



## **Best Practices in Brand Extension: Effective Application of Brand Recognition**

### **BRAND EQUITY CAN BE DIVIDED INTO THREE COMPONENTS: EXPERTISE, EMOTIONAL ATTACHMENTS AND PRODUCT ATTRIBUTES**

**Brand extensions are an effective and popular method of gaining a competitive advantage when entering a new product area.**

Consumers are faced with an increasingly complex and confusing marketplace. The ability of a brand to act as a mental shortcut for consumers, thereby simplifying the decision-making process, makes it one of, if not the, most important asset for a company. The ability of a brand to influence consumer behavior, and its subsequent value to companies, will increase as consumers face a growing amount of information in the marketplace.

By placing a well-known brand on a new product, a company can imbue that product with all the positive associations of that brand, thereby giving it a competitive advantage. With some estimates of the failure rate for new products at 90%, the added value of being associated with a trusted brand can be critical to a new product's survival.

Given the increasing value of established brands and the difficulty in launching new products, the popularity of brand extensions is understandable. However, the brand extension process must be carefully planned in order to insure the value of the brand is successfully transferred to the extension without jeopardizing the brand's equity. To do so, a company must understand how consumers perceive their brand and how an extension might alter that perception.

**Brand equity can be considered a portfolio of three components.**

We believe that the best way to understand how consumers perceive a brand and evaluate its ability to extend is to consider the brand as a combination of three separate components. Consumers value a brand inasmuch as it can make a promise in one or more of the following areas: expertise, emotional attachments and product attributes.

The component of equity we are calling "expertise" refers to a level of experience, knowledge or skills on the part of the brand's producers. A brand that has equity in the expertise component has products and services that reflect this expertise. Consumers believe that the producers possess a certain "know-how" that is not easily duplicated. Brands with strong expertise equity often stress the scientific research, historical experience or training that went into the development and making of their products. Consumers will value the brand because they value the science behind the products.

The component of equity we are calling "emotional attachments" refers to the brand's ability to fulfill an emotional need. Purchasing the product imparts a particular feeling to the consumer. Products will usually have another component of equity in addition to this one, however, a brand's emotional attachment can be an extremely powerful form of equity.



The component of equity we are calling “product attributes” refers to a particular aspect of the product that is deemed to be central to consumers’ needs. It is a promise to produce a “good” product, where “good” can be defined as having or not having a certain quality. A brand with this component of equity, exclusively, is best able to extend only into areas where this particular quality is the major factor by which products in the area are judged.

A brand’s equity is the combination, or portfolio, of these components. Because consumers perceive brands as a single whole, all components of a brand’s equity play a role in determining that perception and the framework within which any extension will be evaluated.

Broken down by component, the value of a brand is its promise to have a certain quality, to generate a certain feeling, or to be a product of a certain body of knowledge. When considering an extension, three issues need to be raised: Does the new product offer the same promise as the core brand? Is this promise relevant to the new product area? What is the effect of the extension on the brand?

The first question refers to whether or not the extension has a good fit with the core brand and its overall product area, the distinguishing qualities, and how it is marketed. The second question addresses whether or not the extension is actually helped by its association with the core brand. Will the core brand’s promise be of value to consumers in this particular product category? The last question refers to possible negative effects on the core brand’s equity. A brand’s equity is never static, and all products under that brand affect how consumers perceive it. Even an extension that is appropriate to the brand’s dominant component can have a negative effect. If Timberland were to produce boots for the military, that could support the brand’s product attributes of ruggedness but could also hurt the brand’s emotional attachments of individualistic spirituality. By not complementing the full portfolio of a brand’s equity, an extension can cause one component to be ignored. The brand’s equity portfolio could subsequently be adjusted, possibly in a negative manner.

### **Brand extensions can perform a variety of functions.**

- Some of the uses and functions of brand extensions are:
- Providing a new product with a competitive advantage.
- Allowing greater efficiency through brand-wide advertising and promotions.
- Increasing consumer awareness for newly introduced brands.
- Generating familiarity and, therefore, appeal in the marketplace.
- Helping to define a recently formed brand in the minds of consumers, which affects future extendibility.
- Helping to redefine and revitalize declining brands.
- Disassociating a brand from a product at the end of its lifecycle.

### **Component Definition.**

Many brands sell their products on the basis that they are “patented,” “scientifically engineered” or “high performance.” These qualities, however, are not referring to the actual product, but to the producer or production process. These descriptions are used to elevate a brand in the minds of consumers on the basis that the producing company has unique skills, abilities, or knowledge that its competitors lack. In effect, they are saying, “We are experts at this. Our competitors are not,



and they don't have the expertise that is necessary to make this product." The value these types of brands have to consumers comes from the science behind their products.

Having equity in the expertise component is more than a reputation for having the ability to make a good product. The sources of the expertise component are a specific body of knowledge or set of skills and abilities. There may be a large number of products to which this expertise is applicable, thereby providing a wide range of extension possibilities; but the expertise itself is specialized and limited in scope. Possible sources of the expertise component are a brand's extensive history, references to research, a track record of innovation, and, once consumers have become aware of it, actual expertise in an area.

### **Component Characteristics.**

The expertise component is often useful in situations where consumers have an incentive to undertake a critical evaluation of a product but are unable to do so. These situations can occur when consumers are making a relatively large investment, but their knowledge is limited. Some examples of product categories where we find brands that have the expertise component of equity are financial services, over-the-counter drugs or herbal remedies, and high-end sporting equipment.

In each of the examples, consumers have significant investments in the products (money, retirement funds, one's health), but lack the knowledge to undertake a critical evaluation themselves.

### **Selected Case Studies.**

Weight Watchers – Begun in 1963 as a support group in Brooklyn, New York, Weight Watchers has developed expertise through several sources, including its association with the medical community, its prominence and history in the weight loss field, and testimonials from celebrities and clients. Because of Weight Watcher's equity in the expertise component, the brand has the ability to undertake a wide variety of extensions. Anything that is related to the field of weight loss would be viewed as appropriate to consumers. Some suggestions for possible extensions that came from focus group participants were exercise equipment, sneakers, clothing and a line of health clubs.

Honda Motor Co. – After starting a company in 1946 that equipped bicycles with surplus war engines, Soichiro Honda started a motorcycle company that has since expanded into cars, trucks, lawnmowers, snowblowers, pumps, generators and outboard marine engines. Through its history, record of innovation and strength of products, Honda has developed the expertise component for making small engines and innovative fuel-efficient designs. As such, Honda has the ability to produce almost any item with a small engine in it, such as snowmobiles and personal watercraft, and is well positioned to take the lead in the developing field of hybrid electric cars.

Sony – Started soon after World War II, Sony has established a reputation for making cutting edge consumer electronics and getting new products to the market quickly. Generated by its long history, track record of innovation and being the first to market, Sony has developed a strong expertise component for making consumer electronics. Despite Sony's experience making computers for other brands, an early attempt to produce a branded PC was not successful. Sony has recently reentered the market and begun producing a branded PC. This extension is being met



with more success due to the PC's emphasis on manipulating audio and video information, and the increasing convergence between the fields of computing, entertainment, and consumer electronics.

MET-Rx – MET-Rx is a leading producer of nutritionally engineered food products aimed at athletes, weightlifters and bodybuilders. Almost all of MET-Rx's products contain a proprietary protein formula called Metamyosyn, which is purported to have specific advantages in developing lean muscle. Developed by a cardiac and critical care doctor trying to develop methods of preventing critically ill patients from losing lean muscle mass, MET-Rx has maintained a strong connection with the medical and scientific community. This history and continued connection with the medical community is a major source of MET-Rx's expertise.

MET-Rx has also developed the expertise component of equity through the use of endorsements from several professional athletes.

Not only can MET-Rx extend into almost any food product that contains their proprietary formula, Metamyosyn, but the brand has also recently extended into prohormone products, supplements aimed at serious weightlifters and bodybuilders. Their expertise in the area of physiology and muscle development allows the brand to extend into most types of engineered or scientific supplements.

#### **Advantages and disadvantages of the expertise component of brand equity.**

When compared with the other components of equity, the expertise component has the following advantages and disadvantages:

- It can generate trust for the brand among consumers across product areas.
- Once established, the expertise component can be very enduring.
- If negated, the expertise component can be almost impossible to regain.
- Expertise is defined by consumer perceptions, not actual abilities or experience, limiting extension possibilities.

### **EMOTIONAL ATTACHMENT COMPONENT OF EQUITY**

#### **Component Definition.**

All brands, to varying degrees, have certain personalities. Whether through an advertising campaign or the style of products, consumers will see a brand as having specific characteristics. Oshkosh is cute, Victoria's Secret is sexy, and Campbell's is wholesome. These characteristics may very well form the basis of an emotional attachment, but not always. Emotional attachments occur when buying a particular brand fulfills some kind of *emotional need*. Certain feelings are evoked when purchasing the product. It is these feelings that are actually being sold when a brand has an emotional attachment component in its equity.

The emotional attachment component of brand equity exists because the brand fulfills an emotional need. Exactly what needs are being fulfilled can be determined by breaking down the brand by three factors: its values; its lifestyle and its affiliation. A brand's values are the qualities that make the brand special and unique. A brand's lifestyle is the actions and behaviors with



which it is associated. A brand's affiliation is its peer group. When consumers buy a brand, they are fulfilling a need by associating themselves with certain qualities, behaviors, and groups.

### **Component characteristics.**

Any type of brand has the capacity to impart a positive feeling to a consumer. In fact, many marketing professionals would claim that forming an emotional attachment is the ultimate end of any marketing campaign. Emotional attachments can be a very powerful form of equity and can give a brand an asset that is not easily countered. Some types of products, however, have greater dependence on emotional attachments than others. Within these categories the other components of equity, product attributes and expertise, are often small or irrelevant. Examples of product categories that depend on the emotional attachment component of equity are apparel, fragrances and mass-market alcohol.

### **Selected Case Studies.**

Harley-Davidson – Founded in 1905, the Harley-Davidson Motor Company was the only remaining American motorcycle manufacturer once Indian Motorcycles closed in 1953. The 1950s and '60s saw the growth of the American "motorcycle culture." Movies such as "Wild Ones" and "Easy Rider" helped equate Harley-Davidson with the lifestyle of tough motorcycle outlaws. A mystique was cultivated that helped form a loyal customer base that would sustain the brand through the mid-1960s, a period that saw a sharp decline in Harley-Davidson's quality and the rise of Japanese imports. In the years that followed, Harley-Davidson was able to make the necessary improvements in quality. However, the distinguishing feature of the brand was its emotional attachments, and it was on this component that Harley-Davidson based its marketing strategy. By using the brand's associations with adventure, freedom, and bad-boy rebellion, Harley-Davidson has extended its brand into, among other things, a clothing line that includes baby clothes and women's underwear in addition to the traditional black leather jacket, a line of cologne, a Barbie doll, and the Harley-Davidson café in New York City.

Gucci – The Gucci brand began in 1921 as a luggage and saddlery store and workshop in Italy. The brand soon expanded to include Gucci's signature product, handbags. The late 1940s through the '60s saw the Gucci brand come to symbolize class and sophistication. By the 1970s, the Gucci brand had become a fashion icon. In the 1980s, Gucci began a program of rapid product expansion in an attempt to capitalize on its brand recognition and appeal. While short-term sales saw a large boost, the brand had been seriously damaged. Much of the emotional attachment component of the Gucci brand has its source in the brand's exclusivity. Even though the individual extensions were relatively appropriate, the widespread availability of the brand diluted its exclusivity. Gucci recovered by severing its licensing and distribution deals and has since been able to extend its brand successfully by limiting itself to high-end products found in fewer channels.

Gap – Gap began as an outlet store selling Levi-Strauss jeans in San Francisco in 1969. Currently, Gap Inc. owns the Banana Republic, Old Navy, babyGap and GapKids along with its namesake brand. Gap Inc. operates more than 2,900 stores worldwide. Its 1998 revenues were more than \$9 billion, an increase of 54% over the previous year. Unlike Gucci, Gap has avoided exclusivity and has built an image of being unpretentious and familiar. Gap's marketing, store layouts and products have all been designed in an effort to make Gap not just another line of clothes, but a staple for American consumers. An often-repeated goal has been to make the Gap brand as



familiar and basic to consumers as Coca-Cola or McDonald's. Gap's efforts to make their brand universal in appeal and unpretentious have been met with success. Focus group participants characterized Gap as "fashionable," "comfortable," "fun," "affordable" and "casual." When discussing possible extensions for Gap, participants suggested items such as fragrances, candy, and, to a lesser degree, bath items. These suggestions were made with the proviso that they be "fun" and "not expensive."

Polo Ralph Lauren – The Polo label began in 1967 as a line of neckties for Beau Brummel of New York. Polo Ralph Lauren recently reported annual revenue of \$1.47 billion and profits of \$120 million. Polo Ralph Lauren has used its sub-brands, "Polo by Ralph Lauren," "Polo Sport by Ralph Lauren," "Ralph Lauren Purple Label" and "Chaps Ralph Lauren" among others, to expand into a variety of marketing segments while maintain its distinctive image and reputation. Focus group participants characterized Polo Ralph Lauren as "expensive," "preppy," "country club types," and "tennis moms." Although affluence is a strong part of the brand's emotional appeal, the brand does not have the strong attachment to exclusivity as other designer labels. Polo Ralph Lauren is more of an American icon, emphasizing the prestige that comes with wealth, not an affiliation with an exclusive clique. As such, the brand can appear on several sub-brands without losing its emotional attachments.

#### **Advantages and disadvantages of the emotional attachment component of brand equity.**

When compared with the other components of equity, the emotional attachment component has the

following advantages and disadvantages:

- Emotional attachment can be extremely powerful
- Emotional attachments offer a wide variety of extensions
- Once lost, the emotional attachment of equity can be hard to reclaim
- Emotional attachments may prevent extensions that are logical from a production perspective.

### **PRODUCT ATTRIBUTE COMPONENT OF EQUITY**

#### **Component Definition.**

When consumers value a brand, it is often due to the belief that the brand makes good products. What is not explicit, however, is that there are certain criteria for deciding what constitutes "good." In many cases, these criteria are the presence or absence of a physical quality. The product attribute component of equity exists because consumers associate a brand with a specific quality of their products.

A brand with the product attribute component has the inherent promise to consumers to make products that are X, with X equaling a specific quality, such as ruggedness, comfort or good taste. When a company uses brand extensions to enter a new product area, it does so for the reason that consumers will perceive the new product as having the core brand's inherent promise. A brand with a strong product attribute component of equity can thereby extend into any product area for which the quality the brand promises is a relevant and positive criterion for evaluation.



### Component Characteristics.

For brands with the product attribute component of equity, the meaning and function of the brand is relatively simple. The brand is a promise to make products with a specific quality. Product areas that have brands with strong product attribute components often have relatively straightforward criteria for evaluation. Categories that are often dominated by the product attribute component, such as food and beverages, purpose-oriented clothing, and tools, can be evaluated by the presence or absence of just a few qualities.

### Selected Case Studies.

Dole – Dole began in 1901 when James Dole founded the Hawaiian Pineapple Company. Becoming the first company to bring pineapples to the mainland United States, the Dole brand became closely associated with pineapples. The brand was limited to this one product until 1972 when bananas were added to the product line. Once Dole realized that consumers associated the brand with attributes that could be positively associated with qualities such as freshness and good taste instead of just pineapples, the doors were opened to expand into virtually any fruit or vegetable product. Currently, Dole is the largest grower and marketer of fruits and vegetables in the world, with more than 170 fresh and packaged food products. Dole has taken advantage of the growing emphasis on convenience in packaging and has taken a leading role in the fast-growing segment of pre-cut and packaged vegetables and salads. Dole has also tested adding its brand to cut flowers sold in supermarkets. Dole is already one of the biggest marketers of cut flowers in the United States, but it remains to be seen if flowers will benefit from being associated with a produce label.

Healthy Choice – ConAgra introduced Healthy Choice in 1988 with frozen dinners as its first product. The first non-frozen products came in 1992, and one year after that, Healthy Choice had expanded to more than 300 products and had more than \$1 billion in annual sales. Current sales are now \$1.5 billion, making Healthy Choice one of ConAgra's best selling brands. The motto of Healthy Choice, "Eat what you like," conveys the idea that with this brand, a person does not have to avoid their favorite items to eat nutritious, low-fat foods. For most food brands, taste is the dominant quality by which the brand is judged. While taste is an important quality for Healthy Choice, it is its nutritional qualities that distinguish the brand from others. It is also the product attributes of being healthful and low in fat that have allowed the brand such a wide range of extensions. Any type of product for which there can be a healthful, low-fat version is an appropriate extension for the brand.

Timberland – Since the Abington Shoe Company became The Timberland Company in 1978, the brand has been strongly associated with their signature waterproof hiking boots. Field-tested in the Iditarod Trail International Sled Dog Race, Timberland has a strong product attribute component for being rugged, sturdy and weatherproof. Timberland is currently enjoying a fashion boom for its boots, which has been helped by an effective and evocative advertising campaign designed to build the emotional attachment component of equity. Timberland's extensions, such as gloves, packs, travel gear, and eyewear, have all been extensions of the brand's primary component of product attributes. Timberland should continue this practice and not undermine their primary equity component by attempting to capitalize on its growing emotional attachment component.



### **Advantages and disadvantages of the product attribute component of brand equity.**

When compared with the other components of equity, the product attribute component has the following advantages and disadvantages:

- Equity can be increased or regained through improved products.
- Product attributes can appeal to objective, critical consumers.
- Product attributes can be copied by competitors.
- Close associations with a very specific quality can limit a brand's potential for extensions.

### **BEST CROSS INDUSTRY PRACTICES IN BRAND EXTENSION**

#### **All components of equity should be considered.**

It is very unusual for a brand to have its equity limited to strictly one component. Most brands have some equity in two or all three possible components. Even if one component obviously dominates consumers' perceptions of the brand, all three components should be considered when making a decision to extend a brand. This report has divided brand equity into three components because we have found this model to be a complete and effective tool for understanding how brands function from a consumer's point of view. However, consumers themselves do not see a brand as having a unique portfolio made up of three components of equity, they see a single brand.

Consumers view a brand as a whole, with a unique set of associations and promises. All three components of equity play a role within that whole, therefore, every component must be addressed with regard to its overall effect on how consumers perceive the brand.

When evaluating a potential brand extension, there are three issues to address: Does the new product area offer the same promise as that of the brand? Is the brand's promise relevant to the new product area? What is the effect of the extension on the brand? These issues must be addressed to insure that the brand's equity can be transferred to the extension, the product benefits from being an extension of the brand, and the extension does not damage the brand's equity. Exactly how to address these issues will vary with each component.

#### **Using extensions for competitive advantage.**

All brands have unique portfolios of equity components, and identifying differences between your brand and your competitors' can yield opportunities for a competitive advantage. For this reason, it is critical that you evaluate all the components of equity of your brand, as any one of them can yield an advantage. In fact, it is often among the non-primary components where you will find these differences. When a component of equity is relevant to a product category, it becomes a necessary feature of any brand. Therefore, it is likely that your competitors will also possess this category. However, when your brand possesses a component that is not relevant to the product category, it provides your brand with an opportunity to differentiate itself from your competitors and extend into categories that they cannot.

For example, the product attributes of reliability and durability are necessary for the product



category of motorcycles. All major motorcycle producers, Honda, Harley-Davidson, Suzuki and others, have this component of equity. It is among the other components, however, that differences occur that yield competitive advantages. As we have seen, Honda has a strong expertise component and Harley-Davidson has a strong emotional attachment component. Each brand has used these differences to extend into different product categories, offering new opportunities for growth and enhancement of their brand equity.

#### About Stages of Innovation

Stages of Innovation helps companies achieve their growth objectives through new products, sales and channel development, and through the buying and selling of businesses. You can reach us via the web at [www.stagesofinnovation.com](http://www.stagesofinnovation.com).