Best Practice: Optimising New Brand Launches

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When introducing new brands and/or extensions, substantial promotion is often used to encourage trial and purchases. But are marketing communications at new brand launch effective? What are the best practice tools for measuring the success of new brands and extensions?

New brands and extensions: how to optimise communications strategy?

The launch of new brands or their extensions is integral to the consumer packaged-goods businesses. Brand extensions are often commercially viable due to, increased likelihood of gaining retail distribution, reduced perceived risk for consumers and enhanced parent brand equity. At the launch of new brands and/or extensions, marketing communications are employed to encourage trial and purchase. Examples include a £1.5m worth 'Go on Lad' TV ad for promoting Hovis' new range of bread rolls. And not to forget the multitude of commercials introducing Diet Coke, Vanilla Coke, Coca-Cola Life and several other brand extensions launched by Coca-Cola over the last 100 years!

Despite the resources spent on communications, new brands often fail. Failing new brands and their extensions can go unobserved, especially when market performance and communications are not monitored or are monitored without precision. Current practices in monitoring the efficacy of communications for new brands and extensions largely rely upon ephemeral measures of brand perception, such as brand recall and recognition. Other traditional measurement tools such as surveys and focus groups capture some brand health metrics, yet suffer from recall bias. Similarly, ethnographic techniques such as consumer observation or shadowing have limited use due to constraints of time and costs. Importantly, these tools largely fail to monitor the performance of new brands and extensions over a time span, or in comparison with existing brands in the same product category.

Other practices of measuring brand performance entail sales projection and forecasting models tracking growth in the brand's size of customer base (i.e. penetration) and repeat purchase. Bayesian dynamic models of repeat purchase diffusion have linked growth of new brand extensions to long-term strategic orientation. Despite their popularity, these models fail to learn from established brands, and do not benchmark new brands and/or extensions against established brands. Such benchmarking is fundamental given that new brands often compete against established brands in the same product category. In addition, none of the above tools accurately estimate the probability that new brands and extensions will succeed or fail. The mismanagement of marketing communication spending towards new brands and extensions is risky and will likely diminish the return on communications' investments.

Better measuring new brand and extension success

A highly relevant diagnostic framework for understanding the probability of new brand and extension success or failure is based on the analysis of purchase data recorded with household panels (Kantar Worldpanel). Such data are collected on an ongoing basis and provide reliable indicators of a brand's health. Using such diagnostic framework, the performance of new brands and extensions is examined with four key measures, namely market share, penetration, purchase frequency and repeat purchase rate. Typically, several product categories are compared to establish generalizability. Our extensive experience analysing large scale household panel data for packaged products yields four key lessons that a company seeking to launch new brands and/or extensions should learn.

1. Reach out to wide audiences

The success probability of new brands and extensions can be determined at the very early stages of new brand launch. Monitoring early patterns of consumer buying of new brands is useful for brand managers. Research shows that a key metric for the new brand performance relates to its penetration – the number of people buying the new brand or extension. New brands that eventually become successful enjoy penetration levels similar to those of established brands in the same product category within the first two to three quarters of their launch. On the contrary, 'failing' new brands and extensions may peak in market share and penetration within the first quarter of the launch, but decline at an increasing rate thereafter.

The above patterns are clearly visible in our analyses of large household panel data on consumer packaged goods. For example, Kingsmill Tasty Wholemeal Bread, a sweeter version of Kingsmill standard wholemeal bread including Mars malted wheat flakes, malty flavour, wheat and barley, showed a 7 per cent penetration within the first two quarters of launch. The new brand's penetration reached the same levels of penetration as established brands in the category of wrapped bread by quarter 3. In a similar way, Gillette Mac 3 Turbo showed rising penetration levels within the first two quarters of its launch, and by quarter 2, it reached the penetration level of established brands in the razor category. The almost immediate rise in penetration was matched with high quarter-to-quarter repeat purchase for the successful new brands. The above provides evidence that *reach* is immensely important when launching new brands and extensions, as this builds penetration. The key take-away here is to be selective about the communication activities to be employed at new brand launch. In particular, it is crucial to direct initial investments towards communications that support reach and strengthen the equity of the brand, both factors contribute to increased penetration and repeat purchase.

2. Build publicity around the new brand

New brands and extensions tend to behave like established brands almost from the onset, especially in terms of repeat purchase – a phenomenon termed as *near instant loyalty*. Successful new brands and extensions even become almost instant market leaders, reaching levels of repeat purchase which are as high as those of established brands. By contrast, repeat purchase for failing new brands tend to be low. Failing new brands and extensions generate excessive levels of one-off trials, but not enough ongoing purchase propensity.

An example of successful new brand extension is Heinz Soup for One. The brand extension was launched as a quick and easy alternative to large cans of Heinz soup. The brand extension registered 46 per cent repeat purchase rate over the three quarters of launch, a level which is as high as the one of competitors in the category of soups in tins and cans. In the toothpaste product category, Colgate Sensitive showed a similar pattern. The brand extension registered an average repeat purchase rate of 23 per cent by the end of the first year of launch, comparable to competitors' average of 24 per cent.

The above examples present a key learning. The long-term success of new brands and extensions can be detected within the first few quarters of new brand launch, on the basis of the repeat purchase and penetration levels achieved within that timeframe. Marketing communications can hardly increase the quantity of new brands and extensions sold, as consumers will buy as many items of the new brand or extension as they need, but not more. At times, consumers stockpile the new brand and not buy it for a while until the stock lasts. However, penetration can increase as communications appeal to the needs of a wide audience, showcase new opportunities for brand usage and create publicity around the new brand, and as a result, the brand gains popularity. If the penetration and repeat purchase levels of new brands and/or extensions do not increase to the levels of established brands within the first few quarters of launch, marketing communication expenditure directed at these brands should be curtailed and directed to more profitable brands.

3. Reinforce brand salience and create affinity

The decision of where to best direct the communication expenditure relates to another critical consideration: the focus of communication messages. Trying to communicate the new brand's points of difference might work at encouraging trial, but less so at building penetration and repeat purchase. Consumers are savvy and hardly believe claims that the new brand "is the best". Our analysis of panel data reveals that most consumers buy in repertoires; they like more than one brand in a product category and give a share of their loyalty to multiple brands – a phenomenon known as *split or divided loyalty*. To ensure that a new brand or extension gains a share of consumer loyalty, communications need to create mental availability for the brand. Mental availability is created by reinforcing brand salience and creating brand affinity, especially at new brand launch. This ensures that the new brand is top of the mind for consumers, and part of their purchase repertoire. Consumers, therefore, include the new brand in their consideration set and retrieve it at purchase occasions.

Coca-Cola is a noteworthy example of a brand that has leveraged brand salience effectively. Whenever a new brand extension was launched, Coca-Cola used easily recognizable colours, fonts, slogans and images that fit into consumers' mental representation for the brand. The key is to use communications that reinforce the parent brand's salience. This could mean, for instance, displaying the brand logo prominently. Competing on mental availability, instead of differentiation or product attributes, helps to build penetration and repeat purchase – the key components of new brand success.

As managers approach the launch of new brands and/or extensions, it is crucial to do research on the distinctive assets of the new brand (e.g., logo, slogan, colour), and of the parent brand in the case of extensions. Unilever's brand Dove regularly conducts research with consumers in an effort continuously revisit the very first narrative built around the concept of beauty. Based on findings from consumer research, marketing communications that leverage and protect the brand assets can be created.

4. Benchmark new brand performance

Colgate Kitchen Entrées, Virgin Brides and Zippo female perfume are only a handful of epic brand extensions that failed. Given that failing new brands or extensions can be detrimental for companies, it is imperative for brand managers to use well established diagnostic frameworks that can predict new brand success. Such frameworks help to monitor new brand performance and to detect failing new brands. For failing brands, where penetration and repeat purchase levels do not stabilize within the first few quarters from launch, the option is either to withdraw the brand or to invest in remedial actions.

Managers should be open to withdrawing marketing communications expenditure for new brands or extensions that underperform within the first two or three quarters of launch. Virgin, for example, withdrew its communications investments for several of its failing brand extensions, such as Virgin Brides, Virgin Water Purifier and Virgin Clothing line for men. Under-par after-launch market performance of the three brand extensions led Virgin to divert communication spending towards better performing new Virgin brand extensions.

A final note

Planning and optimising the launch of new brands and extensions, and related communication activities, is challenging and should be done with caution. There is more to the launch task for brand managers than just encouraging initial trial. Robust and generalizable findings from empirical research on large household panel data for consumer packaged goods cast doubt on the value of short-term trial-generating activities, such as price-based promotions. Research evidence underscores the importance for brand managers to use well established diagnostic frameworks in order to monitor the performance of new brands and extensions at the very early stages of their launch, and to benchmark new brand performance against the performance of well-established brands in the same product category. The practice of benchmarking new brands and/or extensions against established brands reveals insights on the drivers of new brand success. Based on such insights, there is potential for brand managers to create effective communications that optimise new brand success. Communications that reach a wide target audience, build mental availability and publicity around the brand, and leverage the vital assets of the brand, are some of the keys to success.

Further Reading on Warc.com

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Bios

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