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How to Evolve Products in Turbulent Times

An Innovation Strategy, Not a Brand Strategy, Should Guide Growth Initiatives

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During periods of relative economic stability, innovation and branding work well together. Powerful brands help companies bring innovation to the market by providing a low-risk "guarantee" for brand loyalists to adopt the new thing. Innovation returns the favor by enhancing brand appeal. In normal times, this equation works well, with incremental innovation inside a brand's well-defined identity creating steady and profitable growth.

But the partnership can be an uneasy one, and it is especially uneasy during periods of market transformation, when investing in new brands or sub-brands can be perceived as too risky. The difficult choices imposed by hard times force managers to confront the challenge of "brand stretch" more acutely.

Balancing the need for brand focus with the need for innovation is the essence of the dilemma. At its heart, branding is about establishing trust through consistency; a brand is built by giving customers what they expect. Innovation is about giving customers what they don't expect.

Staying inside the confines of existing brand boundaries risks missing opportunities to meet emerging market needs. At the other extreme, stepping too far outside the brand's comfort zone risks dilution of brand meaning -- the dreaded everything-to-everyone syndrome. All companies aspire to brand-extension success, but at the same time they fear the warning provided by brands that expanded too aggressively. Who can forget Hooters' move into the airline business or Maxim's into men's hair color?

Finding and maintaining the right balance can be tough. There is a natural tendency to refocus on core brand messages in hard times. Innovation is difficult and, by stretching the brand in new directions, innovation doesn't always line up neatly with branding's first commandment of consistency.

In our experience, firms that understand the need for balance, during good times as well as bad, adhere to several best practices:

1. Don't take what customers say too literally. Carefully listening to the voice of the customer is important for incremental innovation and brand loyalty. However, transformational innovation is unlikely to come from listening to what loyal customers can articulate about their immediate rational needs. Game-changing innovations are more likely to originate from the emotional desires and emergent, unarticulated needs of existing customers and non-customers.

During periods of market disruption, it is even more important to reach into the mind of the customer, by looking for the motivations that underlie their behaviors and expressions. "Rear-window syndrome" can lead to preoccupation with solving today's or even yesterday's obvious problems and limits innovation to the incremental variety. When Apple introduced the iPod, Virgin launched Virgin Atlantic Airways and Amazon introduced the Kindle, these companies reached outside their existing brand competencies to address new markets and unfulfilled customer needs.

2. Don't be overly protective of the brand. Fear of tarnishing brand reputation with customers or employees and suppliers can suppress the desire to pursue ideas that promise to "stretch" the brand. Most brands can stretch; the real question is whether it makes business sense, not whether stakeholders will accept it. "Brand stretch" research can be misleading because customers are able to answer questions based only on what they already know. When marketers rely on customers to tell them whether a new offering can fit within their understanding of the brand, we again fail to see what is possible and limit ourselves to what is probable.

There are many examples of unlikely brand stretches that succeeded (at least from a market acceptance standpoint). Bic moved from pens to lighters to razors and Jeep from cars to strollers. We don't know if Starbucks and Tide did "stretch" research before moving their brands into new categories or, if they did, what consumers thought of the ideas. If we had been working with them, we may have argued against the research, or at least against listening too closely to what consumers had to say about the ideas. Both companies no doubt already had ample evidence that the moves made business sense (licensing in the case of Starbucks, and superior product performance in the case of Tide to Go). Whether consumers would embrace the idea was probably a matter more of spending and awareness than brand "fit."

3. Don't think of brand stretch as an all-or-nothing gamble. Sometimes we are reluctant to stretch the brand too far because we imagine a calamitous reaction from brand loyalists that permanently dilutes brand meaning, destroys our brand equity and erodes hard-earned market share. In fact, that risk can be managed through in-market experiments.

Consider Best Buy's expansion into musical instruments and music training. Recently, Best Buy announced it is opening six 2,500-square-foot stores-within-stores in South Florida. It is a stretch for Best Buy to deliver an artsy, high-touch service such as music training, and the company no doubt has research that suggests the market is unlikely to already believe that Best Buy can deliver high-quality music instruction. Some of that is reality; there is an internal capability gap that will need to be addressed. To Best Buy's credit, though, it has decided to move forward. Whether or not its "innovation" is ultimately successful will depend more on how much investment it makes than any predetermined level of "brand fit" or misfit.

While it may seem radical, our advice is to ignore your brand equity and first explore how to best grow your business, by leveraging competencies into new markets, new products or both. Then determine how the brand can support the business as it takes this new direction. Extending the meaning of the existing brand may risk dilution. But without putting innovation and growth first, it is possible to miss the opportunity entirely.

A great example of putting growth and innovation first is P&G's move into car washes. P&G began operating two Mr. Clean car washes in Cincinnati in 2007. Recently, they announced the purchase of a 14-store chain in Atlanta. In this instance, P&G determined that the franchise car-wash business offered an opportunity to grow with a different business model. Acquiring an existing chain enabled them to test both the viability of the business model and how well Mr. Clean supported this new venture. It also enabled them to assess the impact on the Mr. Clean brand with minimal risk.

Bottom line is that in good times and bad, successful companies' growth initiatives should be guided by an innovation strategy, not a brand strategy. The key to making innovation and branding work together is to begin by answering the question "How should we grow?" then ask, "How can our brands help us get there?"

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