

# Brand stretch – or brand ego trip?

## CHAPTER 1



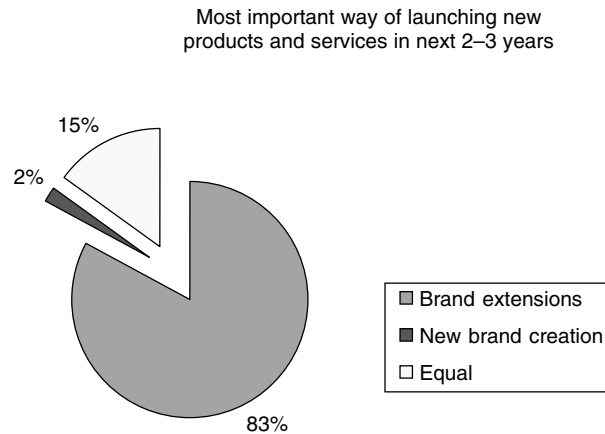
### Headlines

Most companies have caught the brand stretching bug, seeing it as a cheaper and less risky way of launching innovation than creating new brands. In reality the benefits are less cut and dried, with the majority of extensions dying an early death. This poor performance is caused by ‘brand ego tripping’: an inward focus on the needs of the business, rather than an outward focus on the consumer and competition. This leads to misplaced complacency about a brand’s ability to stretch profitably into new areas. To avoid falling into the same trap, you need a ruthless focus on adding value for consumers.

### Extension advantages

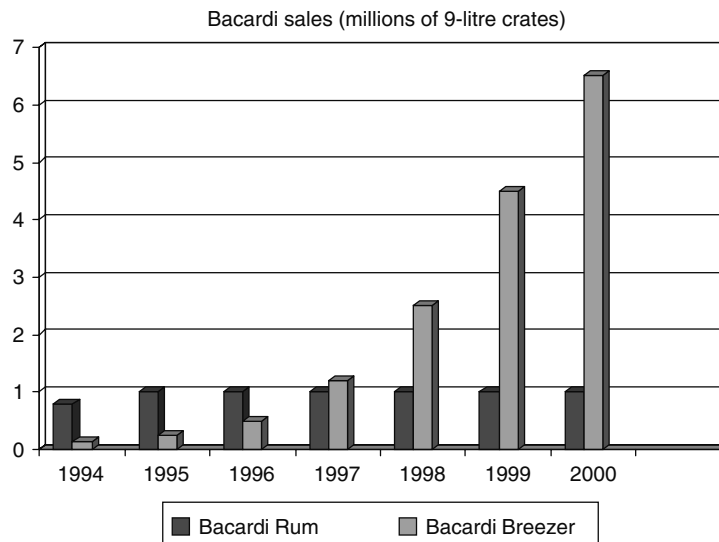
Over 80 per cent of marketing directors in a recent brandgym survey said that brand extension would be the main way of launching new innovation in the next two to three years (Figure 1.1). They look enviously at the stunning success of extensions such as Bacardi Breezer (a rum-based ‘ready-to-drink’ product; Figure 1.2) and think ‘I’ll have some of what they’re having!’ On paper, the advantages of stretching a brand rather than creating a new one do indeed seem compelling:

- *Consumer knowledge*: using an existing, strong brand to promote a new product or service means that there is less need to create awareness and imagery. Associations have already been established and the main task is communicating the specific benefits of the new innovation. In contrast, a new brand starts from scratch: it has to spend heavily just to get itself known.
- *Consumer trust*: beyond merely being known, strong brands are trusted by consumers to deliver against a particular promise. Done well, an extension uses this reputation to create a compelling value proposition in a new segment or market. A survey by the brandgym



**Figure 1.1:** Planned use of extensions versus new brands.

Source: the brandgym 2003.



**Figure 1.2:** Bacardi Breezer sales impact.

showed that 58 per cent of UK consumers would be more likely to try a new product from a brand they knew, versus only 3 per cent for a new brand.

- *Lower cost:* the extension advantages of awareness and reputation mean that you do tend to get ‘more bang for your buck’ compared to new brands. Studies show that cost per unit of trial is 36 per cent lower and that repurchase is also higher (1). (See Table 1.1.)

**Table 1.1:** Success rates for extensions versus new brands.

|            | <b>Trial<br/>(index)</b> | <b>Cost per unit<br/>of trial (index)</b> | <b>Repeat/loyalty<br/>(index)</b> |
|------------|--------------------------|-------------------------------------------|-----------------------------------|
| New brands | 100                      | 100                                       | 100                               |
| Extensions | 123                      | 64                                        | 161                               |

## So why does the success rate suck?

Extensions might be less risky than launching totally new brands. However, the odds are still bad, with only 50 per cent surviving after three years (2). In other words, you are just as well off gambling the company's money on black at the roulette table. But given all that extensions have going for them, why do half end up in the branding graveyard?

The key reason for this appalling performance is '*brand ego tripping*': being too big for your brand boots and underestimating the challenge of creating a truly compelling and credible extension. As Al Ries aptly put it:

Companies fall in love with themselves and constantly look for ways to take advantage of their presumably all-powerful brand names (3).

Brand ego tripping leads companies to lose sight of what made them famous in the first place, what helped them deliver differentiation, relevance and value. They end up focusing internally on the needs of the business and its management rather than externally on the needs of the consumer.

Perhaps the biggest and best example of this malaise is Richard Branson's brand ego trip at Virgin. While it is portrayed in many textbooks as *the* example of brand stretching, dig a little deeper and you find another side to the story.

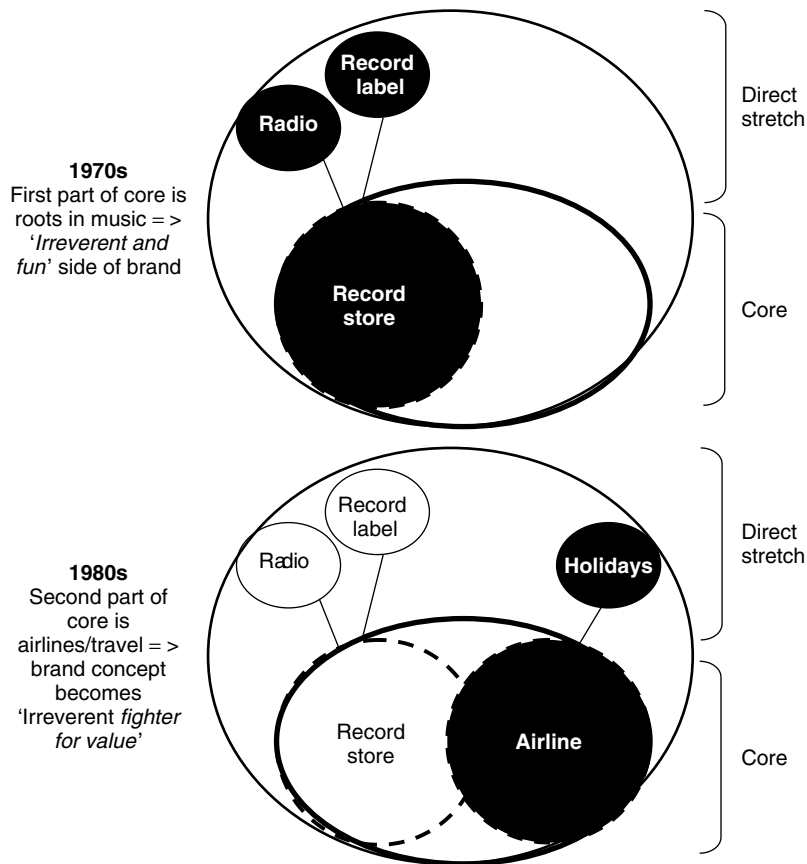
## Virgin: The biggest ever brand ego trip?

Taken as a whole, Virgin is a success both in sales and imagery terms. Total group turnover is over \$5 billion and the brand is rated as Britain's third most admired, behind Marks & Spencer and Tesco (4). The brand has become a disparate and sprawling mass of more than 25 companies selling everything from lingerie to life insurance. Some of these extensions are shining stars, although there are just as many howling dogs. To understand the reasons for this we need to look at what made Virgin famous in the first place and then see how the company all too often forgot this when extending.

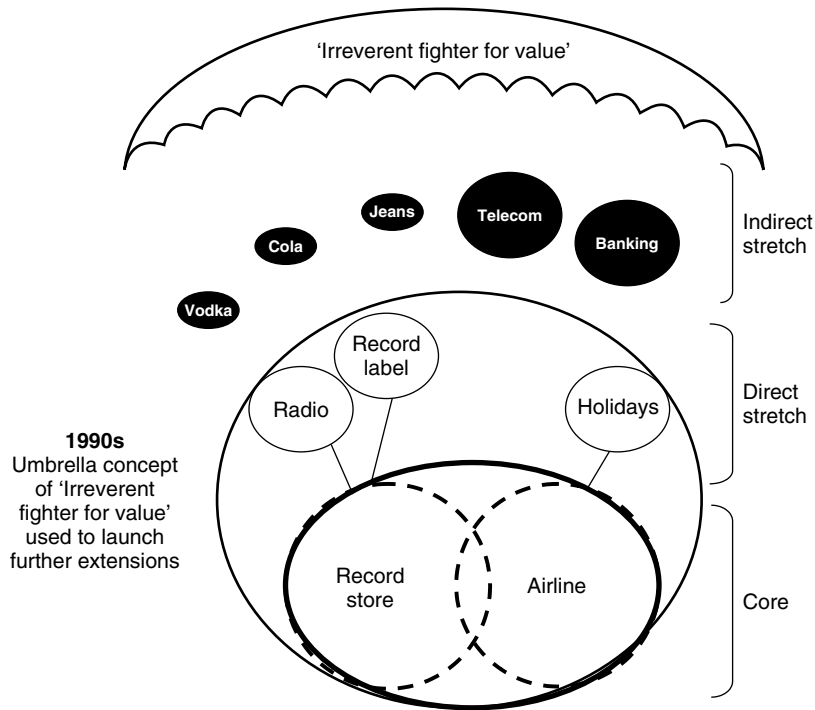
## Two sides of the core

For the first 20 of its 30 years, Virgin focused on building two businesses that created the core of the brand. One half of this core is the brand's birthplace of music, with the first Virgin record store being opened on London's Oxford Street in 1971. The company subsequently extended into an area with a direct link to this business by creating a record label in 1973. The first of many PR coups was hiring the then unknown Mike Oldfield, whose *Tubular Bells* album went on to become one of the biggest sellers of all time. These roots in the music business are where the brand acquires its youthful, fun-loving and slightly 'rock 'n roll' personality traits.

The second part of the core is the Virgin Atlantic airline, which alone now accounts for about 40 per cent of the brand's turnover. The launch of Virgin Atlantic in 1984 gave an



**Figure 1.3:** Virgin's stretch from a two-part core.



**Figure 1.3:** (continued)

important second set of values: that of a challenger brand fighting for superior value against the big boys like BA. Direct stretching added Virgin Holidays in 1985.

By the end of the 1980s, the Virgin brand was no longer an entertainment business or a pioneering and challenging airline business, but somehow a mix of the two. One way of trying to sum this up is the idea of Virgin being an 'irreverent, fun-loving fighter for value'. The 1990s saw the launch of Virgin's many extensions, which we have now come to associate with the brand (Figure 1.3).

## Hits and misses

Many branding experts describe Virgin as a 'philosophy' or 'lifestyle' brand that can stretch into pretty much anything, unbound by banalities such as functional product performance. The following quote from a world-famous brand agency sums up this dodgy logic:

When you've established a strong brand, you've moved beyond the functional product into a realm of values. It makes sense to try to deliver the same emotional benefits in another market (5).

However, as Professor Mark Ritson of London Business School commented in *Marketing* magazine, 'For every Virgin Atlantic or Virgin Music Group there have been numerous failures such as Virgin Cola.' One key reason for this patchy performance is a misunderstanding about both the type of brand that founder Richard Branson really created and the best way of stretching it.

## Umbrella brand, not lifestyle brand

In reality, Virgin is not a lifestyle brand. Simply adding the logo to a product will not make people want to buy it. As with other consumer brands, Virgin lacks the 'badge' values to achieve this. This is the domain of brands such as Gucci, where a highly aspirational and rich brand world ties together, and adds value to, a very wide and functionally unrelated 360° set of extensions.

Virgin extensions have worked well when the brand has translated the umbrella concept of being an 'irreverent, fun, value fighter' into compelling and competitive products and services. Virgin Atlantic's success is not down to people flying on it because they buy into a philosophy, but because it's a very good product at a competitive price. A multitude of features such as on-board massages, free ice creams and high-tech video games deliver relevant differentiation. In contrast, Virgin Vodka crashed and burnt because it lacked any brand added value. Where was the challenge? Where was the irreverent fun? The only thing it had going for it was cheapness, following desperate price cuts. Virgin Vodka is far from being the only failed product extension. Virgin Coke in fact achieved only a 3 per cent share in the UK, despite a price 15–20 per cent below Coke. And have you seen many young hipsters chucking out their Levi's or Diesel jeans in favour of Virgin?

As a general rule, Virgin's Robin Hood-like mission of taking on the over-charging and under-delivering bully boys has worked much better in services. There have been (and remain) many good targets to attack. Beyond airlines, Virgin has made good inroads into the mobile phone market in the UK and USA. Its irreverent personality is a refreshing contrast to the conservative communications of Vodafone, T-Mobile and O2. But this is backed up with real service differentiation such as low-frills phones, web-based ways of buying more airtime and no long-term contracts.

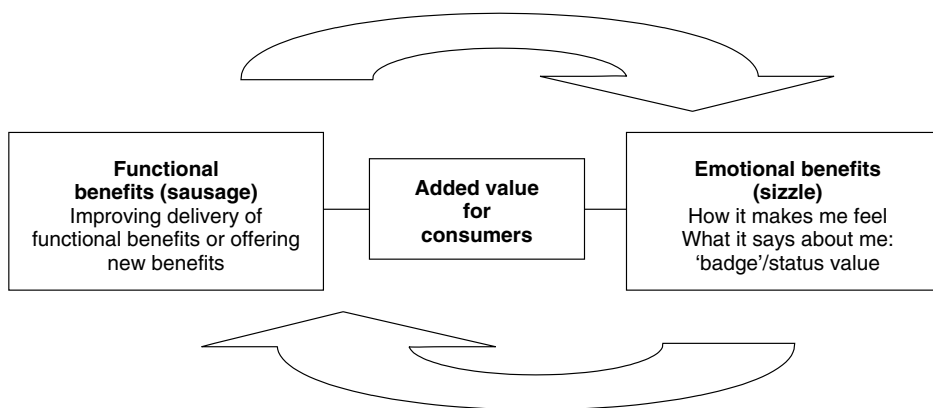
## Spotting an ego tripper

There are several key lessons to learn from Virgin's brand ego trip:

- *Neglecting the core*: you have to wonder whether Virgin would have been even bigger and stronger if the company had spent more time on developing and nurturing the core areas

of travel and entertainment. Instead, Virgin actually sold off its record business in 1992 to Thorn EMI to help fund the brand ego trip of the 1990s. To quote Mark Ritson again, ‘Only time will tell if Virgin’s cash cows can continue to supply the nourishment for its stable of failures.’

- *Forgetting what made you famous*: part of Virgin’s success is down to Branson’s admirable bravery at taking on the big boys. With airlines and financial services, he rightly spotted competitors that were over-pricing and under-performing and did us all a favour by delivering something better. Emotional values were underpinned by a strong functional point of difference (Figure 1.4). However, with cola, vodka and jeans Virgin failed to develop a product that was faithful to the brand’s promise: these extensions were ‘all sizzle and no sausage’.
- *Failing to understand consumers and markets*: the lack of real success in jeans, cola and vodka also reflects a failure to understand the needs in these markets. As discussed earlier, consumers mostly want aspirational, fashionable badge values (e.g. Diesel, Armani) and/or strong heritage (e.g. Levi’s). Virgin had neither of these and was left with only one option: price cutting. However, even here the brand could not compete effectively, as it lacked the critical mass needed to achieve economies of scale and so drive down prices. Retail competitors such as Wal-Mart/Asda were much better positioned to produce low-cost, me-too vodkas, colas and jeans and still make good profits.
- *Scatter-gun stretching*: this led to a fragmentation of financial and human resources. Selective extension into new areas faithful to the Virgin promise could perhaps have delivered a better return on investment. Branson is of course in a very different position to most people reading this book, in that he has no shareholders to please and lots of his own hard-earned cash to play with.



**Figure 1.4:** Adding value for the consumer.

- *Neglecting execution*: this can lead to poor product performance and even brand damage, as was the case with the mis-selling scandal at Virgin Energy. The door-to-door salespeople employed by venture partner London Electricity hadn't read Virgin's customer service charter. They used dodgy deals and hard selling to flog their wares and watchdog Energywatch received many complaints. Some consumers even had their electricity accounts charged after signing up for information about cheap Virgin CDs and airline tickets!

The bottom line on the Virgin story is the same as that throughout this book. Promise something relevant to the consumer and deliver the goods and you will build both brand and business. Fail to do this and no amount of marketing support or brand philosophy will save your bacon.

### Virgin summary

1. Remember what made you famous.
2. Have some sausage not just sizzle.
3. Understand the consumer and the competition.
4. Execution is king.

## Shotgun weddings

Another aspect of brand ego tripping is extending for tactical reasons that serve the company's short-term needs, not those of the consumer. These brand/extension relationships are mostly doomed to fail, like a wedding based on the need to save on taxes or secure immigration status. It seems that brand extensions are often not handled with the same strategic rigour and discipline as new brand creation.

## Adding novelty

Adding novelty and newness is often put forward as a reason to extend a brand. However, this should be viewed as a potential bonus, not the main rationale. The risk is that it results in gimmicks that simply steal sales from existing users looking for a change. Time will tell if the latest flavour variations of Coke, with lemon and vanilla, have anything more than temporary appeal. In contrast, Coke Light/Diet Coke tapped into a significant consumer need for more healthy products and has gone on to constitute a major proportion of the brand's sales.

## Copying the competition

Knee-jerk, me-too reactions to competitive extensions usually deliver disappointing results. The first risk is adding credence and credibility to the new segment and so actually helping



the competitive extension. Also, being late to market with a me-too product usually means a smaller share of the new pie. One more cost-effective alternative may be to ‘shift weight’ with your existing products to claim the new benefit. For example, rather than copying Coke’s lemon extension with its own ‘Pepsi Twist’ product, Pepsi could have ploughed the cash into communicating how great its core product is with a slice of lemon.

If the decision is taken to extend in reaction to a competitive move, the ambition should be to leapfrog the competition with relevant differentiation and a stronger mix. Nurofen launched a painkiller for children in the UK to compete with the leading brand, Calpol. It was able to demonstrate that its Ibuprofen-based formula was longer lasting than Calpol and so helped a sick child get through the night without waking up. Any parent will know how powerful this benefit is!

## Winning shelf space

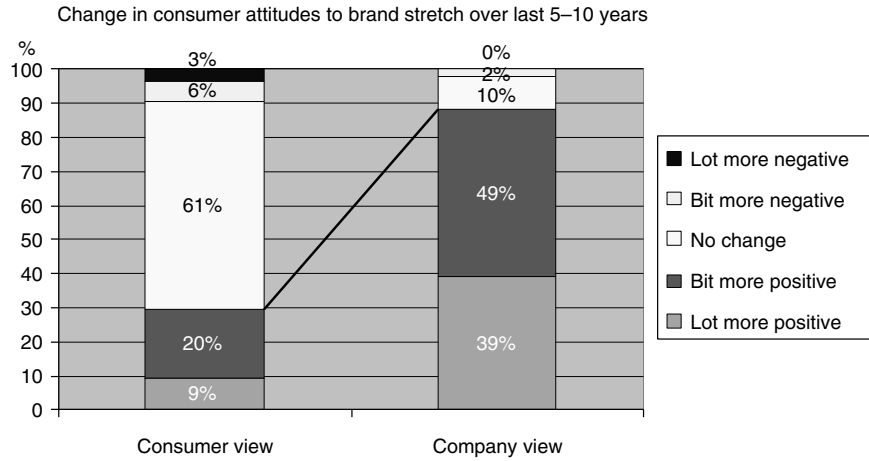
Improved shelf presence through additional listings is another knock-on benefit of launching a new extension, but again should not be the main reason for stretching. While major retailers might be persuaded to list a new extension based on the strength of the brand, they will quickly weed it out if it fails to perform.

## Quitting the brand ego trip

Recognizing and rectifying the problems of brand ego tripping can significantly improve your odds of winning the extension game. However, research by the brandgym suggests that many marketers are still blind to the poorness of their extension efforts to date. A sample of marketing directors believed that almost 90 per cent of consumers had become *more* positive about brand stretch over the last 5–10 years. Nevertheless, when a panel of 1000 UK consumers was asked the same question, the results were less definite. Only 29 per cent were positive, with a huge 61 per cent undecided (Figure 1.5). A quick look at the ‘extension graveyard’ (Figure 1.6) helps explain their scepticism (6).

## Brand added value

The key to quitting the brand ego trip is to refocus on ‘brand added value’. Importantly, this goes beyond the dominant extension theory of ‘brand fit’, which suggests that anything fitting the brand’s image *today* is a good idea. Brand added value requires the use of brand *vision* to inspire and guide the development of extensions that are genuinely relevant and differentiated.



**Figure 1.5:** Consumer versus company views on brand stretch.

Source: the brandgym 2003.



**Figure 1.6:** The extension graveyard.

**Table 1.2:** The stretch spectrum.

|                     | <b>Core range extension*</b>                                              | <b>Direct stretch*</b>                                                    | <b>Indirect stretch*</b>                                              | <b>360° stretch**</b>                                                        |
|---------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------|
| Dove                | Dove Sensitive bar                                                        | Dove shower gel                                                           | Dove shampoo                                                          | Dove spas                                                                    |
| Other examples      | Gillette Mach 3 razor<br>BMW 318 Cabriolet                                | Gillette Series shave gel<br>BMW X5 4 × 4                                 | Gillette deodorant<br>BMW mountain bikes                              | Gillette sportswear<br>BMW driving holidays                                  |
| Description         | New format or flavour as addition to core product range                   | Stretch into adjacent markets with a direct link to core range            | Stretch to a more distant market with less obvious link to core range | Extremely large range of products with no obvious functional linkage to core |
| Linkage to the core | Format                                                                    | Reason to believe and/or complementary usage                              | Umbrella concept and brand personality                                | Badge values                                                                 |
| In-store position   | Directly next to core range                                               | Close to core range, same fixture                                         | Further from core range. Different fixture or even different store    | Different stores, or sections of a 'flagship' brand store                    |
| Mode of consumption | Similar type of usage to core product, though could be different occasion | Similar type of usage to core product, though could be different occasion | Different to core product                                             | Very varied                                                                  |

Notes: \* All real examples

\*\* Possible brand ego trips

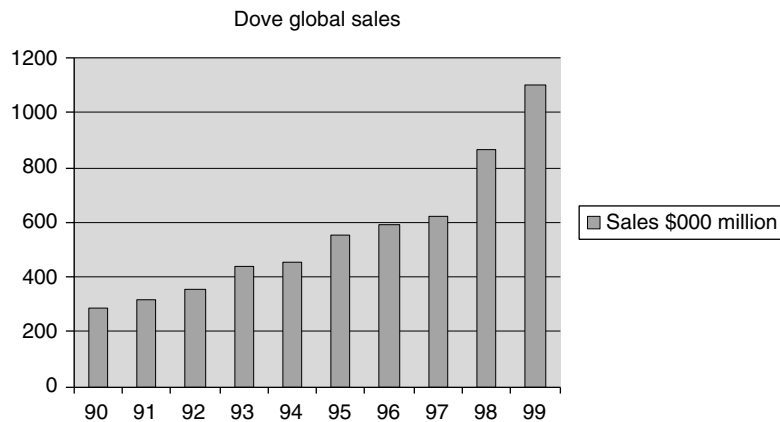
Dove is one brand that has added real value for consumers as it has extended across the stretch spectrum (Table 1.2).

## Dove: Brand added value in action

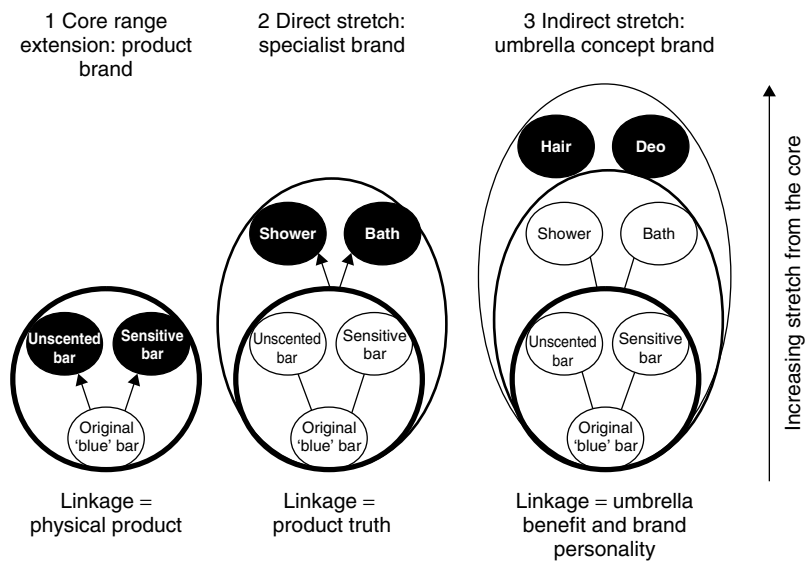
Brand stretch was a key driver of Dove's explosive growth during the 1990s. Coupled with geographic expansion, it helped grow sales fivefold, to almost \$1 billion (Figure 1.7). The brand continues to grow at 20 per cent per year and is well on its way to hitting the \$2 billion mark in the next few years.

## Strong from the core

The original Dove bar is at the heart of the brand, the purest and most powerful incarnation of the promise to 'not dry skin thanks to its 1/4 moisturizing cream'. In the US home market the brand waited 40 years before its first major extension. Other, newer markets did not wait



**Figure 1.7:** Dove sales growth.

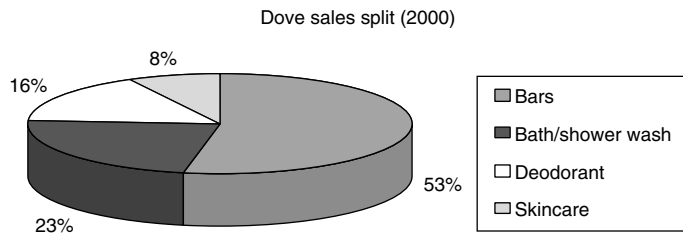


**Figure 1.8:** Sequential stretching of Dove.

so long. However, careful controls ensured that new extensions were introduced only after two 'traffic lights' had gone green:

- A strong bar business had been built.
- The brand had satisfactory scores on attribute ratings for mildness and moisturization.

Stretching then went through several stages (Figure 1.8).



**Figure 1.9:** Dove sales split.

### Stage one: Core range extensions

At this stage, Dove remained a ‘product brand’ with a single format. Stretching started with core range extensions on the bar by adding new versions, such as one for sensitive skin that now accounts for up to a third of sales. The importance of the core bar business is shown by the fact that it still represents 55 per cent of the brand’s sales and an even bigger share of profit (Figure 1.9). Further growth of the bar, through product and pack innovation, remains a key source of profitable growth.

### Stage two: Direct stretch

The next stage was direct stretch into adjacent personal wash markets, such as bath and shower products. Here, the brand’s mild moisturization benefit provided relevant differentiation, supported by the 1/4 moisturizing cream promise. Dove now had a broader offer than before, but remained a specialist brand focused on personal washing. Selection of extensions was disciplined and based on the brand’s added value in two key areas:

- *Strong product delivery*: each new extension was rigorously evaluated and debated to ensure that it lived up to the brand’s high product standards. The objective was to be able to make a ‘provable promise’, by delivering a noticeable improvement in the skin that women could see and feel for themselves.
- *Innovative product and pack forms*: these proved to be key signals of change and differentiation. For example, Dove Ultra Moisturising Body Wash has two differently coloured and visible components (blue mild cleansers and pink moisturizers) that are combined when you squeeze out the product.

### Stage three: Indirect stretch

The third and most ambitious part of the stretching programme was to move into more distant markets that did not have a direct link to the personal wash area. Dove became

an ‘umbrella concept brand’ based on the broader idea of ‘simple, mild moisturization’. These ideas were hotly debated, as they pushed the brand boundaries further than had been imagined possible by many senior managers. Interestingly, the project champions came not from the brand’s US homeland, but from two of the younger Dove markets.

Italy had evidence that consumers were looking for more skin-friendly products in the deodorant category. They saw an opportunity to combine Dove’s benefit of skin mildness with Unilever’s competence in deodorants. The go-ahead for a trial launch was based on two key factors. First, the sales and profit potential was significant. Second, the Italian business was in good health, with a solid bar and personal wash foundation. The test was a resounding success, with the brand taking a significant share. The product was rolled out across Europe and then into the USA.

The team in Taiwan had an even more radical idea: Dove haircare. They wanted to move Dove beyond gentle cleaning of skin to deliver the same benefit on hair. This move was once more greeted with concern and even outright opposition. Surely this was a stretch too far, even for Dove? A market test was started and proved to be a huge success. Again, the product was rolled out internationally.

## Consistency counts

A final lesson from the Dove story is the benefit of consistent marketing. It was one of Unilever’s first brands to be managed on a truly global basis, with senior management responsible for the quality of the roll-out. The brand has been consistent in its communication campaign, making use of real women telling their stories about Dove. This is a key part of building the brand’s approachable, empathetic personality that provides additional ‘glue’ to tie together the extensions.

### Dove summary

1. Build from a strong core.
2. Stretch selectively where the brand adds real value.
3. A strong product truth is a great help in stretching.
4. Consistency counts.

## The Brand Stretch workout

The rest of the book will take you through a simple, practical, five-step programme designed to boost your chance of winning the brand extension game. Each of the five steps seeks to address one of the aspects of brand ego tripping that we saw earlier (Table 1.3).

**Table 1.3:** Brand ego trip problems and solutions.

| Workout               | Problem                                            | Solution                                                   |
|-----------------------|----------------------------------------------------|------------------------------------------------------------|
| 1 Strengthen the core | Neglecting the core brand/product range            | Protect and grow the core                                  |
| 2 Vision              | Forgetting what made you famous in the first place | Clear vision to ensure extensions have added value         |
| 3 Ideas               | Extensions are company not market driven           | Use market and consumer insight as a catalyst for ideas    |
| 4 Focus               | Scatter-gun stretching leads to dwarf extensions   | Fewer, bigger ideas that build brand <i>and</i> business   |
| 5 Delivery            | Execution fails to deliver against promises        | Excellence in execution as a key source of differentiation |
| 6 Brand architecture  | Confusing range for both consumer and company      | Structure that aids consumer choice and company efficiency |



## Key takeouts

1. The success rate of brand extensions is poor.
2. The fundamental problem is the brand ego trip that many marketing teams are on.
3. Companies need to focus their efforts on adding value for consumers, with emotional values underpinned by functional performance.

## Checklist 1: Brand Stretch – or brand ego trip?

|                                                                                                | Yes                      | No                       |
|------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| • Are your primary reasons for extending consumer and not company centric?                     | <input type="checkbox"/> | <input type="checkbox"/> |
| • Do you have ways of delivering functional performance not merely emotional sizzle?           | <input type="checkbox"/> | <input type="checkbox"/> |
| • Do you fully understand and respect the competition in the new area you are stretching into? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Have you understood and adapted to the rules of the new category?                            | <input type="checkbox"/> | <input type="checkbox"/> |
| • Is the importance of excellent execution fully embraced or seen as a 'nice to have'?         | <input type="checkbox"/> | <input type="checkbox"/> |



## Handover

We have seen the theoretical advantages that extensions should have over new brand creation. By leveraging a known and trusted brand, an extension should have a much better chance

of success. However, the problem of brand ego tripping means that the harsh reality is an appalling success rate. Focusing on brand added value is the key to boosting your chances of successful stretching. In the next chapter we will look at the first vital step in delivering brand added value: having a strong core brand and product to stretch in the first place.