

Which Brand Strategy?

The following is an excerpt from a manager's meeting for firm that manufactures pretzels (a snack food that is considered to be a healthy alternative to chips/crisps - quite popular in the USA, but not so much in other countries).

In the discussion they highlight the four broad brand strategy choices. Assuming that you were part of this management team, what would be your recommendation and why?

Presto Pretzels' Meeting

Abby: Firstly, I'd like to welcome everyone to this very important strategy meeting. As you should know, the purpose of today's meeting is to agree a clear direction for our continued growth. We are faced with a number of growth choices. Bianca, could you please outline the first option?

Bianca: Certainly – the first option is to expand the product range of our pretzels - to introduce different flavor pretzels and in various size packaging. This appears to be a suitable direction when you consider the chip/crisp market.

There has been a significant increase in chip/crisp flavors in recent years. This means that consumers clearly like variety.

Corey: I can understand your point, but my concern is the limited size of the pretzel market, whereas the chip market is huge. I mean, if you bring out, say ham and cheese flavored chips, then even with a small market share, you will probably still do all right.

But you can't do the same thing in the pretzel market – because you'll simply end up with a small share of a small market, which would simply not be viable.

David: I'll have to agree. That's why I think that we should be looking to leverage our brand into other product categories. What about 'Presto Nuts' or "Presto Crackers' or even "Presto Chips"? This strategy makes a lot of sense as our own market research shows that 'Presto' is becoming a strong brand.

Ellie: Yes sure, the brand has value, but it's clearly associated with pretzels in the mind of the consumer. Our research also says that the brand owns the pretzel market. When consumers think pretzels, they think Presto. I would be very concerned that leveraging the brand into other product categories would dilute the value of the brand.

Fiona: I share the same concerns as Ellie. And also remember that we initially chose the name 'Presto' because it sounded good with pretzels – you know 'Presto Pretzels'. For me, 'Presto Nuts' or "Presto Crackers' doesn't have the same impact. But David did highlight some attractive markets - maybe we should consider entering those product categories, but under a different brand?

Graham: Actually, I have been thinking about that. We already have the capabilities in the production of snack food, and we also have established relationships with the key retailers.

It would make sense to look at nuts or snack biscuits. And if we don't want to use the Presto brand, we could simply name it something else.

Heath: That might work. But it's taken us a long time to build the Presto brand. I'm not sure whether there are enough marketing funds available to support the building of another brand.

Isabella: Plus, there is no guarantee that our existing retailers are looking for another nut, cracker, or chip brand to sell in their stores. Part of the reason we were successful in getting into retailers was that there wasn't a lot of other pretzel manufacturers that could supply nationally in the quantities required.

Jade: That was true in the beginning. But we've done a lot to grow the pretzel market. Therefore, it's only a matter of time before we have a lot more competition in this market.

That's why I'm proposing that we introduce another pretzel brand to compete against Presto. I think that would dissuade some competitors from entering the market (if they think it's too competitive).

Kevin: That's a good idea, but we also run the risk of cannibalization, where the new brand simply steals the sales from Presto. We could end up doing twice the work for the same sales result.

Luke: And another concern is that a second brand might signal to potential competitors that this is becoming an attractive market (because new players are entering it). So, there's a chance that instead of reducing competition, this approach might actually increase it.

Student Discussion Questions

1. Classify the major viewpoints above, into the categories of:

- Line extensions
- Brand extensions
- Multi-brands
- New brands

2. Outline the key for and against arguments for each option presented?

3. If you were part of the management team, which growth option would you support? Why?