CHAPTER 4

SUB BRANDS AND BRAND EXTENSIONS

The whole rationale for this book is that brands are an important and yet neglected part of industrial marketing. On these grounds it may be reasonable to assume that the more brands the better. This is not necessarily so. Without understanding the consequences, management sometimes allow brands to proliferate by the creation of sub brands or, without adequate analysis, they extend a brand into new product areas and fail to benefit from established brand values.

Sub brands form part of a family of brands and they are often a means of tailoring a product or service to a particular market sector or niche. A new firm of couriers called Ace decides to offer two levels of delivery, within 24 hours or within 48 hours. The 24 hour delivery it calls the Ace Gold Service, the 48 hour one it calls the Ace Silver Service. The Gold and Silver Service are sub brands within the Ace range. Brand extensions are additions to a range marketed under an already established name. If Ace ever decides to open a parts delivery service for garage repair shops and call it Ace Parts, this would be a brand extension. Sub brands and extensions are the subjects of discussion in this chapter.

Product names and sub brands

There is a difference between sub brands and the string of product codes or names that are simply used for placing an order. Companies are often hostage to Product or Brand Mangers who feel the burning need to create a brand when frankly, the customer doesn't care and the newly created brand has no value. When there is a very large range of products as with Motorola's or Intel's semiconductors, the names of Greek Gods or planets would quickly be exhausted if they were the locators used to list the product range for the purpose of ordering. However, if the product range is limited in size, perhaps half a dozen sizes of power tools, the temptation is to use a name. The company may itself feel better about this personalisation of its products and yet be mortified to find out that customers do not know nor do they care of their existence.

A brand is only a brand when customers recognise and value the name and think of it as in some way special and different from other products in the genre. The following table lists the differences between real brands and simple identification labels.

A brand ...	An identification label ...
... is something that customers ask for by name	... is a convenient locator in a product range
... is the name used by customers when talking about the product with other people	... is something which could just as easily be ordered by description
... is when people think of the name rather than the product	... is a label which could readily be changed to something else without any loss of customer loyalty
... is something which has developed a personality of its own, beyond the product itself	... is a label which customers have to look up and don't really care about
... is something that people would pay a premium for under that and no other name	

A true sub brand is a name which a company attaches to part of its product range or services and which it believes deserves special promotional support. Sometimes such sub brands are used in isolation from the main brand but it is far more common to link both names - as in Ace Courier Gold. The sub brand is in this way endorsed by the main brand and hopefully some key values are transferred. However, as we shall discuss shortly, whilst the sub brand may be strengthened in this way, the main brand may be weakened; if nothing else, the identity is likely to be less distinct.

Sub brands are only justified if there are a relatively small number of them and if the market is sufficiently large to support them. Ace Couriers' Gold and Silver Service may be acceptable, whereas attempting to attach a brand to each one of Intel's long list of different types of semi-conductor would not be. Also, high interest products lend themselves to branding because they engage people's interest and this enables the names to lodge more readily in the mind.

Some truck manufacturers go to considerable lengths to develop names for the different models within their ranges which become sub-brands. Volvo and Scania have been successful with simple model brands that sit under the main company name. For example, the Volvo FL, the Volvo FE and the Volvo FM, and the Scania P340 or the Scania R560. It is salutary that Ford and Leyland lost share to these two rivals with their ranges that had brand names such as Cargo and Dominator. There is no doubting the excellence of the Volvo and Scania products and that must have played a vital role in the growth of both these companies market share. It could also be that these companies benefited from the reinforcement of their corporate brands by using a simple suffix to identify the model rather than dilute the larger brand name. In the larger volume van market it has been possible to build separate sub brands with strong identities such as the Transit (as in Ford) or Trafic (as in Renault).

Sub brands can grow from products which were first in their field

Other types of sub brands are those which are used to identify quite different (and often, when launched, unique) products within a company's range. There are a number of examples of industrial brands which have grown to dominance even though they are marketed by companies whose names are strong in their own right. Pyrotenax is a widely specified flame proof cable and is made by Tyco Thermal Controls. Styrofoam a urethane plastic from Dow Chemicals; Terylene a polyester from ICI. In each case the sub brands refer to distinctive products which were the first in their field. Sub brands of this sort can become strong and may be promoted or recognised with little or no linkage to the main brand. There may be many imitators of these products whose quality and performance is probably little different but the special brand values associated with the sub brand pulls them through and gives them market leadership.

Specified products lend themselves to sub brands

Building a sub brand is also justified if the product is one which is specified. Architects have to specify construction materials and manufacturers of bricks, pipes, roof tiles have successfully created sub brands for their ranges. The more specialised the product and the larger the market for that product, the easier it is to build a distinctive brand identity. Thermal glass, high performance fire breaks, distinctive ranges of bricks all lend themselves to sub branding as through this means they can achieve recognition and be specified.

Building sub brands brings its own problems

An important test of management's commitment to a sub brand is its willingness to support the brand with its own promotional budget. Without promotion a brand will get nowhere. People will not hear of it, they will not learn about its special features and they therefore will not be able to specify it. In other words it will not pass the test of being a brand. Sub brands, therefore, should only be used where there is a will and resources to support them with adequate promotion.

There are two common problems associated with sub brands. Firstly, there is the cost of supporting the brand and secondly the risk of the sub brand diluting the effect of the main brand. Let's look first at the cost of building a sub brand. Admittedly the cost of doing so in industrial markets is nowhere near as much as in consumer markets, as groups of industrial customers are smaller and can be readily identified. Often industrial targets are easily accessible through closely targeted promotions. Firing repeated promotions at a small cohort of customers over a period of a couple of years need not cost a lot and it could be effective in creating awareness and interest in the brand. Nevertheless, the money spent on the sub brand is money which is not available for other promotions. Assuming a limited promotional budget, a sub branding policy will rob the main brand and weaken it by that amount.

The second problem of building sub brands arises out of the limited shelf space buyers have in their minds for storing the names of brands. Three, four or five brands sit comfortably; more than this and they become harder to recall. If a company launches sub brands, they will join the ranks of all the other brands fighting for front of mind position and this could dilute the impact of the main brand. In the same way, the promotions for the sub brand will thin out the effect of all other promotions including those for the main brand. Any gains may be lost because the identity of the main brand becomes diluted and uncertain, in other words, the parent brand is over-stretched.

Brand extensions and their relevance in consumer markets

If a brand has a value, then it should be possible to transfer those values to additional products, so enabling a company to broaden its range. A strong brand can make it easier to launch new products. The original brand will have associations which will be helpful to the new product. In industrial marketing, the company is nearly always the brand, acting as an umbrella under which all the products sit. An extra product would be under this umbrella along with the existing range. This is a brand extension.

Brand extensions are frequently used in consumer marketing. Most brand extensions are logical additions to an existing line such as Coca-Cola introducing Diet Coke or Caffeine-free Coke. The principle is the same, though a little more difficult, when the move is into a more distant category of product such as Mars' move into ice cream bars and chocolate drinks and Palmolive from toilet soap to shaving foam. It is tempting to push this brand extension but it can sometimes be too far. Next tried extending its retail brand into Next furniture, Next hairdressing, Next cafés but with little success. Virgin are still persevering with colas, insurance, and cars and the jury is out as to how successful these will be in the long run.

Where there is a close association between an existing brand and the new product, brand extension is more likely to work. Researchers seek out these associations in group discussions and depth interviews. Using these associations it is possible to show which areas of opportunity, which new products, are closest to the core values of the brand and which are furthest away. Those which are closest will gain most leverage from the existing brand.

The American company, Castle & Cooke owns the Dole brand which holds a strong position in tinned pineapple. Through market research, the company discovered that consumers perceived the company as a supplier of sunshine products and this prompted the brand to be extended into a number of categories of new products. The "o" in Dole, which had previously been capped by a pineapple crown, was replaced by a vivid yellow sunburst. A new range was introduced including dried fruits and snacks, fruit juices and frozen desserts. Recognising the power of its brand, Castle & Cooke decided to change its corporate name to Dole.

In industrial markets it is often more realistic to think of brand extension as product line extensions. Every time a customer asks for a product modification, another line is added to the range and the brand has been extended. In industrial markets, the product identifier or label used to name the extension may simply be a title such as Version Two, Mark Three or a string of code numbers and letters. By adding products in this way, portfolios can get out of hand requiring hundreds of varieties to be kept in stock, none of them being individually promoted and most being ordered once a blue moon. Every now and then the product range gets a dusting down and is brought back to more manageable proportions.

These product extensions work best if they are seen by the market to fit a company's existing range. It makes sense for Avdel, a manufacturer of rivets to also offer riveting guns. The products are different but complementary and are seen as such by its public. In other cases an apparently logical move does not work as a brand extension. Kalamazoo, a company that originally sold accounting systems, branched out security print such as cheques and payments and tickets. The strength of the Kalamazoo brand helped the company make that transition when electronic software products attacked its traditional paper based market.

Brand extensions in the consumer sense of giving a product a marketable name, are relevant in business-to-business equipment sectors where there are a larger number of potential customers. In these circumstances, the promotion of a separate brand name may be worthwhile. Because Hewlett-Packard supplies computers, it makes sense for it to also supply printers and peripherals. Because Makita make drilling hammers they may as well make power saws and screwdrivers. Makita gives its products a code; Hewlett-Packard gives its printer models names such as Paintjet and Laserjet. Determining the value of the Paintjet and Laserjet names as opposed to that of Hewlett-Packard itself is hard to assess. Should they be treated as true sub brands and promoted or as mere identifiers? Could it have done it any different way? Would it have been as successful in the laser printer market if it had played down the Hewlett-Packard name and majored on the sub brands of Laserjet and Paintjet. We shall never know if it could still have achieved its position if it had simply promoted its printers as Hewlett-Packard printers, models 1 to 10.

In industrial markets brand names are often extended by organic growth rather than conscious planning. Take Rolls Royce. Originally the brand of a luxury car, the company at some time started to offer engines for trucks and aircraft. With the development of jet turbines, the aero engine business became very separate although there was probably some spill over of brand values; particularly those associated with engineering excellence. Following financial problems and short term public ownership, the car and aero engine businesses were separated, cars were sold off along with the right to the use of the brand name. Could the Rolls Royce brand now be extended to new markets by deliberate design? Possibly, the engineering excellence and scientific knowledge of Rolls Royce, backing the aero engine business could be exploited in specialised high tech industrial markets. More, doubtful would be using the name for luxury consumer goods; the synergy it not really there.

Summary of chapter 4

Sub brands are part of a company's family of brands and come under the overall umbrella of the main brand or company name. Sub brands can be very effective to support new and novel products and especially where they are initially unique. They can also work well in markets with strong third party specification.

Sub brands should, however, be understood to be quite different to mere product or model identification names which could be inter-changed with numbers. Unlike identifiers, sub brands must be communicated and supported.

Sub brands are a call on the marketing budget. In many industrial markets the size of the market and the available budget precludes effective sub-brands or if they are used leads to an unsatisfactory marketing dilution. Sub brands can also weaken the main brand through creating confusion and blurring its identity.

Brand extensions allow new products or business diversification to capitalise upon the strengths of established brands. This is most effective in linked markets and where the brand name has an established and positive profile.