EXPAND, GROW, THRIVE

5 Proven Steps to Turn Good Brands into Global Brands through the LASSO Method

Are you looking for a way to better manage and grow your brands' equity? Then you need to read *Expand, Grow, Thrive*! Its proprietary LASSO framework provides fresh strategic insights for managing your brand equity through licensing globally.

— Christine Cool, Licensing Manager for PMV Group,
makers of Chupa Chups.

Expand, Grow, Thrive is the first of its kind to finally tell the story of how brands expand through licensing.

The book not only shares wonderful examples of how our most loved brands such as Coca-Cola, the NFL, and Star Wars make their way into our homes and into our lives, it also offers a powerful methodology for how to ensure they keep doing so. This book is perfect for anyone interested in knowing how brands expand and grow or simply wanting to know how the brand licensing industry works.

— Jamie Stevens, EVP, Worldwide Consumer Products,
Sony Pictures Entertainment

Study it carefully if you want to succeed.

Pete Canalichio's book provides a definitive framework which unlocks the riddle of profitable growth, brands, and licensing, with clear prescriptions and vivid examples.

— Jeff Lotman, CEO and Founder of the premiere brand
licensing agency Global Icons

I've heard it said that when the student is ready, the teacher appears. After a reading of Pete Canalichio's *Expand, Grow, Thrive*, I now know that nothing could be more true. As founder of a grassroots start-up brand, I think that Canalichio's methodology of brand building fundamentals is likely not only a must-read for the big-guy, household brand names, but also an essential educational guide for the small guys with big ideas. If you need to put some guard rails up on your road to licensing success, I highly recommend this book.

— Warren G. Tracy, President and CEO of The Busted Knuckle Garage

The information in *Expand, Grow, Thrive* is incredibly useful. When I oversaw Coke's brand licensing operations in the late 1990s there was no external resource to explain how the industry worked or how we could use licensing to delight our consumers and grow our

brands. This book finally unlocks the mystery and offers a powerful LASSO framework to guide brand owners and their licensees.

— Tom McGuire, Founder and Managing Partner,
Talent Growth Advisors and former Vice President,
The Coca-Cola Company

Pete's sagacity and organizational leadership throughout these pages will not only engage and inspire leaders to a visionary level, but provide a host of pragmatic expansion and growth strategies to implement, to thrive, and drive with, for years to come. Leaders committed to their own development as well as the success of their organizations must read and share this inspiring leadership book.

— Peter Weedfald, SVP Sales & Marketing,
Sharp Electronics Marketing Company of America

In *Expand, Grow, Thrive*, brand building professionals from the associate brand manager to the senior marketing executive will find valuable insights for building more dynamic and sustainable brand growth. Through many entertaining, real-world examples faced by brand developers around the world, this book provides not only the lessons learned but the systems and approaches to enable others to benefit from them in their own work. In the LASSO method, the reader has a tool that serves as a powerful and proven structure for evaluating brand development choices whether you are a global brand or simply aspiring to become one.

— Nat Milburn, Managing Director,
Sionic Mobile Corporation and former Global Vice President,
External Business Development,
Newell Rubbermaid

This is an excellent book chock full of practical advice and information for professionals wanting to expand their knowledge of the brand licensing industry. *Expand, Grow, Thrive* provides a solid basis of brand licensing coupled with deep insights and real life "how to" examples. Fun anecdotes as well made for an enjoyable read. I must say I found myself taking notes throughout the book to reference later.

— Maura Regan, Executive Vice President,
Licensing Industry Merchandisers' Association (LIMA)
and former SVP and General Manager,
International Media Business, Sesame Workshop

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5 Proven Steps to Turn Good Brands into Global Brands through the LASSO Method

BY

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INVESTOR IN PEOPLE

To my dear friend, greatest contributor, and LASSO Model co-creator,

Mark Di Somma

We started this collaboration almost three years ago in Miami. We had a dream of sharing with the world the story of how great brands build equity, reach, and revenue by partnering with great organizations. We also dreamed of creating a tool that brand owners could use to measure their brands' expansion optimality.

Well, we did it. Together.

Thank you for your insights, encouragement, and support. I couldn't have done it without you. For this, I'll forever be grateful.

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I knew the more stories I could incorporate into the book, the richer and more engaging it would be. With this goal in mind, I reached out to a host of industry leaders, some of whom were friends and colleagues, and others who simply believed this story should be told. They graciously gave up their time and willingly shared their brand and business secrets and, in turn, brought my concepts to life. I will forever be beholden to each of you: Kenneth Beaupre, Brand Advocacy and Licensing Manager at Caterpillar; Clayton Burrous, President and Owner at Sunbelt Marketing Group; Elise Contarsy, Vice President Brand Licensing at Meredith; Christine Cool, Licensing Manager at Perfetti Van Melle; Will DePippo, Assistant Director, International Licensing at Sesame Workshop; Jennifer Dorian, General Manager at Turner Classic Movies; Mike Dunn, President, Chief Brand Officer, Octane5; John Friend, Head of Consumer Products, International Expansion — 343 Industries; Darran Garnham, CEO, MTW Toys; Michelle Grech, award winning Brand Builder and former

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Introduction

Prelude: Addressing the Expansion Riddle

The pressure to grow is unrelenting. Decision-makers seek it. Investors insist on it. Customers are buoyed by it. A growing company exudes confidence, prestige, and acceptance. People want to work for companies that they feel are going places, literally and figuratively. In part, that's psychological. But, as McKinsey's research shows,[1] *it's also because there seems to be no alternative. Companies that are not growing are declining.*

Companies pursue growth strategies for all sorts of reasons. They expand to incorporate new strengths; add new activities; explore new territories; become more competitive; explore potential; escape convergence, saturation, stagnation, or commoditization; and much more … Too often though, as Lawrence Capron observes,[2] the motivation for growth is being able to claim growth, or at the very least evolution. Perhaps this is because managers feel they have little choice in the matter. "Companies must continually evolve to stay relevant, innovative, and competitive."

Welcome to the *expansion riddle*. Companies are under pressure to grow, but every action, and therefore every option, comes with risk. Standing still is dangerous, especially in dynamic sectors, but so is staying in one market, and so is diversifying into other

1. http://www.mckinsey.com/Insights/Growth/Why_its_still_a_world_of_grow_or_go?cid=other-soc-lkn-mkq-mck-oth-1510&kui=UnIpO0F3xWinuF8SDBwOnQ
2. http://insights.som.yale.edu/insights/how-should-companies-evolve

markets. And size does nothing to lessen the riddle. As Marc Emmer says,[3] "The larger the core business the harder it is to diversify, because a new business must grow at many multiples of the existing business to contribute enough margin to reduce [concentration] risk."

For all its popularity, growth is far from a sure thing. Bain asserts that in recent times 90% of companies worldwide have failed to achieve sustained, profitable growth.[4] They cite three common reasons for this: companies fail to even come close to realizing the full potential in their core business; they diversify too far in pursuit of fast growth; or they fail to successfully redefine their core, meaning they quietly rot.

Even if you have been growing, there's little to guarantee that the momentum you've worked so hard to build will continue to impel you forward. When McKinsey examined the top performers on the S&P Index, "less than half of the S&P companies that increased their revenues faster than GDP from 1983 to 1993 managed to do so from 1993 to 2003. Fewer than 25% of the outperformers of 1983 to 1993 remained in that group through 2013."[5] In other words, the predisposition to decline, even over a period of just three decades, is high. Companies that are not planning for sustained growth over longer time frames, rather than quarter by quarter, are likely to find themselves under increasing downward pressure.

Here's another important finding from McKinsey's work. As little as 25% of a company's growth can be attributed to market share acquisition from competitors; so, for all the talk about competing head to head and brand to brand, the returns on such toe-to-toe fights amount to little more than jostling in the wider scheme of things. The vast majority of growth springs from competing in the right markets and from making acquisitions that provide scale and increased market presence.

3. http://www.vistage.com/blog/growth-strategy/growth-strategy-entrepreneurs-dilemma/
4. http://www.bain.com/consulting-services/strategy/fundamentals-of-growth.aspx
5. http://www.mckinsey.com/global-themes/employment-and-growth/why-its-still-a-world-of-grow-or-go

But identifying where that growth will come from is less straightforward than it sounds. McKinsey's own research found that 75% of managers believed the company would realize growth, at least through an increase in share prices, if they looked at opportunities beyond their core business in the next five years. However, over half of those polled also said growth would come from refining what they currently focus on, and a similar number thought that divestment of a currently held activity that they now judged to be noncore would generate increases in share prices over the next five years.

Of the 1435 companies Jim Collins evaluated in his landmark book, *Good to Great*, only 11 companies emerged as great: Abbott Laboratories; Circuit City; Fannie Mae; Gillette Co.; Kimberly-Clark Corp.; the Kroger Co.; Nucor Corp.; Philip Morris Cos. Inc.; Pitney Bowes Inc.; Walgreens; and Wells Fargo. Each had demonstrated a pattern of good performance, punctuated by a transition point, after which it shifted to great performance (defined as a cumulative total stock return of at least three times the general market for the period from the transition point through 15 years). In fact, the 11 companies that Collins identified averaged returns 6.9 times greater than the market — more than twice the performance rate of General Electric under the legendary Jack Welch.[6] Even so, several of those companies would later fail — a sign that even greatness is no guarantee of future success.

Investing for growth is another dilemma. Emmer's view is that "If the total industry revenue has strong momentum, the argument can be made to spend 80 percent or more (in terms of sales, marketing product development, etc.) on growing its core business. If a market is in decline, then the company should invest 40 percent or more in growing new businesses."[7]

Some conclusions from these findings seem obvious; others less so. Obviously, no company grows by doing nothing. Those companies that take an active part in capitalizing on fast-growing

6. http://www.jimcollins.com/article_topics/articles/good-to-great.html
7. http://www.vistage.com/blog/growth-strategy/growth-strategy-entrepreneurs-dilemma/

sectors are more likely to reap greater rewards than those that try only to reap organic benefits. Secondly, many companies are not recognizing their own latent potential, either because they can't see it or they don't want to act on it. These companies probably have work to do in terms of defining and refocusing their operations around their core strengths. Thirdly, while diversification is seen by many as an effective growth strategy, the search for growth must not be at the expense of focus or relevance, because a lack of either is potentially disastrous. The judgment calls around when to shift and when to focus are critical. Companies that have diversified too far and find themselves spread too thin need to rein in their borders. Finally, historic greatness and growth is no guarantor of future prosperity.

Growth itself will peter out over time unless there is an effective and competitive long-term growth plan in place. Finally, the majority of growth is likely to come from riding inherent growth in prosperous sectors and/or acquiring influential scale, and corresponding efficiencies through merger and acquisition and/or another expansion strategy.

By contrast, a brand can also try and change too much. In the 1990s, LEGO's sales were declining. Convinced that their core audience wanted toys that offered instant gratification, LEGO began moving away from its core product, iconic building blocks, into theme parks, children's clothing, video games, books, magazines, television programs, and retail stores, all in the name of growth. By 2003 the brand was in serious trouble. Turnover was down 30% year-on-year. The following year, sales fell another 10%. Still the research told them they were doing the right thing. Further swayed by this data, "LEGO was [even] considering dumbing down its toys, making the kits simpler and even perhaps increasing the size of its iconic brick."[8] It wasn't until the company stopped following the data, and started talking to LEGO players that they realized their mistake. Young users wanted LEGO kits to test and stimulate themselves. Thanks to some keen and timely

8. Quoted in Lindstrom, M. (2016). *Small data* (pp. 1–2). New York, NY: St Martin's Press.

insights by Martin Lindstrom,[9] senior management rethought its growth strategy and LEGO returned to prosperity.

So, what have we learned so far?

1. Do what you're good at — which means really know yourself as a company and as a value proposition.
2. Have a plan to grow — not just for now, but for the long term as well.
3. Expand where it makes sense but only as far as it makes sense — diversify, but don't dilute. Expand into areas that are growing already, and know when to stop.
4. Be part of something bigger; preferably, much bigger.

When you frame growth in these terms rather than just the numbers, companies have five ways to hit their precious growth targets.

1. They can stay in the markets they know and build out new products and services to win market share.
2. They can merge or acquire (or be merged or acquired by) another company, meaning they can take over someone else and pay, in cash, shares, or both, to gain a bigger footprint and a higher profile, provided that they can then gain the efficiencies to make the investment work.
3. They can franchise their operations, meaning they can replicate what was working into a bigger and bigger footprint using third parties.
4. They can license, meaning they can work with others to capitalize on the successes they already have both in markets they know and in less familiar sectors.
5. They can use combinations of these strategies.

9. https://www.martinlindstrom.com/

In an interview on how companies should evolve,[10] *Laurence Capron, co-author of* Build, Borrow, Buy[11] *and Professor of Strategy at INSEAD says,* "Choosing the right approach to adaptation and growth is difficult; as a result, many companies find a model and stick with it, even in contexts where it might not be effective." Too often, companies choose to grow in the way they feel comfortable, rather than in the manner that is strategically right. "They become good at executing a specific mode and so they repeat and repeat and repeat even in contexts and under conditions which might not be suitable," says Capron.

Background, it seems, can play a huge role in the decisions that leaders take around how to pursue growth. Engineers love products, so leaders with this training tend to focus on internal innovation. Bankers or financiers will pursue deals. Those that have experience in M&A will focus on that. But the companies that succeed in growing bring flexibility as well as experience to their growth strategies. They understand, contrary to what instinct might tell them, that there is no single way to move forward.

They also understand that growth is not always generated from within the company walls. Often managers overestimate how competitive their internal resources are, says Capron, and therefore they underestimate what it takes to get where they want to go. The hardest decisions are around internal and external mix: what do you grow through your own R&D; what do you buy and build; what do you partially invest in through what she refers to as "sequential engagement." A company like Cisco, for example, will use investment mechanisms like a minority stake to get a seat on the board. From there, they can decide which company to buy to create a better fit. "Sequential engagement can be very useful because you can really structure it in such a way that closes the gaps with early steps. Then, as you become more comfortable, you can then go for full control. Or not. The options remain open."

10. http://insights.som.yale.edu/insights/how-should-companies-evolve
11. https://www.amazon.com/Build-Borrow-Buy-Solving-Dilemma/dp/1422143716

Brand licensing can work in a similar way: enabling a company to engage with others and to work in other sectors without making a full-blown commitment. Often, when we talk to people about brand licensing, they are surprised to think of it as a way to achieve serious long-term growth. Sadly, the term is both loaded and misunderstood. Brand licensing is frequently portrayed as a series of deals intended to exploit an organization's intellectual property. Some see it as a gimmick for brands past their "use-by date" who wish to trade on their nostalgia. Others think of it as the cause of the very thing that Bain warned against: how a brand overextends into places that confuse customers and appear more opportunistic than thought-through.[12] While brand licensing, when practiced poorly, can manifest itself in any of these ways, those shortfalls should not be attributed to brand licensing per se.

Many assume brand licensing and promotional merchandising are the same. Again, this is a mistake. While both are marketing initiatives, and both often involve objects, there are important differences between merchandising items and licensed items. Merchandising is the stuff you give away to try and get exposure. It's an eyeballs strategy based on raising awareness of a logo. Brand licensing, on the other hand, assumes there is a customer relationship in place already, that the relationship has intrinsic value, and that fans will pay for opportunities to access the brand in ways that they haven't been able to do previously. They may pay in cash, or time, or both — but how they pay is less important than why they want to pay. They invest because the brand has value for them, and they are looking for ways to access additional value.

About 25 years ago, brand doyen David Aaker wrote an evergreen piece on the good, bad, and ugly of brand extensions.[13] These principles still ring true as we look at the foundations for brand expansion going forward. Every year, he observed, hundreds of companies introduce new brands and new products onto

12. http://www.bain.com/consulting-services/strategy/fundamentals-of-growth.aspx
13. http://sloanreview.mit.edu/article/brand-extensions-the-good-the-bad-and-the-ugly/

shelves bulging with choice. The bring-to-market cost of doing so frequently runs into the millions of dollars, and yet only a tiny percentage of these new options will succeed in meaningful ways. Brand licensing shortcuts the process by providing a new product or service with powerful ready-made associations that have already been cultivated by the brand, often over many years. As Aaker observed, for consumers the Weight Watchers brand means weight control, Jeep means adventure, and Hershey has a taste all its own. This is no coincidence. These brands have invested huge amounts to prompt consumers to think of their names in these terms. A brand is an engine — powerful not just for what it is, but also for its ability to generate value literally out of thin air.

A powerful brand with a proven legacy, through licensing its brand name to a product, or opting to partner or joint venture in a direction that feels natural (like it belongs with the brand or brands involved), will provide recognition, and thus awareness, for that product almost out of nowhere. The association itself is critical. Work by Aaker and Keller found that the perceived quality of the brand in its original context was a significant predictor of how the extension would be evaluated *as long as there was a fit* between the two product classes.[14] That association will then encourage consumers to trial the product because they see the presence of the brand as a reassurance of quality. Equally, the brand benefits by introducing products to market that fit with its image, but also extend that image into new areas.

The story of Vidal Sassoon hair dryers illustrates this perfectly.[15] In the late 1970s, Gerry Rubin was running a company called Helen of Troy selling hair dryers and styling tools to the trade. Rubin had a good share of the professional hairstyling trade and was making a living but basically the market was stalled. As he pondered his options, his father alerted him to the fact that hairdresser to the stars, Vidal Sassoon, was licensing his name. Throwing everything he had at the opportunity, Rubin won the

14. Quoted in Aaker, D. A. (1991). *Managing brand equity*. Jossey-Bass Inc.
15. http://www.inc.com/magazine/19881201/6322.html

brand license. The decision paid off handsomely. His Sassoon-labeled products did $10 million in sales in their first year alone, outstripping sales of all his other products, and then continued to climb year-on-year.

So you see, licensing has the potential to deliver on many of the growth demands for global brands, but the result is far from automatic. It takes significant judgment and sensitivity to make the wider offer feel natural and delightful for consumers. Too often, the link between idea/product and brand is not thought-through carefully enough. Ideas and brands are thrown together in what feels, to consumers, like marriages of convenience or greed.

The challenge for all brands looking to grow their presence revolves around adding new dimensions to something in which people are already in love. Franchising, for example, is all about skillfully replicating a recipe for success and adapting it carefully for local conditions. But reinterpretation can also be a critical part of how an idea evolves. As we say, it all depends on how consumers see the brand and connect it with where it is going. For example, *MasterChef* started out in 1990 as a competitive cooking show in the United Kingdom with a format devised by Franc Roddam. Revived and updated in 2005 by the BBC, the show was reworked in Australia to make it more suited to that antipodean audience. Ironically, that focus helped the show take off globally. Today it is a licensed format, owned and run by Shine Group that bills itself as "the most successful cooking format on earth."[16]

The success of *MasterChef Australia* lies in the fact that it is indefatigably Australian. That's why Australian audiences are drawn to it season after season. But what *MasterChef Australia*'s interpretation has done is to add value by changing the format and introducing new and interesting experiences that audiences outside of Australia also enjoy. The choices of judges, dishes, and ingredients add local relevance. Guest judges from within Australia and beyond bring authority and credibility. The stories of the amateur

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16. http://deadline.com/2014/10/masterchef-joe-bastianich-shine-international-mipcom-851783/

contestants, or "characters," whose personalities and back stories bring drama and emotion, remind everyone, as Andrea Toniolo so crisply put it, that "food is life."[17] There's drama, pain, heartbreak, triumph, tension, personality … everything that an audience is looking for … over plates of amazing food that people literally sweated over. Does it bear any resemblance to life in a commercial cooking environment? Absolutely not! Does anyone care? Clearly not. It's real enough that people relate to it. And unreal enough that they are not tuning out.

We've never had so many brands — and because of that, brands now matter more and less than ever.

Let's start with the bad news. Having a brand is good, but that alone will not be enough. John Gerzema and Ed Lebar argue that brands across the board have suffered key drops in awareness, trust, regard, and admiration over the past 25 years.[18] Their research revealed that this was true not just for a few brands, but for thousands of brands encompassing the entire range of consumer goods and services, from airlines, automobiles, and beverages to insurance companies, hoteliers, and retailers. They found that most brands were not adding to the intangible value of their enterprises the way they used to do. They ascribed this to three things:

1. Excess capacity — The world is overflowing with brands and consumers are having a hard time assessing the differences between them.
2. Lack of creativity — Consumers expect more big ideas from brands and they expect them faster. That's not happening quickly enough.
3. Loss of trust — Brand trustworthiness has declined markedly.

17. http://www.andreatoniolo.com/the-success-of-masterchef/
18. http://www.strategy-business.com/article/09205?gko=8a197

Therefore, brand presence alone will not generate growth the way companies might once have hoped. Instead, the brands that will thrive are those with a clear vision of their future in terms of direction and point of view. They must be inventive in the sense that they continue to redefine what they mean to people. And they must be dynamic because they penetrate popular culture, creating excitement, and giving people ideas to discuss. Brands, like growth, are dependent on movement.

Here's the good news: Whether they admit it or not, consumers are now brand-dependent. To understand why, we need to quickly explore two things: the changing presence of brands and the changing meaning of brands. Let's start with presence. After World War II, as countries like the United States entered a new era of consumerism, a brand was very much about a product and its name. In the restricted marketing environment of mainstream broadcasting channels, companies pushed their monikers to millions of people through a very small number of channels, knowing that simply by raising awareness, they had a good chance of lifting sales. Fast-forward to today and that style of marketing has long since departed. Brands are now about far more than just names, and the channels available to publicize them have increased out of all proportion. Consumers are also time-pressed and looking for mechanisms that shortcut their decision-making. Brands provide recognition, familiarity, and personality. These are the reasons why the presence of brands has exploded.

At the same time, in this high channel, high-media-consumption environment, the very meaning of a brand has changed. Today, a brand is not just a product or service, it can also be an event, a celebrity, a film, a TV series, or a political party. Brand has come to mean anything that is recognized as an entity in its own right and is treated as such by both mainstream and social media. We also talk about brand as a style, type, or interpretation — as in "her brand of …" These changes have normalized the term beyond marketing. Brand is now a description for elements that many of us view as modern-day life, and that have a specific character that is indigenous to them.

When a company looks to grow by expanding its brands, it does so by taking the brand beyond its current confines — into areas where it hasn't been before. So when companies talk about brand growth, what they are really talking about is expanding an idea/thing/celebrity and/or object further into the lives of consumers. The mechanisms may vary but it is not just the brand itself, or its intellectual property (IP), that is being leveraged. It is the relationships that people have with the brand because of how it appears, what it means to them, and a desire to lift their involvement.

In 2011, at a TEDx talk in Salt Lake City, Amy Lukas talked about the challenge of getting ideas to scale.[19] Her thoughts mirror our own in terms of the expansion riddle. "Scalability of an idea," she observed, "is the change of an idea in size and complexity." It's such a beautiful thought, because it reminds all of us that no idea can remain static. It must morph to survive, and as it does so, it takes on a life of its own, changing shape and density, involving more people, becoming more relationship based, and needing to address new challenges.

The irony of growing an idea is that you can expand an idea, but you often can't expand it while it is just an idea. It's too raw. It's too broad. There's nothing for people to identify and hold onto. There's not a *thing* for them to talk about with others. Concepts are exciting for entrepreneurs, artists, and other creators, but they're like air to most recipients. Real, but not so real that people can appreciate their value. In our busy world, people don't have time for conceptual explanations. They want an idea to be packaged in a form they recognize. They want to be able to call it something. They need it to be crisp, simple, and likeable. And they need it to deliver a story and experience through emotions, language, and design. *If ideas are to take hold and then change in size and complexity, they need a brand.*

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19. https://www.youtube.com/watch?v=890wEm3ZvWA

I met Mark Di Somma, one of the core contributors of this book, by chance. All right, not quite by chance. I met him at a conference where we were both speaking. I was there as a brand licensing expert; Mark was there as a creative strategist. Two guys of Italian heritage. I'm from Atlanta, Georgia, and Mark is from Wellington, New Zealand, but we both share a passion for brands and how they work. Mark was fascinated by the same question as me, what will succeed, and then how do you build on that? There was no way of knowing, we agreed. But, as we talked further, drawing on what each of us had seen thrive and fail over the years, a couple of things became very clear.

When we looked around at all the literature, there were shelves of books on growing your company presence, plenty on how to buy, sell, and negotiate for existing brands and businesses, quite a few on franchising, some on licensing. There was also plenty of publicity around the kinds of deals that were being struck. But what was missing, it seemed to us, was a framework that people in charge of growing brands could use to expand their marque methodically and responsibly into a broader phenomenon. What was also missing were the strategic criteria for knowing when to do that in order to meet growth targets.

New formats, new partnering arrangements, and new corporate extensions are breathing new vitality into how and where ideas are seen through brands, and the environments in which they are experienced. While these changes are innovating brand growth frameworks in new and exciting ways, they are also making it more complex and more fraught. How should a brand look to grow? When is the right time to do so? How and when can it best capitalize on opportunities to hit the daunting growth targets that are increasingly expected?

As I said, Mark and I wanted to find a framework and test that framework across various areas in order to compare and contrast the success factors. Does a licensed celebrity brand, for example, succeed for different reasons than a well-known not-for-profit brand? Does a corporate brand operate under different dynamics than the one in the entertainment sector? Just as importantly, what might each learn from the other? To find out, we sat down with people who are

working for, or who have worked for, brands that we thought had done a great job. We asked them about their approaches, their beliefs, their experiences, and their disappointments.

Having analyzed dozens of examples, we narrowed the critical elements of successful brand empire-building down to five key factors: the five first letters of which form the acronym LASSO. I will explore the implications of these in coming chapters.

Lateral

Owners of powerful brands expand their brands into new territories while staying true to the idea for which they are renowned. By doing this, these brands are able to continue to connect with people who know and trust them, and at the same time, to take the relationship into new spaces. This is particularly important at a time when more and more brands are looking to connect with customers across a broader front. Expanding a brand beyond its operating sector into wider life categories encourages customers to think of "their" brand in new ways. Bulgari has expanded into resorts selectively scattered across the globe over the past 10 years; *Better Homes and Gardens* has extended into a home textiles and decor program that is exclusive to Walmart; Pantone, a color chart service, now can be found on mugs and tabletop products and in books, taking advantage of the brand's color equity to shift the brand into entirely new channels of distribution.[20] The real challenge is to strike the right balance between surprise, whereby the brand appears where it was not expected, and alignment, whereby the appearance of the brand in this sector makes sense because it mirrors what the brand already means. If the association is too lateral, or if the brand isn't strong enough, the whole arrangement simply looks fetching, like a bridge too far for consumers to believe and be interested in. There are many examples of brand expansions that have gone terribly wrong: Bic's 1998 venture into

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20. http://www.brandchannel.com/2016/12/05/brandspeak-licensing-michael-stone-120516/

perfume in the United States[21] or disposable pantyhose in Greece, Austria, and Ireland.[22] Consumers didn't *get it* and the extensions ultimately failed.

In a nutshell, this means there needs to be clear line of sight between what the brand says and stands for, and everywhere that it is seen. These associations can be literal or emotive, but they need to be well thought out. They must stem from something you will notice that I talk about a lot in this book — a brand's *expansion point*. The expansion point is the common reference point for every place that the brand moves into, and also is the singular idea that relates consumers to the brand. Two questions are pertinent here. Firstly, how does the addition expand on what people know about the brand already? Secondly, where can that expansion take the brand next? Each addition is like a station on a rail network, carrying the traveler further from the point they started from, and yet linked back to that starting point intuitively and effortlessly.

Addictive

If a brand is to grow into other categories, it must generate curiosity. It must encourage consumers to seek it out wherever they find it — and not just that, but to return time and time again to experience that brand again. As they do so, the brand needs to find ways to make each experience interesting and cumulative. Perhaps no brand extension release to date exemplifies this concept better than *Pokémon Go*. The concept for the game was conceived in 2014 by Satoru Iwata of Nintendo and Tsunekazu Ishihara of the Pokémon Company as an April Fools' Day collaboration with Google. In fact, it was originally called the Google Maps: Pokémon Challenge.[23]

21. http://perfumeshrine.blogspot.com/2012/12/bic-fragrances-perfume-history-of-les.html
22. http://brandfailures.blogspot.com/2006/11/brand-extension-failures-bic-underwear.html
23. https://en.wikipedia.org/wiki/Pok%C3%A9mon_Go#cite_note-22

"Through a partnership between Nintendo and Pokémon, Niantic's mapped a fantasy world brimming with Charmanders, Squirtles, Weedles and more onto real-world streets, parks and buildings by employing a miracle of algorithmic wizardry and real-time location data."[24] From the moment it was released in July 2016, the game had players competing for virtual turf mapped onto real-world landmarks such as churches, sculptures, or museums.

In order for a brand to be addictive, each point of contact must be surprising and delightful in its own right. At the same time, that point of contact must motivate the buyer to come back for more, knowing that the experience they have next time will build on what they already know. When this is working well, customers are presented with more and more ways to interact with the brand, across a range of media and sectors, and each time that they do, it strengthens their loyalty to the brand and increases their interest in seeking out further encounters. From a business point of view, this ensures not only that the brand has bankability but also that the relationships themselves can be proactively managed to keep customers on the lookout for new opportunities. Such reliance significantly decreases the risk of introducing new product into market.

Storied

History makes a brand interesting. It adds heritage to what is happening. It helps people feel like they are part of something that stretches back way before their time. Story also brings familiarity. Every human being understands the format of narrative: it is hardwired into us as a way of sharing. Brands that can expand what they offer within the context of expanding a familiar story are able to take customers on a journey that feels both familiar and new. Stories are involving and collective, but they are also personal.

24. http://time.com/4401279/pokemon-go-review/

Rogue One: A Star Wars Story was released in late 2016, but is set just prior to the first *Star Wars* movie, *A New Hope*, which came out in 1977. Peter Debruge of Variety shares:

> Not only does *Rogue One* overlap ever so slightly with *A New Hope*, but it takes that blockbuster's biggest weakness, that a small one-man fighter can blow up a battle station the size of a class-four moon, and actually turns this egregious design flaw into an asset. Now we know *why* the Death Star has an Achilles' heel and *how* that information fell into Princess Leia's hands.[25]

It's this level of story that has made the *Star Wars* series (with the release of *Rogue One*), the highest-grossing film series on record with over $4 billion in total revenue predicted. As a point of reference, *Gone with the Wind* at $3.4 billion, was a distant second.[26] *Rogue One* could also help keep "the Force strong" with Disney's *Star Wars* merchandise sales. In 2015 the franchise pulled in $700 million in merchandise sales with *The Force Awakens*, and the latest haul is expected to be even larger.[27]

Storied brands compel people to collect memories that link them back. They are wonderfully intriguing because they have had so much human involvement already. There is a powerful sense that "adding on" makes the past more special, and the present seem so much more potent. If you can build a brand with legacy, and at the same time add new timeless and universal ideas from that legacy, all the elements to draw a crowd are at your command. This is also an excellent way to grow a brand from its core strengths and explore ways to keep a historic brand current.

25. http://variety.com/2016/film/reviews/rogue-one-a-star-wars-story-review-1201939299/
26. *Guinness World Records* (Vol. 60, 2015 ed.). 2014. pp. 160–161. ISBN 9781908843708.
27. http://fortune.com/2016/12/13/disney-star-wars-rogue-one-box-office/

Scalable

Increasingly, brands operate across bigger and bigger vistas, but achieving scale is complicated. There is always a delicate balance to be drawn. On the one hand, an idea must expand to fill the bigger arena where it wishes to be seen. That in turn adds all sorts of complications in logistics, culture, language, and so much more. On the other, the brand must remain true to what people first fell in love with. The hardest point of scalability is knowing which parts to make even bigger and which to adapt or omit. The other critical decision is resolving the expansion riddle — expanding the brand purposefully into sectors that fit with the brand, but are also growing at rates that will add critical momentum. Brand licensing should be viewed, from a scalability point of view, as a form of merger and acquisition. You are merging the brand of one sector with the momentum of another sector in order to achieve new levels of growth and scale to create a hybrid presence, which is more powerful and effective than either expansion would have been alone.

One extraordinary example is Coca-Cola Shoes sold in Brazil. The program, which started in the 2000s, boasts dozens of different styles today. With sales over $100 million, Coca-Cola Shoes are now the second most popular brand in the Brazilian market behind Nike. In fact, with the success of shoes, apparel, and accessories, the Brazilian market accounts for more than 30% of Coke's global licensing business.[28] Coca-Cola Shoes even has its own website which boasts, "With a differentiated line of sneakers, high boots and sandals, we help spread all the vibrancy and optimism of Coca-Cola through our actions and our products."[29]

Scalability is a combination of brand equity, footprint, presence, and growth. More brands should judge their licensing decisions in

28. http://www.coca-colacompany.com/stories/on-the-track-coke-designs-exclusive-apparel-collection-for-rio

29. http://www.cocacolashoes.com.br/#sobreAcocacola

this way when it comes to market penetration. You're not just looking to enter into a new market through a licensing program, you're looking to link the brand to the levels of growth in that market as well. Do this carefully. Expanding your brand into a market with stalled growth may meet the scalability criteria in terms of footprint and even presence, but it almost certainly won't enable the brand to hit its growth targets.

Own-able

Finally, and perhaps most importantly, the brand must know what it owns. This is a complex and involved area; aspects of which are beyond my core expertise. For example, every brand today fights a major battle protecting its IP against fast followers and copycats. Brand protection strategy has never been more important for large brands that also face knockoffs and the illegal use of their trademarks, nor has the monitoring of income streams to ensure that payments such as royalties are accurate and timely. There is a company called Credit and Financial Services, founded by Tony Toland, Sr. whose primary purpose is to ensure licensees follow through on the obligations of their contracts. According to Oliver Hoeltje, Assistant Finance Director, Global Business Development for P&G, Credit and Financial Services runs the back office for their Licensing and M&A departments. "[C&FS' work] gives me peace of mind. I don't need to worry about it." They are very good about what they do, which ensures that P&G not only receives the royalties earned on all officially licensed products sold, but ensures the licensee is not selling any unapproved product. Coupled with products like Brand Comply offered by Octane5 that use holograms to ensure branded products sold are officially licensed and not contraband, Credit and Financial Services protects for brands what is truly own-able.

While companies must have their intellectual property protected through copyrights, patents, trademarks, and trade secrets to ensure long-term profitability and maintain market relevance, "ownership" of the brand often lies with consumers. Martin

Lindstrom opines that "products are produced in the factory; brands are produced in our minds." As such, consumers often lay claim to the ownership of a brand and treat companies as simply the guardian of those brands. That is why when a "guardian" does something they disapprove of, consumers quickly make their displeasure known. Perhaps the most famous example of this was when Coca-Cola launched New Coke on April 23, 1985, eliminating Coca-Cola's 100+ year-old formula on which the company was founded for something that taste-tested better than Pepsi. There was such public uproar that the company reversed course and by July the original formula was back.[30]

More broadly though, when a brand chooses to expand beyond its current borders either geographically, reputationally, or in terms of offering, it must know what aspects of the brand it will carry across to the new sectors, and where it will adapt its core DNA in order to be competitive within that sector. The brand additions must not only feel like they belong to the brand, the brand itself must seem bigger, deeper, and broader because of the activities that now take place under its name. In other words, the expanded brand needs to connect its own dots in ways that consumers recognize and enjoy. Key to that is the brand having very clear ideas on what it considers proprietary and therefore sacrosanct. At the same time, it must judge carefully when and how to incorporate the thinking and inputs of others, through mechanisms like codevelopment, joint innovation, and open source, in order to continue changing and growing what it represents at the speed that consumers demand.

Not everyone is convinced that growth is the best agenda today.[31] Some argue that expanded consumerism is now an outdated economic driver, and that I would be better off to pursue agendas that focused on disciplined use of local resources or

30. http://www.cbsnews.com/news/30-years-ago-today-coca-cola-new-coke-failure/

31. http://www.brandingstrategyinsider.com/2013/09/brand-marketing-and-the-anti-growth-strategy.html#.WCBARSS5rm4

strategies that encourage people to consume less. Others have told me that globalization is dying as an economic force — that the pushback with Brexit, Trump, and less free trade is a return to a more parochial and bipartisan market. This book makes no attempt to refute any of these arguments. I can certainly see a case for companies choosing to take a more contained approach. I agree that there is also pressure on companies to do more within their own regions. But I am neither an economist nor a politician. From a brand perspective, Mark and I would argue that the LASSO framework is still applicable, and that companies may choose to pursue it with different levels of intensity or scope. They may choose to pull back on their scale, for example. They may choose to pursue a less addictive path in the interests of preserving resources. Brands will go where consumers dictate.

But in terms of the framework itself, how should companies be using LASSO to pursue their growth agenda? I'll delve into this in more detail soon. But for now — the LASSO framework points to a way of growth that addresses the concerns I discussed at the beginning of this introduction. By using the brands they have as the basis for growth, companies can make more of the assets that represent their brand portfolio. By carefully strategizing their expansion plan, they can ensure that they don't stray too far from the powerful associations that they have built with consumers. And by continuing to refine and update their brands, and the performance of their brands, they have a market-sensitive mechanism for continuing to strengthen their core business. Just as interesting, by tying their brands to dynamic parts of the economy, companies can look to lift overall performance at the same time as they broaden market presence.

There is a huge untapped potential here. But before I go any further, let me share a real-life riveting tale with you.