



## Innovation: Leveraging Brand Equity to Capture New Revenue Streams

One of the more popular book series out today is the “*For Dummies*” set, published by John Wiley & Sons, Inc. From “Wireless Internet Access for Dummies” to “Raising Smart Kids for Dummies,” over 200 titles exist, across books, videos, software and online instruction. And while “Brand Equity Extension for Dummies” isn’t one of them (at least not yet), the series provides one example of how to extend a company’s brand to drive profitable growth.

### What is a Brand Equity Extension?

Brand equity extension is a means for companies to define and enter new and attractive businesses with existing brands. It is based on the premise that brands are valuable assets that can and should be strategically and selectively extended to:

- Further strengthen and build the brand franchise
- Enhance the chance of success of new business development
- Reduce the cost of new business development

The benefits of brand leverage vs. new brand creation include immediate awareness, trust/comfort, accelerated trial, competitive insulation, distribution leverage, margin enhancement, and spending efficiencies.

### Brand Equity Extension Examples

There are countless examples of brands that have been effectively leveraged into new categories. Take Arm & Hammer. From its long brand heritage in baking soda, significant other Arm & Hammer businesses have emerged – from toothpaste, to air freshener to laundry detergent. Each product builds upon the equities of the parent brand – clean, fresh, good value – while strengthening overall brand equity. Here are other examples:

| Brand                 | Extended To:                  |
|-----------------------|-------------------------------|
| ▪ IBM Hardware        | ▪ IBM Consulting Group        |
| ▪ Disney Theme Parks  | ▪ Disney Cable, Cruise Lines  |
| ▪ eBay Online Auction | ▪ eBay Power Sellers Tools    |
| ▪ Victoria’s Secret   | ▪ Victoria’s Secret Cosmetics |

Brands can be highly elastic – the key is not to violate the inherent “essence” of the brand. The reason the “For Dummies” brand extension has been so successful is that the core benefits the brand offers – a simplified way

to learn complex topics – is maintained in each new title, across each new medium and format.

Of course, brands can be stretched too far, risking brand equity erosion, as in the case of Levi’s shoes or Clorox laundry detergent. With brand equity extension, each brand and category needs to be carefully studied, addressing key issues through a structured approach.

### Key Issues to Consider in Brand Equity Extension

Brand extension needs to consider three broad issues:

- **Brand fit:** *What are the core and extended associations (e.g., attributes and benefits) of the parent brand, and are those associations meaningful in the new categories being considered?*
- **Attractive propositions:** *Can a relevant, differentiated and sustainable new product or service offering be developed within given time and resource requirements?*
- **Attractive categories:** *What is the size, growth, and competitive intensity of the new category? Can core competencies be leveraged in a meaningful way?*

### Brand Extension Approach

The following process steps should be undertaken in assessing brand equity attractiveness:

1. *Assess and confirm a brand’s equity and potential frame of reference*
2. *Establish or clarify the brand vision*
3. *Inventory and assess high potential growth categories, including an internal and external innovation audit*
4. *Prioritize high potential extension opportunities*
5. *Develop specific branded propositions within these areas of opportunities*
6. *Develop an entry strategy and plan, including make vs. buy decisions and portfolio management guidelines*

Sometimes fear of cannibalization or marketing fund re-allocation can get in the way of extension acceptance. Often significant incremental profitable businesses are a brand extension away.

**For more information on Leveraging Brand Equity, please contact [Tim Koelzer](#) at EquiBrand**