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Nielsen Innovation Series

Innovation powered by brand s-t-r-e-t-c-h-i-n-g

PART III: FRAMEWORK TO MAKE BRAND STRETCH WORK FOR YOU

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- Four ARRC factors critical to a successful stretch – Advantage, Recognition, Relevance & Credibility
- Apply a three-way framework of Market Structure, Brand Leverage and Company Competence to make your stretch profitable

In part one of the Brand Stretch Series, we defined what a brand stretch is and the advantages it has over a new brand launch. In the following part, we looked at the factors for success in a stretch strategy. In this third and concluding edition, we explore the ARRC factors which every brand must leverage, and a framework to unleash the power of a brand stretch.

To recap the methodology adopted for the study, we conducted a 360-degree evaluation by:

- Studying the in-market sales and market share performance of 82 brand extensions across 46 categories in India
- Soliciting responses of a diverse group of marketing professionals to understand the practitioner's perception
- Analysing consumer responses to over 65 brand stretch initiatives that were tested amongst consumers in the Nielsen BASES database.

While research has established that brand extensions have shown a greater probability of success compared to a new brand launch, the reality is that one out of two brand extensions were still likely to fail. To understand what considerations made consumers adopt brand extensions more readily, we dived into our BASES database and found four key measures that influenced Purchase Intent* of consumers and thereby consumer acceptance. We call these the ARRC factors that every brand stretch must leverage.

*Parameters were found to have significant impact on Purchase Intent, when the comparative rank of Purchase Intent was in the top quadrant compared to other initiatives tested in the respective category

The ARRC factors

The ARRC factors constitute the four key measures that determine consumer acceptance of a brand stretch in the market. These factors stood out as differentiators between success and failure when we analyzed the database of stretch initiatives tested.



Advantage

You can't rely solely on the family name! Along with the equity of the parent brand, the stretch needs to bring in some special advantage in the new category that it enters. This advantage could be a functional benefit or an emotional attribute which gives consumers a hook to try the brand. Providing your stretch initiative the power to outshine competition - either with additional benefits or in an improved manner with existing benefits, can provide that Advantage.

In most of the stretch failures we studied, we observed that the brand extension only carried forward the parent equity without any special differentiators. This is one pitfall that marketers need to avoid.



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To succeed in the marketplace, extensions need to have benefits and attributes different or better than that of its parent brand.

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Recognition

Having said that, recognition of the parent brand is also critical to the success of a stretch. The level of awareness of the parent brand's equity is imperative but even more important is what it is recognized for. The functional attributes of the parent brand (what is it known to do), along with the parent brand imagery (what is it associated with) & its personality (how will it make me look) are factors that will impact acceptance of the stretch.

Relevance

Are the parent brand's attributes meaningful and do they matter to consumers when it moves into the new category? Relevance of brand attributes is important for the consumer to consider the brand as part of her preferred choice.

For example, a brand with a 'dependable' attribute would have high relevance in a category dealing with products pertaining to personal security. Similarly, a brand attribute like 'trust' would have high relevance in a stretch category dealing with banking and money, but only marginally in the fashion and garments category.

Credibility

This pertains to the consumer's perception of the parent brand's ability to deliver credibly on all the basic attributes in the new category. Two out of three concepts which were found to be successful were high on credibility.

Many times, the parent brand's strength turns out to be a weakness for the new category. So it's important to assess whether the parent has any negative associations which can impact credibility. For example, a personal care brand known for its moisturising benefits, failed when it extended itself into dishwashers simply because it lacked the strong grease removal capabilities which are basic to the category.

Marketers who are able to creatively address all four ARRC factors are more likely to create a compelling, winning formula to make a successful brand extension journey.

Unleashing your brand's stretch potential

Practitioners of brand stretch can employ a three-way framework to assess and successfully plan a brand stretch:

First, understand the **Market Structure** of the new category of interest. Is it dominated by a few brands or are there many brands with fragmented share? The number of brands and their dominance in the category can directly influence the success of a stretch.

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Greater the fragmentation in a category, greater the chance of success for a new entrant.

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CONSUMER/BRAND
LEVERAGE POWER



MARKET
STRUCTURE

COMPANY
COMPETENCE

Second, determine your **Brand's Leverage Power** with your new consumers. Keeping the parent brand strong is essential to the success of the child. But in doing so, applying the ARRC analysis to your brand will provide you with insights to create the right proposition in the new category.

Finally, assess your **Company's Competence** to play in the new category. Does your company have previous experience in this category to demonstrate executional competence to create the right product offering, to bring your distribution muscle to reach the right stores, to provide pricing power and lastly, the ability to stay invested in advertising spending and support levels? Company competence is a critical factor that must not be overlooked while crafting a proposition.

Marketers need to capitalize on these learnings and back them with sufficient marketing support during execution. Those who are able to creatively combine the synergy of brand power and company competence within the market structure, is likely to have the best possible chance to succeed.

Innovation powered by brand stretching is a multi-part series focusing on the power of brand extensions as an effective innovation strategy to win in the Indian marketplace. Nielsen would like to thank client contributors & industry practitioners who were instrumental in the co-creation of this thought leadership. Vishal Anam, Kaveri Kshirsagar, Moumita Ghoshal, Ashish Anand, Parul Arora and Deepika Goel from Nielsen, contributed to the series.

About Nielsen

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