

Marketing: the extension of household names to new products offers a low-cost route to business growth but the strategy can backfire

Stretching a brand to the break point

By Helen Jones

BOTH Marks & Spencer, by selling knickers and pensions, and Virgin, with flights to New York and cans of cola, have seized opportunities for extending their brand names into new areas. But it is difficult to manage successfully. If you stretch a brand too far, the elastic can snap and the core value of the name becomes devalued – as some companies have found to their cost.

Brand extension has become fashionable in the past five years.

During the recession, hard-pressed marketing directors in the food industry offered consumers more choice by adding new flavours, taking out fat or sugar, or moving from one tried and tested category, such as confectionery, to an allied one such as soft drinks. It was a low-risk strategy – it avoided the huge costs of new product development and offered variation on an

existing purchase.

A new flavour or a move to an allied area such as Pepsil washing-up liquid or Mars ice-cream is technically not too difficult to achieve and does not require a leap of understanding by consumers who already recognise the brand's inherent qualities.

But some companies have expanded into new and often unexpected areas. Among them are tobacco companies, which – by moving into sectors such as luxury goods and clothing – keep their brand names in the mind of the public despite stringent regulations on advertising.

Dunhill was one of the first to recognise the power of its brand name, and has successfully built up a luxury goods empire. Marlboro and Camel are associated with clothing and even travel.

Laura Haynes, managing director of the branding specialist Beresfords, says: "If a company is looking at what it can do with its brands, it must identify what it is about, the brand that makes it special – what are its core values? Can you move in a linear way? Cadbury, for example, could not use its name on frozen

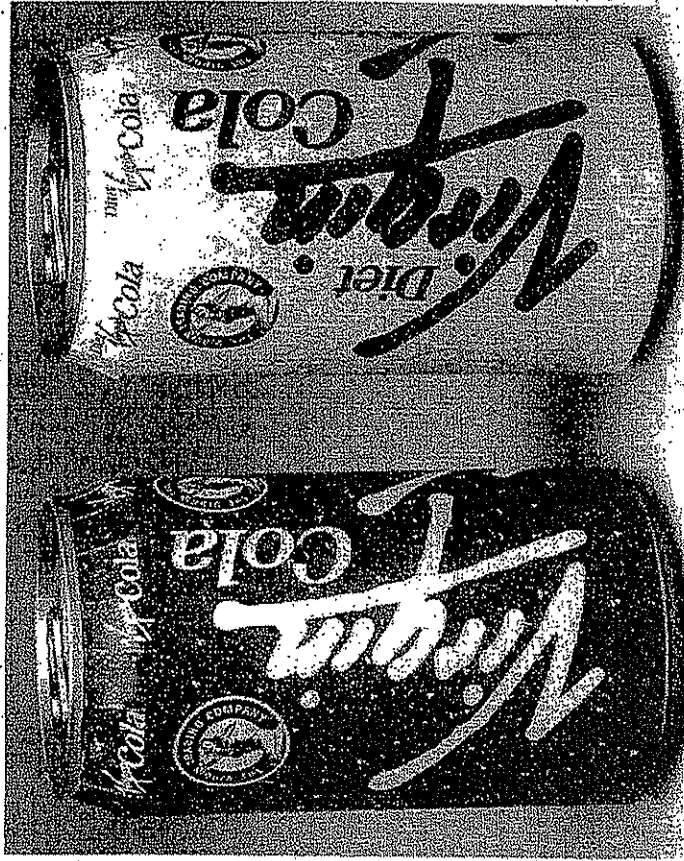
fish – it wouldn't work – but Porsche might be able to move into watches, because the name is synonymous with excellence and style."

She adds that Marks and Spencer's move into pensions is logical, because it already has its own charge card and "consumers trust the brand name. It is solid, safe and reliable."

However, there is a limit as to how far companies can stretch credibility. Paul Southgate, chief executive of Wickens Tuttsouthgate, the brand consultants, says: "Some brands are more elastic than others – but you can only stretch it as far as the core values will allow before you start to devalue it."

Mr Southgate points to Pierre Cardin as a company that has overextended itself. It had been associated with luxury goods, and was considered up-market and aspirational, but now is seen as more mass-market, having put its name to almost everything from umbrellas to slippers.

Another example is Scottish knitwear company Pringle, which tried to move into luxury goods launching luggage, blazers and accessories almost two years ago. The company admits that it made a mistake and that it



Powerful Image: Virgin is 'more than a bearded brand in a sweater', says Richard Branson

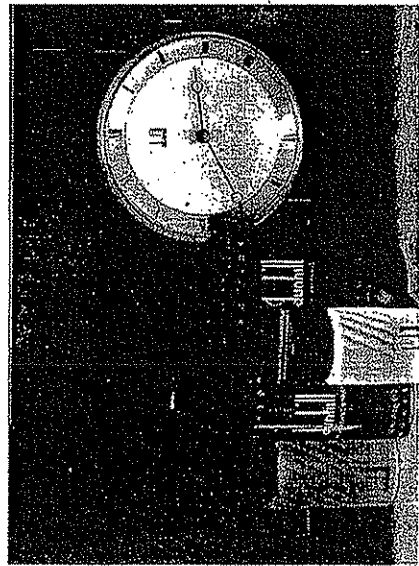
under-estimated the difficulties involved. It is now concentrating on its core product, pullovers.

As well as diluting the quality of the brand, inappropriate spin-offs can also cause another problem. David Adams, business development director of Tuttsell's, the brands consultants, says: "If a company broadens its product range, one of its biggest headaches is finding the budget to support it through marketing and advertising."

Perhaps the brand that is currently being stretched the most is Virgin. Last year, Richard Branson told the UK's leading marketers that Virgin was "more than a bearded brand in a sweater". The company has subsequently launched a cola, a vodka, and a personal equity plan. More products are believed to be in the pipeline.

But is Mr Branson pushing it too far? Mr Southgate thinks not: "The Virgin brand has more

elasticity than most. If you accept that Virgin mirrors Branson, then he has a certainchutzpah – and that quality can be embodied in a number of products." Although Mr Branson is confident of the power of the Virgin name, others companies are beginning to review the number of brand extensions they have in their product portfolios. Both FIP and Golden Wonder are getting back to core brands. They are unlikely to be the last.



Lap of luxury: Dunhill was one of the first tobacco companies to recognise the power of its brand name

build
set up
run
bring
make
transform

decide
reflect
appear
create

return
change
expand
launch
drink

Coca-Cola and its advertising

John S. Pemberton invented Coca-Cola in 1886. His partner suggested ¹..... an advertisement for the drink in the Atlanta Journal that very year. In 1888, Asa Candler bought the Coca-Cola business and decided ²..... the product known through signs, calendars and clocks. The company began ³..... its global network when Robert Woodruff was elected president of the company in 1923. He succeeded in ⁴..... Coca-Cola into a truly international product by ⁵..... a foreign department, which exported Coca-Cola to the Olympic Games in Amsterdam in 1928. During World War II, he promised ⁶..... Coca-Cola to every soldier in every part of the world.

Coca-Cola's advertising has always attempted ⁷..... changing contemporary lifestyles. ⁸..... an international advertising campaign requires the talents of professionals in many areas, and extensive testing and research are always done before ⁹..... which advertisements will finally be used. Celebrity endorsements have featured heavily – Cary Grant, Ray Charles and Whitney Houston are just three of the big name stars who have agreed ¹⁰..... in Coca-Cola commercials.

After ¹¹..... Diet Coke in 1982, the company saw its sales grow quickly. The drink is now the third most popular in the world. In 1985, the company tried ¹²..... the secret formula of Coca-Cola, but realised that Americans were very attached to the original recipe. The company listened to its consumers and quickly responded by ¹³..... the original formula to the market as 'Coca-Cola Classic'. Today, people in more than 160 countries around the globe enjoy ¹⁴..... Coca-Cola. It is asked for more than 524 million times a day in more than 80 languages. The company intends ¹⁵..... its global presence even further in the twenty-first century, particularly in developing markets.

