It reduces the time required to create awareness and reduces the cost of introducing and promoting a new product. When things are not done well, the brand equity and perception of quality of even the parent, established brand are diluted. The new product eats into the market of the main brand and may even lead to a diversion of funds from the main brand as management struggles to make the new product a success at the cost of the successful brand. Nine out of ten grocery brands are extensions (Haig, M 2004). It is very essential that, as in every product introduction, the launch of a new product under the brand extension formula, genuine needs of the consumers should drive the introduction rather than from the manufacturing or supply side (Payne, M ND). Unless the new product adds some equity, and is relevant, to the parent brand it is not advisable to go in for brand extension. Both sides have their advocates, while some marketing gurus swear by brand extension; many others who are totally against.

The purpose of this research project would be to plan for a hypothetical company that is currently into marketing of a highly successful brand of baby food, to introduce a new line of sports goods under the same brand. Detailed action plan for all aspects of the proposal from packaging to promotion shall form the recommendations resulting from the research.

Aims and Objectives

The aim of the study is to carry out an in-depth analysis of the concepts of brand building and brand extension. Experience of good marketing professionals and teachers, gathered either through text or through other media shall form an important part of the research. The research will aim at achieving the following objectives:

- Develop an in-depth understanding of effective brand building and brand promotion methods.

- Study cases of success and failure to identify what distinguished the strategies adopted and identify the 'must do' and 'not do' for successful brand extension.
- What strategies are required to promote the new product? How far can one go in aligning the new product with the old one without blurring the distinctions? The research will attempt to answer these questions.
- Prepare a detailed proposal for the introduction of a line of sports goods into the market extending the baby food brand. Prepare plans for the whole gamut of activities for making the new line of goods successful.
- Improve understanding of consumer behaviour and what influences buying decisions.

Scope and Significance

The advantages of successful introduction of new products using the brand extension route are so overwhelming compared to fresh brand building that it is imperative for every good marketing professional to have a thorough understanding of this very important aspect of the subject. A large number of products are launched in the markets every year at tremendous cost, in terms of both effort and money (and prestige?) but a very small percentage succeeds. A large proportion of the successes are brought in using the extension route, even then some fail.

What method are suitable, and what are the underlying factors to consider, when faced with an option of either establishing a new brand or using an existing one to promote a new product shall be identified in the study. This shall culminate in a practical proposal for the hypothetical company.

The research shall also help in identifying a route map that will assist in planning for success. The study has great significance for every person wishing to make marketing a career and for people who are already in the business.

Resources

The author has identified a number of books and references to commence the study for this research. A preliminary reading reveals that some of the important ones are:

- **Book:** East, R '*Consumer Behaviour: advances and applications in marketing*', Prentice Hall, 1997, London (ISBN 0133593169). Professor East is an authority on consumer behaviour and teaches at the Kingston Business School. The book offers a deep insight into consumer psychology and behaviour. It becomes essential to understand this part of marketing psychology to be able to take rational and considered decisions on promotion strategies, packaging, positioning and so on.
- **Book:** Haig, M. '*Brand Failures-the truth about the 100 biggest Branding mistakes of all time*', 2003, Kogan Page Limited, UK (ISBN 0749439270). This book, written in a light

vein nevertheless contains a deep analysis of the reasons behind the biggest failures in branding, whether they were extension failures (Harley Davidson Perfume), Classic (New Coke) or a failure of ideas (RJ Reynolds smokeless cigarettes). It is an essential read for any person wanting to study branding as a subject.

- **Book:** Dyer, D; Dalzell, F and Olegario, R. *'Rising Tide – Lessons from 165 years of brand building at Proctor and Gamble'*, 2004. Harvard Business School Press, Boston (ISBN 1591391474). This book reveals the thinking behind one of the most successful brand building companies of the world. P&G has a portfolio as diverse as Tide, Pantene, Crest, Pampers, Pringles to name a few and a company that never chose the brand extension route to introduce a new product. It would be very educative to learn about the philosophy of the marketing team which chose the tougher route and came up aces every time.
- **Book:** Cravens, WC and Piercy, NF. *'Strategic Marketing'*. Eighth edition (2006), McGraw-Hill, Boston (ISBN 0072966343). The starting point for any marketing strategy should be the understanding of the market dynamics and the forces at work in the marketplace. This book is one of the best in this field and will be consulted at all stages of the research work.
- **Electronic Resource:** 'Ben & Jerry's case study titled *'Developing premium food brands through innovative marketing'* August 2004. Published by: Datamonitor Plc. London. An interesting case study of a small company (later acquired by Unilever), that made a brand a household name by unique and innovative marketing strategy.
- **Miscellaneous Reading on the Web:** During the preparation of this paper, the author has come across numerous websites that discuss this issue from both sides and offer opinions and links to a plethora of information on the subject. It would be counterproductive to list them here.

This list, however, would see a lot of changes and additions/ deletions as the work on the research progresses and understanding of the subject improves. The author also hopes to be able to rope in a few friends to help in the fieldwork envisaged in this proposal as an additional resource.

Proposed Methodology

Both descriptive research and fieldwork is envisaged in the execution of this project. Descriptive research would include literature study and study of case files of success and failure cases. Two cases, found typical, will be analysed in detail and conclusions drawn integrated into the findings and recommendations of the project.

Plan introduction of a product, as an extension of an existing brand identified either as hypothesised, namely the extension of a baby food brand to a line of sports goods, or an actual case, if possible and a suitable sponsor found. Packaging, positioning, distribution channels and

promotion of the new product and the parent brand studied and a proposal for the new product line prepared. Fieldwork proposed to be undertaken will include an opinion survey of a cross section of the target customers of the new product line, buyers of the existing product and general shoppers. Interviews with marketing professionals will also be undertaken to study both sides of the demand and supply equation.

The results of the theoretical study and the practical fieldwork shall be brought together to draw conclusions on the different aspects of a winning brand extension exercise. Based on these a concept paper, and a marketing plan, shall evolve highlighting the essentials of a successful brand extension campaign. Strategy recommendations for the company form the core of the research proposal.

Step-by step plan of execution and the time proposed for completion of each activity is as under:

Step No.	Activity	Time Frame(Days)
1	• Planning and Literature Survey	1-10
2	• Case Study	11-15
3	• Preparation for fieldwork, including getting questionnaires ready and seeking volunteers to help • Identification of target audiences and markets	16-24
4	• Actual fieldwork	25-30
5	• Collation and analysis of data collected	31-45
6	• Report preparation	46-60

Expected Outcome

The research proposal is aimed at making an analysis of the elements of a good brand extension strategy and the following outcomes are expected:

- A clear appreciation and understanding of all the factors influencing a winning strategy will be achieved.
- To develop a plan of action to assist in planning and execution of a good brand extension campaign in all its stages, from concept to implementation and feedback. The plan will be specific to the chosen products.
- Improved understanding of what influences a decision to purchase and expectations of consumers will be a spin-off of no mean value.

References

Haig, M 2004 *Brand Failures*, Kogan Page Limited, UK

Kubitscheck, V. 2000. *Risk Management: Finding The Value Within*. In *Balance Sheet*, Vol. 8, No. 5.

Payne, M 2003 *Maintaining Brand Health - Through the Loop*

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