



**Bird & Bird**

# Brand Network Briefing Executive Summary

Brand stretch: Realising potential whilst  
protecting a key asset

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# Expanding your brand: Realising potential whilst protecting a key asset

*Whether you are concerned with expanding your brand into new markets or stretching its reach into new product categories, achieving a brand's full potential comes with inherent legal and reputational risk. Here a panel of experts with deep experience of growing market profile discusses extension and protection in brand strategy.*

At the end of 2013, the private equity firm Permira paid £300m for Dr Martens, the footwear company which many see as the original anti-establishment British youth brand. Much of the rationale for the acquisition lay in the brand's authenticity and the opportunities for its expansion, but at the time Stephen Cheliotis, chairman of the CoolBrands Council, warned of the risks to brand owners of overstretching brands to the point of extinction.

In January Mr Cheliotis chaired an event at Bird & Bird's London office bringing together two leading brand owners, Microsoft and Green & Black's, to discuss their experiences of the opportunities and challenges that arise out of brand stretch. The debate looked first at the issues arising when seeking to stretch a brand's reach into new product categories, then the concerns raised by expanding into new geographic markets, before considering the legal issues involved.

## New product categories

Microsoft began life as a software development company in the 1970s, with products including the Windows line of operating systems and the Microsoft Office suite of programmes that are now globally recognised brands. Since then it has slowly expanded into a raft of different product areas, including Xbox games consoles, internet search, tablets and mobile phones. In the last decade, the world's largest software maker has increased its advertising spend tenfold, and has grown its brand portfolio to include Skype, Windows Phone, Internet Explorer, the search engine Bing, the Surface series of tablets, and most recently through the acquisition of Nokia's devices and services business.

Paul Davies, director of marketing communications at Microsoft, says: "We have really stretched our portfolio but it has been quite comfortable because there is a commonality in all those brands, in that they are all technology services or devices."

One discernible trend that the company has noticed in the six years that Davies has been in the job is the growing ability to cross-sell

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products across business and consumer purchasers. Historically Microsoft made the majority of its revenues in selling to business, Davies says: “What we noticed was that business managers were coming into the office and running their businesses on their iPads. We recognised that the work that we do in the consumer space has a knock-on effect in the business space, and that was a big shift for us.”

One challenge was to avoid cannibalisation between the brands as they competed with each other for advertising space, and also to create a “halo effect” across the portfolio such that each benefitted from the others’ success.

The answer was to reorganise the brand architecture, which meant splitting the portfolio into services and devices, and applying a common framework across all the campaigns so that everything now drives forward the Microsoft brand. The company has also started looking at communication stretch as a means of deliberately cutting through competitors’ efforts in a different way. An example was a recent event showcasing the world’s largest Surface tablet in Trafalgar Square, with the rapper Dizzee Rascal entertaining. “What we are looking to do,” says Davies, “on top of our traditional ad campaigns, is to make our brand more relevant to consumers with perhaps more surprising experiences.”

### Reaching new markets

Green & Black’s operates in the fast moving consumer goods market, producing premium fair trade chocolate, and was founded 21 years ago out of a flat on Portobello Road. What started as a very British brand is now sold in around 27 countries, with the UK still its largest market, closely followed by the United States, Australia, New Zealand and Canada.

James Holloman, business leader at Green & Black’s, says: “There’s some great things about

expanding your brand, but also an awful lot of challenges, particularly for a brand that’s potentially not a global brand. You actually have to stand for something in each new market, which almost means rebuilding yourself every time.”

He points out that the benefits of brand stretch go beyond simply growing the business, to also include increased purchasing power, and opportunities to learn lessons from new markets and feed lessons back into the business.

On the flipside, Green & Black’s has had to be mindful of different consumer preferences in each market it has entered: UK customers prefer dark 70% cocoa bars; the US prefers dark 85% followed by mint, for example. Then there is the difference in the product life cycle in each country.

“We have been in the US for 10 years, and we are still very much considered the green, ethical brand, whereas in the UK we have become much more of a lifestyle premium product,” says Holloman. “That’s something you need to consider, because that does reflect the core consumer you go after and what kind of marcomms you use to approach them.”

It can also reflect the distribution model. In the early days Green & Black’s was sold in health food stores in the UK as a fair trade alternative to mainstream chocolate, but today it is stocked in major supermarkets. The brand was first sold by Tesco after vicars pushed for it to be on the shelves because of its fair trade credentials.

Pricing and positioning strategies will also vary in different markets according to the local competitive environment, but must reflect the fact that international consumers become aware of differentials.

Finally, when it comes to communications, the need to approach each market separately is clear: “In London we have always had quite

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a cheeky tone of voice,” says Holloman. “In 2005 our campaign for Easter eggs was ‘Disappoint the kids this year’. That kind of irony doesn’t transfer, and certainly doesn’t work in the US. When you have a very local brand you have to be careful how you extend that.”

As a result the company has different Facebook accounts for each market, works with different celebrity endorsements, and runs separate promotional campaigns.

### Navigating legal issues

The complexities of the legal issues around brand protection and clearance mean that potential barriers to entering a new market (either geographic or product/service offering) are often overlooked.

Allan Poulter is a partner at Bird & Bird specialising in international brand management, protection and enforcement. He says: “Trademark rights only provide protection in those countries where registration has been secured, so if you register a trademark in the UK this does not give you any right to prevent the use of the same mark in other countries. Apart from registration it is possible, in some countries, to acquire rights by use if you can establish that through such use you have created goodwill in the brand”

Poulter says: "When considering entering a new market it is imperative that clearance searches are conducted to identify any earlier existing rights that could be relied upon to prevent the use of your mark in that market".

Poulter gave a number of examples of how trademark issues can potentially disrupt international expansion, including his work for US electronics retailer Best Buy ahead of its entry into Europe. The company filed a Community Trademark Application but was challenged by a Spanish company, resulting in lengthy legal proceedings. Another example

is the dispute between Czech beer brand Budweiser Budvar and the American beer Budweiser, owned by Anheuser-Busch. The latter first entered Europe via US army bases in the 1960s, and litigation has been raging between the two companies over the right to use the name ever since.

The example of Apple Records shows how expansion into different product lines can also create issues over time. The company had entered into a co-existence agreement with Apple Computer on the basis that the consumer electronics brand would not enter the music industry, but the boundaries became blurred when technologies developed and Apple launched iTunes resulting in further disputes between the parties. “

When you have successfully completed the clearance process, then you can think about securing protection through registration in the relevant country(s); in Europe you can now get a single registration covering the whole of the EU (a Community Trade Mark).”

Obtaining a Community Trade Mark provides the comfort of being able to expand your brand across the European Union without having to worry about securing National protection in each of the Member countries. It is also possible to cover a very broad range of goods or services in anticipation of potential commercial diversification in the future. By contrast, in the UK you need to have an intention to use the mark for the goods and services covered by your application, and in the US you must have actually started to use the mark for the goods and services covered by the application to get full registered protection.

Linguistics is also a big challenge for brands expanding overseas, and it is important to consider at the outset how well the name of your product will translate in other markets. In China it is also important to consider transliterations, whereby Western names

are phonetically transcribed into Chinese characters, which carry their own meanings.

“In China you need to think about trying to register a transliteration mark which is both similar in sound to your existing mark but which also uses characters that have attractive connotations that reflect the brand values,” says Poulter. “You want to be in control of that process because otherwise, once you have established an international reputation, you may find that when you look at moving into China someone has already applied for their own transliteration of your mark.”

The key message on trademarks when embarking on brand expansion is, says Poulter: “You need to assume that the mark is not going to be available, and that you will have to do further follow-up work in order to get to a position where you can use it.”

As such, factoring in sufficient time to your clearance process is vital if you are going to maximize the opportunity of developing the global potential of your brand.

## Conclusion

What became clear from our panel of experts was that brand stretch, whilst incredibly valuable, is not easily achieved. When stretching a brand across products, issues of cannibalisation are a challenge, while benefitting from a halo effect across all of your lines is inevitably a big ask. When taking a brand international, the issues of consumer preferences, tastes and cultural nuances all come into play, as does the thorny area of differing brand life cycles.

All of these challenges exist against a backdrop of complex regulatory frameworks across industries and jurisdictions, whether those involve product labelling rules or navigating patents and trademarks. None of these challenges is, of course, insurmountable, but the successful construction of a globally recognised name across more than one product line is still, for many, the holy grail of marketing.

## Speakers:



**Stephen Cheliotis**  
TCBA, Chief Executive &  
Panel Chairman

Stephen Cheliotis is Chief Executive of The Centre for Brand Analysis (TCBA) and Chair of the UK Consumer Superbrands®, Business Superbrands® and CoolBrands® Councils. He is also a leading brand consultant, producing detailed brand and market evaluation reports, while offering strategic advice and insights to both brand owners and marketing agencies. Stephen regularly speaks at conferences, comments on branding issues for the international media and acts as an expert witness in brand disputes.



**Paul Davies**  
Microsoft, Director of  
Marketing  
Communications

Paul leads the marketing activity for a stable of consumer technology brands including Windows 8, Windows Phone, Surface, Bing, MSN, Internet Explorer and Office. He has clocked up more than 18 years of advertising and communications experience and was awarded Marketer of the Year in 2011. He is also Deputy Chairman for the Executive Committee of ISBA, and is a regular judge of Marketing Awards, including Media Week Awards, Rev Awards, and the British Interactive Media Awards.



**James Holloman**  
Green & Black's,  
Business Leader

Sydney born, James worked for Time Warner in New York before returning to Australia as Senior Brand Manager for the haircare/colour portfolio of the L'Oreal Paris brand. Moving to London in 2006, James launched the premium skincare brand, Dr. LeWinn's, before joining Green & Black's in a Global Marketing role in 2009. He became the Marketing Innovation Lead two years later then Business Leader of Green & Black's in 2012, heading up the business in the UK, Canada and various export markets.

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Allan is recognised in the legal directories as a leading practitioner in the area of trade mark law. He has particular expertise in all aspects of international brand management, protection and enforcement with a specific focus on portfolio management, legal clearance searches, contentious registry proceedings, and advising on global branding strategies. He has represented the owners of many of the most recognised and valuable international brands including Fox, Google, Apple and MySpace.

**Allan Poulter**  
Bird & Bird, Partner