

## Brand stretch: How alcohol brands are pushing marketing boundaries



other merchandise. Whilst this may seem harmless enough, international research suggests that, where tougher rules regarding alcohol marketing are implemented, brand extension strategies may be an effective means by which alcohol companies can bypass them.

### Growth of the alcohol brand

*“Brands allow the consumer to shop with confidence, and they provide a route map through a bewildering variety of choices... (Those) brands with strong equity embed themselves deeply in the hearts and minds of consumers.”*

Tom Blackett, Intrabrand<sup>2</sup>

### Introduction

*“The growing complexity and multifaceted nature of contemporary alcohol marketing reflects a shift in the role of brands and a departure from traditional advertising approaches... One manifestation of this approach to marketing is the phenomenon of ‘brand stretching’... (which) not only adds to the reach and visibility of a brand, but also enables marketers to circumvent advertising restrictions.”*

Australian Medical Association<sup>1</sup>

This briefing considers how alcohol companies link their brands to non-alcoholic products to extend their marketing reach. A number of major drinks manufacturers have put their brand names on products as diverse as ice creams and umbrellas, and some clearly see such brand extensions as an alternative means to get their marketing into consumers’ homes, for example via food tie-ins and by persuading customers to act as walking advertisements through branded clothing and

A brand is the name, usually a trademark, of a product or manufacturer, or the product identified by this name. Its purpose, in a nutshell, is to help the product and/or company to which it belongs differentiate itself from its competitors.

The commercial use of brands developed during the industrial revolution of the eighteenth and nineteenth centuries, and many of today’s famous consumer brands, like Coca-Cola, Bass beer, Quaker Oats, Kodak, Heinz and Prudential Insurance, originate from this time.<sup>3</sup> However, it was probably during the period following the Second World War where the growth of brands really took off,<sup>4</sup> and they have now become an integral feature of our everyday lives.

Many alcohol brands have become very much embedded in the UK environment. Many of the best-selling alcohol brands, such as Smirnoff, Bacardi, Budweiser, Stella Artois and Blossom Hill, are now very familiar to most adult consumers. However, recent research conducted in Wales has

### Alcohol Concern Cymru Briefing



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## Brand stretch: How alcohol brands are pushing marketing boundaries

### Alcohol Concern Cymru Briefing

shown that children as young as ten are also familiar with many alcohol brands.<sup>5</sup> The study, which was conducted with 400 ten and eleven year old school children, found that nearly four fifths (79%) recognised the brand Carlsberg as an alcoholic beverage, a higher proportion than those who recognised brands for food products more commonly associated with children, namely Ben and Jerry's ice cream and Mr Kipling cakes.

High recognition is potentially advantageous to drink companies, given that it is generally accepted in the marketing world that brand preference begins before purchase behaviour does,<sup>6</sup> meaning that when individuals are either able or old enough to acquire alcohol, they will likely reach for brands that are familiar to them or about which they have positive feelings.

This familiarity has been achieved by the development of an increasingly sophisticated set of marketing techniques by which alcohol companies seek to build awareness and value of their brands. Television, radio and cinema advertising remain a key media through which this is achieved, however in recent years there has been a noticeable shift away from traditional forms of direct advertising to 'below the line' activities, such as competitions, promotions, celebrity endorsements, product placements and sponsorships, with a particular focus on social media accessed online and on mobile phones.<sup>7</sup> Research suggests that many young people, in particular, do not recognise alcohol promotion via such mediums as 'marketing', yet the messages being conveyed to them likely shape their drinking behaviours once they have entered adulthood.<sup>8</sup>

## Extending the brand

*"...in today's climate, with wafer-thin margins, low brand loyalty, anti alcohol campaigning and rapidly changing consumers tastes, the role of brand extensions has never been more important."*

The Grocer magazine<sup>9</sup>

A related marketing approach used by companies to potentially grow sales of their products and increase consumer awareness of the brand is 'brand extensions' or 'brand stretching'. This is a strategy that is well-known in the marketing world, but the extent and impact of brand extensions specifically by alcohol companies has received little consideration to date.

Brand stretching can be achieved through two means. The first is through **line extensions**, whereby the brand name is applied to a product in one of the company's existing categories – in other words, products that are variations on the same brand in the same category.<sup>10</sup> Line extensions have been around for a long time, with a classic example being Coke introducing a sugar-free alternative, called Diet Coke, in the early 1980s. A more recent example is Starbuck's development of a premium coffee liqueur.<sup>11</sup>

It has been estimated that more than half of all new products introduced each year are line extensions.<sup>12</sup> Their popularity is, in part, due to the perceived lower risks and promotional costs associated with new product development, in that consumers' buying decisions are already influenced by the familiarity and trust they

## Brand stretch: How alcohol brands are pushing marketing boundaries

### Alcohol Concern Cymru Briefing



might have with the parent brand, which is then extended to the new product.<sup>13</sup>

In the alcohol beverage industry, there are numerous recent examples of line extensions in the beer category. Brands have introduced lower calorie or 'light' beers as an extension to their core sellers – see Bud Light, Miller Lite and Coors Light – and new citrus-flavoured beers such as Carling Zest, hoping to win appeal in the female market. Similarly, and likely in response to the UK Government's decision to reduce duty on lower strength beers, extensions into lower-alcohol varieties have also appeared, Carling C2 (2% abv) and Carlsberg Citrus (2.8% abv) being two recent examples. Such line extensions have contributed to increased profits: according to The Grocer magazine, 10.4% of Jack Daniel's' overall brand growth in 2012/13 was entirely a consequence of its recent launch of Jack Daniel's Tennessee Honey.<sup>14</sup>

However, it is the second means of brand stretching, namely **category extensions**, which is of most interest. This occurs where the company applies an existing brand name to a *new* product category. There have, again, been many examples of this practice. Perhaps the best known is Virgin, which has extended from music recordings into airlines, radio stations, beverages and financial services; other examples include Caterpillar extending from heavy machinery into clothing and shoes, Ikea extending from furniture to hotels, and Yamaha offering motorbikes and sports equipment in an extension to its original musical instrument business.

The idea behind category extensions is that brand associations and attitudes are transferred from the well-established, parent brand to the new extension product.<sup>15</sup> They also help build brand equity, that is, the commercial value of having a well-known brand name, and are thought to encourage purchases of other products from the company.<sup>16</sup>

Whilst brand extensions of this type are commonplace, there is a debate in the marketing world as to their effectiveness, and consequently they can be considered risky. Such a strategy can cause erosion of the core brand, in that the new product might simply attract existing customers away from the original, or might insinuate that the core brand has problems – for example, a low fat version might imply that the original version is high in fat.<sup>17</sup> The brand extension also needs to fit with the core brand: Reis and Reis (1998) provide an example of how, in the US in 1990, Coors launched spring water under its brand name that was discontinued within two years, presumably because consumers do not associate the qualities of drinking water with the characteristics of beer.<sup>18</sup> Nevertheless, there is evidence that successful category extensions generate an average 5% increased return to shareholders,<sup>19</sup> thus we perhaps should not be surprised to learn that at least some alcohol companies continue to pursue extension strategies.

One obvious means to stretch the brand is through alcohol-branded merchandise (ABM), and products including T-shirts, jackets and baseball caps bearing an alcohol brand name or logo, as well as branded glasses and mugs, have been widely available in the UK for some time. ABM continues to form a part of alcohol



**Brand stretch: How alcohol brands are pushing marketing boundaries**  
**Alcohol Concern Cymru Briefing**

companies' marketing strategies: media reports in 2013 suggest that Heineken is in the early stages of building its "first global ecommerce hub" which it plans to use to sell branded products, such as clothing and glasses, to customers, as part of "a wider push to identify the direct link between its marketing and sales."<sup>20</sup> AB Inbev, whose brands include Stella Artois and Budweiser, has outlined similar plans.<sup>21</sup>

Consumers' ownership of ABM has a clear impact on their drinking behaviour, most notably amongst youth consumers. Evidence shows that young people who own ABM are significantly more likely to have initiated drinking than peers who do not own such items, with the authors of one recent study concluding that the association between ownership of ABM and adolescent alcohol use "is similar in magnitude to the association between ownership of cigarette-branded merchandise and trying smoking".<sup>22</sup>

**Alcohol Concern Cymru's snapshot study**

A more recent development in category extensions by alcohol companies comes in the form of alcohol branded foods and related items. The Australian Medical Association's investigation into the alcohol industry's marketing practices report a "proliferation of alcohol-flavoured foods", citing Jim Beam's extension into this area, with products including flavoured potato chips, pretzels and Domino's pizzas commonly sold alongside confectionary and other food items in supermarket and other retail stores.<sup>23</sup>



In order to assess the extent, in Wales, of category extension products by alcohol companies, Alcohol Concern Cymru undertook some informal research, consisting of researchers identifying and purchasing such products from supermarkets located in Cardiff and online retailers, in December 2013. The table below lists the products that were identified.

Sample of alcohol company brand extensions	
Brand	Products
Baileys	Ice cream, choc ices, pouring cream, dessert cream, mug
Glenfiddich	Cufflinks
Guinness	Chocolates, cufflinks, camera/mobile phone pouch, flask, pie dish, umbrella
Jack Daniels	T-shirt, luxury fudge, barbecue sauces, mobile phone cover, mug
Jägermeister	Ski hat
Smirnoff	Key ring
The Famous Grouse	Golf balls and tees, towel, mug, umbrella, baseball cap

## Brand stretch: How alcohol brands are pushing marketing boundaries

### Alcohol Concern Cymru Briefing



Our snapshot survey suggests that category extensions are not widespread across the alcohol industry, but are instead limited to a discrete set of brands. The products found were largely related to alcohol brands that are in the well-established/luxury category and whose heritage is regularly a marketing feature. For example, the brief for a recent Guinness project, as part of its “Made of More” marketing campaign, was to “...embody the essence of the brand; its historical values (and) its rich heritage...”<sup>24</sup> Previous marketing research has shown that the reputation and perceived quality of the original brand is an important factor in influencing the success of the extension – if the parent brand is not regarded as well-established and of high quality, the extension is more likely to fail.<sup>25</sup>

*“A brand has to have a credible personality, a distinct story that gives it character – how it’s crafted, where it’s from, its history, what its ingredients are. This is what makes alcohol brands believable and desirable.”*

Don Williams, pi global<sup>26</sup>

Marketing research also indicates that perceived fit determines the success of brand extensions<sup>27</sup> – as noted above, one of the main reasons for the failure of Coors beer extension into bottled water was that the new product did not represent a good fit with the parent brand. Many of the alcohol branded products identified as part of Alcohol Concern Cymru’s research arguably fit much better with their parent brand, aided by marketing messages that highlight the fact that the extension product has important attributes associated with the core product(s). Hence Jack Daniels



sauses, according to its official website, “have the distinctive smoothness folks have come to expect from Jack Daniels”,<sup>28</sup> whilst their liqueur truffles “represent the pinnacle of grown up luxury confectionery”.<sup>29</sup> Similarly, Häagan-Daaz/ Baileys ice cream is described as a “sensuous” combination of liqueur and ice cream,<sup>30</sup> which directly aligns to its previous 2008 “Listen to your lips” advertising campaign, which sought to remind consumers of the “sensual pleasure” its alcoholic drinks range can bring.<sup>31</sup>

## Displacement alcohol marketing?

The potential advantages of category extension strategies were identified by tobacco companies as long ago as the 1970s, one being that it could represent an effective means by which to circumvent the tougher restrictions on tobacco advertising that were on the horizon. For example, when Norway banned cigarette advertising in 1975, Camel introduced Camel boots shortly afterwards, coupled with advertising messages almost identical to those of their core cigarette brand.<sup>32</sup> Similarly, a brand stretching strategy outlined in a 1979 British American Tobacco memorandum read:

*“Opportunities should be explored by all companies so as to find non-tobacco*



## Brand stretch: How alcohol brands are pushing marketing boundaries

### Alcohol Concern Cymru Briefing

*products and other services which can be used to communicate the brand or house name, together with their essential visual identifiers... to ensure that cigarette lines can be effectively publicized when all direct forms of communication are denied...”*<sup>33</sup>

In the UK, alcohol category extensions are permitted provided they are not in breach of the Portman Group’s Code of Practice of the Naming, Packaging and Promotion of Alcoholic Drinks. To illustrate, the Independent Complaints Panel (ICP) ruled in 2013, in response to a complaint submitted by a member of the public that Burts Guinness flavoured crisps could appeal to children and young people, that the product does not breach the Code. The ICP stated that an alcohol partnership with a crisps brand was not in itself a breach and, given that the product is aimed at consumers aged between 25 and 65 years of age, were satisfied that it does not have a particular appeal to under-18s.<sup>34</sup>

Concerns nevertheless remain that alcohol brand extensions to products that, in themselves, are typically appealing to children - crisps, chocolates, ice cream - may be introducing this group to familiarity of, and potentially loyalty to, alcohol brands. Moreover, much like the tobacco industry before it, there is a genuine risk that, should tougher alcohol marketing restrictions be implemented in the UK, the alcohol industry will place greater emphasis on extension strategies to bypass them, known as ‘displacement’ or ‘surrogate’ marketing. Indeed, the director at marketing consultants The Value Engineers, has suggested that brands “need to start thinking about putting strategies in place now” in order to stay ahead of future restrictions.<sup>35</sup>

One only needs to look to India, where a blanket ban on direct alcohol advertising is in place, to see how a similar scenario might develop in the UK. Kingfisher beer, for example, has successfully launched Kingfisher Airlines there and, more surprisingly perhaps, Kingfisher Water, and both carry the same brand logo as the beer. Likewise, Mischief Vodka has created “Mischief Holidays” using the same brand logo, SAB Miller’s Haywards 5000, one of India’s largest selling strong beer brands,<sup>36</sup> advertises its Haywards 5000 Club Soda using Bollywood celebrity endorsements, and Bacardi has put its brand name on music CDs.

## Conclusion

Alcohol company brand extensions in the UK are perhaps on the periphery of their overall marketing strategies; nevertheless, they offer an additional means by which their brands can be promoted and influence (potential) consumers’ perceptions and drinking behaviours. Alcohol Concern continues to call for tougher restrictions on alcohol marketing in the UK, including an end to alcohol industry sponsorship of cultural and sporting events, and the requirement that alcohol marketing messages be restricted to adult audiences and contain only factual information about products. Should such restrictions be implemented however, close consideration must be given to the employment and impact of other marketing tools, such as brand stretching, that are available to and utilised by the alcohol industry in order to continue to convey their marketing messages.

## Brand stretch: How alcohol brands are pushing marketing boundaries

### Alcohol Concern Cymru Briefing



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## Brand stretch: How alcohol brands are pushing marketing boundaries

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### Alcohol Concern

Alcohol Concern is the national charity on alcohol misuse campaigning for effective alcohol policy and improved services for people whose lives are affected by alcohol-related problems. We are working at a national level to influence alcohol policy and champion best practice locally. We support professionals and organisations by providing expertise, information and guidance. We are a challenging voice to the drinks industry and promote public awareness of alcohol issues.

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