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## **New But Not Improved: Factors That Affect the Development of Meaningful Line Extensions**

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# New But Not Improved: Factors That Affect the Development of Meaningful Line Extensions

*Jonlee Andrews and George S. Low*

Line extension—adding items to an existing product line under an established brand—is one of the most widely used strategies in consumer packaged goods marketing. Nearly 90 percent of the 20,000 consumer packaged goods introduced each year are line extensions.

For manufacturers, line extensions offer short-term benefits such as market share protection and efficient use of marketing resources. For consumers, however, most line extensions are not meaningful, that is, they fail to provide anything of more value to consumers than what is already available. In fact, one source estimates that only about 6 percent of the 25,000 consumer packaged goods introduced in 1997 offered differences that consumers valued in formulation, positioning, packaging, or technology. Meaningless line extensions (which differ from other items in the product line in merely trivial ways) can confuse consumers and may contribute to lower overall performance for the manufacturer.

## **Study and Findings**

In this study, professors Andrews and Low surveyed packaged goods firms to identify the organizational characteristics that promote or inhibit the development of meaningful line extensions. Data collected from 166 product managers in packaged goods firms provide evidence that, although market factors such as competitive intensity within the industry and variety-seeking behavior on the part of consumers encourage the development of line extensions that are less meaningful, organizational characteristics play a greater role.

Specifically, the authors found that more-meaningful product line extensions are launched in companies that

- ❑ have longer planning and reward horizons,
- ❑ encourage risk taking,
- ❑ rotate brand assignments regularly,
- ❑ have a product-focused management structure,

- ❑ require comparatively more evidence to justify new SKUs, and
- ❑ utilize smaller new product development teams.

In addition, it appears that requiring more evidence to justify new SKUs offsets the negative effects of larger team size and longer brand assignments.

### **Implications for Marketing Practitioners**

First, meaningful product line extensions are more likely to be developed when senior managers support a long-term perspective. If product managers shift the reward system and planning horizon to a longer term, and if they encourage risk taking, it is more likely that they will invest the time and energy needed to develop meaningful product line extensions.

Second, although the business press is replete with criticisms of the brand manager system, its frequent rotation of assignments, and its tendency to require copious evidence to justify new SKUs, this study demonstrates clearly that such a product-focused management environment promotes development of product line extensions that are more meaningful. In fact, requiring a large amount of evidence to justify new SKUs is such an influential factor in the development of meaningful line extensions that it offsets the negative effects of large product development teams and longer brand assignments.

These two recommendations—encouraging a long-term perspective and implementing a product-focused organizational structure—are not necessarily at odds. A common criticism of the product manager approach to organizing the marketing function is that its frequent rotation of assignments encourages a short-term perspective. This study's results suggest that to increase the likelihood of marketing meaningful product line extensions, a traditional product management structure that cultivates a long-term perspective is the best recipe for success. These findings will help senior managers who hope to utilize the short-term benefits of product line extensions yet also want to satisfy consumers in the long run by providing them with real value in a competitive marketplace.

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# Introduction

“Consumers are drowning in far too many products. . . . We all recognize the problem. . . . We know that variety is good, but not too much meaningless variety.”

Durk Jager, President and COO of Procter & Gamble (Narisetti 1997, p. A8)

Line extension—adding items to an existing product line under an established brand—is one of the most widely used strategies in consumer packaged goods marketing. Indeed, nearly 90 percent of the 20,000 consumer packaged goods introduced each year are line extensions (Gallo 1992). When properly conceived and developed, line extensions offer significant benefits to the manufacturer. Such products can appeal to market segments not previously tapped by the line (Urban and Star 1991). In categories characterized by variety-seeking behavior, line extensions can maintain a firm’s share of the category (Guiltinan 1993). They are also used to create competitive barriers by taking up the limited shelf space allotted to a category (Gruca and Sudarshan 1995). In addition, line extensions often can be developed relatively quickly, which is attractive when a fast response to competitors is desired. Resource utilization benefits also exist. Economies of scope can be achieved when products use existing manufacturing, marketing, and distribution resources (see, for example, Bailey and Friedlander 1982; Guiltinan 1993). Successful line extensions are also thought to strengthen a brand’s franchise, making the most of this valuable asset (Aaker 1994). Finally, because line extensions use an existing brand, they may require fewer resources for introduction (Smith and Park 1992).

Although line extensions can be attractive for the manufacturer, many of the benefits noted above accrue only when the extension is meaningful to consumers. A line extension is meaningful if it offers consumers new benefits that they value relative to what is already available. Extending the line with products that are not meaningful to consumers can have serious adverse consequences for the manufacturer (Quelch and Kenny 1994). For example, when faced with shelves of very similar items, consumers can become confused or overwhelmed and may use price to simplify purchase decisions (Bawa, Landwehr, and Krishna 1989). They may even choose not to make a purchase at all (Dhar 1997). These shopping heuristics affect both the margin and volume generated by a product line. Interestingly, manufacturers and retailers see positive results when they remove less-meaningful items from their product lines. When Procter & Gamble recently eliminated redundant stock-keeping units (SKUs) in its hair-care lines, market share rose five points (Schiller 1996); across all its product lines, a reduction of redundant SKUs by 15-35 percent has increased the firm’s profitability (Kahn 1998). Likewise, in a retail setting, when 25-50 percent of SKUs were removed from the shelves, consumers perceived little or no change in variety and found the store easier to shop (Broniarczyk, Hoyer, and McAlister 1998).

Although some leading companies have become more aware of the financial consequences of launching meaningless line extensions, the fact remains that most line extensions differ only in trivial ways from other items in a product line (Reddy, Holak, and Bhat 1994). One source estimates that only about 6 percent of the 25,000 consumer packaged goods introduced in 1997 offered differences that consumers valued in formulation, positioning, packaging, or technology (Marketing Intelligence Service, Ltd. 1997).

The purpose of this study is to identify factors that promote or inhibit the development of meaningful line extensions. Clearly, line extensions that offer little incremental benefit to consumers can still enable the firm to address competitive pressures by sealing off shelf space or quickly responding to competing offerings. Similarly, in a category in which consumers are variety seekers, somewhat trivial line extensions may still be attractive to maintain short-run volume. However, a potentially more powerful explanation for the widespread launching of meaningless line extensions comes from inside the organization rather than from external competitive pressure or consumers' need for variety. For example, organizational practices such as the pursuit of short-term gains in share or profit, frequent rotation of product assignments, and working in large teams may lead to the introduction of products that offer consumers little incremental benefit.

By identifying factors that affect the development of meaningful line extensions, we contribute to our knowledge of both product innovation and product management. Regarding product innovation, the reason why new products most commonly fail is that they lack meaningful uniqueness (Cooper and Kleinschmidt 1987). Because most new consumer products are line extensions, understanding what factors encourage the development of meaningless line extensions may significantly reduce the relatively high incidence of failure in new consumer products. With respect to product management, while many have voiced concern over using product management as an organizational structure for marketing established products (Sands 1979; Skenazy 1987; Howley 1988; Berthon, Hulbert, and Pitt 1997), there is little more than anecdotal evidence to support this concern. By examining the impact of various effects of product management on the meaningfulness of line extensions, initial empirical evidence will be developed on the value of product management as a structuring concept for the marketing organization. In the next section, line extension meaningfulness is defined and research from social psychology and management is used to identify specific variables expected to affect it.

# Background

## ***Meaningfulness Defined and Clarified***

Line extension meaningfulness is defined as the extent to which the stock-keeping units added to a product line provide new benefits that are valued by targeted consumers. Several facets of this definition require elaboration. First, meaningfulness is defined from the perspective of the consumer.<sup>1</sup> This perspective follows from related research on new products, of which line extensions are one form. Specifically, researchers in product development have long been concerned with the extent to which products that are developed offer new benefits that are meaningful to consumers (e.g., Crawford 1977; Cooper 1996).

In addition, for the purposes of this study, line extension meaningfulness is determined by consumers' perceptions rather than by an objective assessment of the line extension's value. By contrast, in Carpenter, Glazer, and Nakamoto's (1994) work on meaningless differentiation, the manufacturer had objective knowledge of the value of product attributes. As these authors note, Procter & Gamble's managers know that Folger's coffee crystals do not offer a real benefit. Objectively, this attribute is meaningless; however, without more information, consumers perceive some value in it. Thus, in the present study, such an attribute would be considered meaningful.

The unit of analysis must also be clarified. This study focuses on the system in which line extensions are produced; that is, the organization or the product management structure. Even a good system can produce an occasional less-meaningful line extension. However, if the system does affect the meaningfulness of line extensions, we would expect to see a general tendency in the line extensions that are produced. To better capture this general tendency, we have chosen to make our unit of analysis not a single line extension but rather the set of extensions that have been introduced in recent years.

As a final point of clarification, preliminary interviews with product managers<sup>2</sup> revealed that the definition of line extension differed somewhat from one firm to another. However, all used the term "stock-keeping unit" (or SKU) in the same way. Since each line extension comprises one or more new SKUs, focusing on the meaningfulness of a set of SKUs allows a more equivalent comparison across firms than examining the meaningfulness of a set of line extensions. The value of focusing on SKUs rather than more highly aggregated concepts such as brands or product lines was recently highlighted by Fader and Hardie (1996). As these authors note, when consumers make decisions, choosing a particular brand is not the endpoint. SKU choice is more relevant to the overall decision process.

## **Factors Expected to Affect Meaningfulness**

To develop meaningful line extensions, product concepts must deviate from existing products in ways that are valued by consumers. Several conditions tend to

facilitate the development of meaningful product concepts. One is adequate time to generate, refine, and produce ideas (see Amabile 1988). Another is knowledge of customers' needs and of possible new ways to solve their problems (see Amabile 1983). Finally, motivation to seek solutions beyond existing boundaries contributes to the development of meaningful new ideas (Hennessey and Amabile 1988). Researchers in social psychology and management have found that the environment in which ideas are developed significantly influences the amount of time available for developing new ideas, the knowledge base, and the motivation to diverge from common practice—and thus the ideas' meaningfulness (see Andrews and Farris 1972; Amabile et al. 1996). Thus, by examining the organization in which line extensions are created, we can identify factors expected to promote or inhibit meaningfulness.

Several characteristics of the marketing organization are expected to affect time available, knowledge base, and motivation. These characteristics include the length of the time horizon (short term versus long term) and the climate for risk taking. Also, the length of time employees are assigned to a product line, the structure of the marketing organization, and the amount of evidence required to justify line extensions should affect meaningfulness. Finally, the effects of the size of the product management team and its social cohesion are also factors. Formal hypotheses are developed in the next section.

# Theory and Hypotheses

## Time Horizon

An important factor influencing the actions of managers is the time horizon under which they operate when making decisions. The time horizon can be short, focusing on immediate, short-term actions and results (e.g., small investments to boost quarterly volume or profit), or it can focus on longer-term results (e.g., investment in projects yielding significantly higher returns after 5-10 years). A short-term time horizon is common at the product management level (Lehmann and Winer 1997). Under a short-term horizon, product managers employ tactics that have an immediate impact on sales and/or profits. Interestingly, one of the fastest ways to increase sales volume in the short run is to introduce line extensions that offer relatively trivial changes in the product.<sup>3</sup> (Quelch and Kenny 1994). However, meaningful new marketing ideas require time to generate and elaborate on a concept and to introduce the finished product (Andrews and Smith 1996). Under a shorter time horizon, it is more difficult to find the time necessary to search for and develop ideas that are truly meaningful to consumers. Therefore, it is expected that:

H<sub>1</sub>: The longer the time horizon, the more meaningful the line extensions that are introduced.

## Climate for Risk Taking

Perceived risk is a function of the degree of uncertainty associated with a proposed action and the predictability of the outcome (see Kim 1990). The predictability of an outcome, in turn, depends to a large extent on how much a proposed action deviates from what has been done in the past. Meaningful line extensions deviate from the existing product line and therefore carry risk. Because ideas that offer meaningful new benefits are more likely to occur in environments that encourage risk taking (Amabile 1988), it is expected that:

H<sub>2</sub>: Line extensions will be more meaningful in firms that encourage risk taking.

## Length of the Product Assignment

In many companies, product and brand assignments are regularly rotated among product managers, resulting in relatively short tenure on a particular product or brand. In fact, it is not unusual for a product manager to work on a brand for only a year or two before transferring to another (Lehmann and Winer 1997). Conventional wisdom holds that this practice is detrimental to the brands that are being managed because it encourages opportunistic behavior on the part of the managers (see Low and Fullerton 1994). However, the impact of this rotation on the development of meaningful line extensions is not completely clear. Two common reasons for reassignment are to reward product managers for meeting short-term volume goals and to expose product managers to a variety of categories. Using reassignment as a reward encourages the development of line extensions because line

extensions can boost volume before the product manager moves to another product line. With frequent reassignment, managers may not develop the consumer and macroenvironmental insights that would help them to devise meaningfully unique line extensions, however (Andrews and Smith 1996). Instead, they may rely on simple extensions that have a quick but temporary impact on volume. This suggests that shorter product assignments promote less-meaningful line extensions.

On the other hand, regular reassignment can expose product managers to diverse lines of business, thereby broadening the knowledge and experience they take to their next assignment. Since broad knowledge can facilitate the development of meaningful new ideas (Kasperson 1978), a system in which product managers hold a number of shorter-term assignments may actually result in more-meaningful line extensions. In addition, shorter assignments may have a positive impact on meaningfulness by keeping product managers from developing routines or algorithms for managing a product line. Such algorithms are developed when a task is engaged in repeatedly (e.g., when a product manager holds an assignment for a long time). Because algorithms tend to encourage incomplete consideration of information and limited generation of ideas, they can hamper the development of ideas that depart from existing practice (see Amabile 1983; Scott and Bruce 1994). Given conflicting arguments for the effect of length of assignment on meaningfulness, although a significant relationship is expected, a directional hypothesis is not offered.

### **Marketing Structure**

Management of established products can be structured in several ways. Two of the more common marketing structures are a product-focused structure and a market-focused structure. It is important to note that product focus and market focus are not two ends of a continuum. An organization can contain elements of both. In a product-focused structure, individuals or teams coordinate the marketing activities for a single product or a line of related products. Product-focused marketing (“product management”) has come under fire in recent years. A key criticism is that a product-based structure encourages managers to immerse themselves in the product rather than encouraging a deep knowledge of customers’ needs (Skenazy 1987). This is of particular concern since understanding the customers is a key ingredient for developing meaningful line extensions (Amabile 1983). In contrast, the job of a manager in a market-focused structure revolves around the needs of a particular consumer group. Deep knowledge of the domain in which one works (e.g., a consumer segment) facilitates ongoing collection and analysis of relevant data (Alba and Hutchinson 1987), which in turn helps the development of meaningful new marketing ideas. Thus, with greater knowledge of a particular consumer group, managers in a market-focused structure should be well equipped to develop line extensions that are meaningful to consumers.

H<sub>3a</sub>: The more product-focused the marketing structure, the less meaningful the line extensions.

H<sub>3b</sub>: The more market-focused the marketing structure, the more meaningful the line extensions.

### **Amount of Evidence Required**

Most marketing plans contain information on customers, competitors, macroenvironmental conditions, and the firm's resources and capabilities (Lehmann and Winer 1997). This material provides a foundation for generating and justifying marketing actions. The depth and breadth of this information vary considerably between firms; the more information included in the marketing plan, the more complete its sense of the environment (Feldman and March 1981). The better the product management team's sense of the environment, the better its chances of identifying opportunities and problems that are significant to consumers and developing more-meaningful line extensions. In addition, requiring a great deal of evidence in the marketing plan conveys a sense of the organization's priorities and values, which can motivate individuals to participate more fully in the planning process (Feldman and March 1981). As Hennessey and Amabile (1988) note, motivation to engage in an activity is one of the most important contributors to the novelty and meaningfulness of the outcome. Thus, it is expected that:

H<sub>4</sub>: The more evidence that is required to justify line extensions, the more meaningful the line extensions.

### **Team Size**

Increasingly, consumer products are managed by groups or teams of employees. These teams generally are composed of product management personnel at several levels, including assistants, associates, product managers, and senior product managers. Members from other areas, such as market research, promotions, packaging, manufacturing, and finance may also participate in the team. Team members often help generate ideas for marketing actions. Interestingly, research on the generation of meaningful new ideas has found that team size has a negative impact on the creativity of the ideas generated (Thornberg 1991; Chapman and Carrigan 1993). This is attributed to "social loafing," whereby people put forth less effort and generate fewer ideas when they believe that others will be responsible for the task (Petty, Harkins, and Williams 1980). Because the development of meaningful ideas for new products and line extensions requires the generation and consideration of many alternatives (Osborn 1963), larger product management teams may be less likely to produce meaningful line extensions.

Alternatively, larger groups tend to be more diverse, containing members with different backgrounds and experience. Some have suggested that group diversity can enhance the output of creative ideas (Amabile et al. 1996). However, Thornberg (1991) found that diverse groups did not develop more creative ideas, while Sethi (1995) found that new product development teams that were more diverse actually produced ideas that were less innovative. Therefore, it is expected that:

H<sub>5</sub>: The larger the team used to manage a product, the less meaningful the line extensions that are developed.

### **Social Cohesion of the Product Team**

Teams that have a high degree of interpersonal attraction, are comfortable with each other, and are committed to maintaining close interpersonal relationships are

said to have high social cohesion. Social cohesion positively affects group members' satisfaction with working with one another. However, it can have a negative impact on a group's output. For example, Sethi (1995) found that new products developed by crossfunctional teams were less innovative when the groups were more socially cohesive. Cohesive teams may be more inclined to engage in "groupthink," which can lead to an incomplete survey of alternatives, poor information search, and selective perception of information and alternatives (Hogg 1992). As noted above, because meaningful new ideas for line extensions require generation and consideration of many alternatives, socially cohesive product management teams are likely to produce less-meaningful ideas for line extensions. Therefore:

H<sub>6</sub>: The greater the social cohesion among product team members, the less meaningful the line extensions that are produced.

### **Can the Effects of Negative Factors Be Offset?**

A short time horizon, frequent rotation of product assignments, product-focused structure, and large team size all may hamper the development of meaningful line extensions. As discussed below, the amount of evidence required to justify line extensions is expected to moderate the impact of these factors.

Developing meaningful new ideas requires time to amass information and to create and sift through a wide range of possibilities (Newell and Simon 1972). Under a short-term planning and reward horizon, or when product assignments are held for only a short time, there simply may not be enough time to compile and consider a wide range of consumer and environmental information. However, when firms require substantial justification for proposed line extensions, product managers may find or make the time to collect and consider a broader range of information. This, in turn, should offset the negative impact of a short time horizon and length of product assignment.

Lack of motivation is also expected to hamper development of meaningful line extensions (see Hennessey and Amabile 1988). Such lack of motivation is thought to be somewhat more common in a product-based structure because the focus is on product features rather than on customers' unique requirements. As noted earlier, larger product management teams may also suffer from lack of motivation because team members may expect others to carry the weight of the team. Requiring a great deal of evidence to support marketing actions may offset the negative effect of large team size, however, because employees will tend to develop a greater sense of the importance of planning-related tasks such as idea generation (Feldman and March 1981), which in turn should motivate them to generate meaningful ideas.

H<sub>7</sub>: The effects of (a) time horizon, (b) length of product assignment, (c) product-focused structure, and (d) team size on the meaningfulness of line extensions will be less when the amount of evidence required in the marketing plan is high than when it is low.

# Method

## Data Collection

Data to test the hypotheses were gathered using questionnaires mailed to product managers at consumer packaged goods companies in a wide variety of product categories. In the questionnaire, respondents were asked to focus on a single product line they managed. Names and addresses were obtained from a mailing list purchased from *AdWeek* magazine (400 names). In addition, 85 names were generated by telephoning consumer products companies.

All the product managers were contacted by telephone before the questionnaires were mailed. This was done to ensure that potential respondents actually managed consumer packaged goods (rather than institutional or durable products). The study was described briefly and product managers were alerted to the upcoming arrival of the questionnaire. One month after the initial mailing, those who had not responded were called again and a second questionnaire was mailed. After removing the names of people who were no longer with the company or who did not manage consumer packaged goods, the sampling frame contained 376 names. Completed responses totaled 171 (45.5 percent). Of these, only 166 (44.1 percent) were usable because five respondents chose to focus on product lines sold primarily to business users. Subsequent analyses revealed no difference in responses from each source of names.

To assess the degree of nonresponse bias, responses were divided into two groups (returned before and after the follow-up mailing, 55.4 percent and 44.6 percent respectively). T-tests to examine differences between groups in the mean response to each variable revealed no significant differences ( $p > .2$ ). This procedure was repeated to examine the difference between early respondents (returned before the follow-up) and very late respondents (those who responded more than one month after the follow-up mailing, 10.8 percent). Again, t-tests showed no significant differences in mean response between groups. Therefore, we can assume that product managers who responded did not differ greatly from those who did not (Armstrong and Overton 1977).

Respondents averaged 8.7 years of experience in marketing and 4.2 years of experience with the focal product category. Most held primary responsibility for SKUs that had recently been introduced into their product line ( $x = 5.02$  on a seven-point scale of responsibility). While titles varied by firm, most were product/brand managers or marketing managers (53 percent and 20.7 percent respectively). The remainder included group or category managers, marketing directors, and, in smaller firms, marketing vice presidents. The years of experience, degree of responsibility, and job title suggest that respondents had significant knowledge of recent line extensions for the focal product line and could also provide reliable information on organizational variables (time horizon, average length of product assignment, size of team, etc.).

## Measures

When available, existing measures of the constructs were used. For constructs without existing measures, items were generated through discussions with product managers and academics. Following pretests with six product managers, the questionnaire was modified and administered to three additional product managers. After final modifications, the questionnaire was administered to the full sample. Table 1 displays descriptive statistics for the measures. All items appear in the appendix.

**Table 1. Descriptive Statistics and Reliabilities for the Measures**

Measures	Items	Mean	Standard Deviation	Alpha	Range
Meaningfulness	5	4.68	1.19	.76	1.2 - 7
Time horizon	2	3.80	1.36	na	1 - 7
Risk-taking encouragement	4	4.83	1.17	.80	1.25 - 7
Length of assignment (years)	na	2.80	1.55	na	.75 - 5
Product-focused structure	2	5.33	1.37	na	1 - 7
Market-focused structure	1	2.94	2.06	na	1 - 7
Evidence required	4	5.35	1.40	na	1 - 7
Team size (members)	na	5.61	5.26	na	1 - 29
Social cohesion	4	5.32	1.28	.91	2 - 7
Competitive intensity	3	4.67	1.33	.63	1.33 - 7
Variety-seeking behavior	4	4.71	1.33	.70	1.25 - 7
Differentiation	4	5.00	1.01	na	1.75 - 7
Project responsibility	1	5.02	1.96	na	1 - 7

The degree of meaningfulness was defined as the extent to which the set of SKUs added to a product line provided new benefits that were valued by targeted consumers. Meaningfulness was measured with a five-item, seven-point scale that was developed and refined through interviews with product managers. Respondents noted the portion of the SKUs introduced into their line over the last two years that exhibited characteristics such as filling a significant consumer need not filled by other SKUs offered in the line (1 = none; 4 = about half; 7 = almost all). Coefficient alpha for the five-item scale was .76. It is interesting to note that, on average, respondents had added 10.2 SKUs to their product lines in the last two years.

Using product managers as a source of data on the meaningfulness of new SKUs raises two concerns. First, responses might have been biased upward due to the social desirability of developing products that offer value to consumers. However, the descriptive properties of the measure of meaningfulness suggest that social bias should not be a concern. The mean was near the midpoint ( $x = 4.68$ ) and responses ranged from 1.2 to 7. The mean of this scale compares favorably with previous work on creativity in which means for the combined dimensions of novelty and meaningfulness ranged from 4.72 for marketing program creativity (Andrews and Smith 1996) to 5.22 for new product creativity (Moorman 1995).

A second concern was whether product managers' judgments of meaningfulness reflected the views of consumers, the ultimate judges of meaningfulness. To examine this question, additional data were collected from a subsample of product manager respondents, and from consumers.

Eight product managers, whose ratings of line extension meaningfulness covered the full range of the scale, were selected from the original set of respondents. Food, personal care, and household products were represented in this group. These product managers were contacted by telephone and asked to participate in a follow-up study with consumers. Upon agreeing to participate, they were asked to describe the line extensions they had focused on while completing the questionnaire. The product managers' descriptions were then incorporated into a questionnaire that was mailed to a national sample of consumers.

The consumer sample consisted of 260 individuals, primarily female, who ranged in age from 23 to 55. Eighteen questionnaires were undeliverable and 122 completed responses were received, a response rate of 50.4 percent. In the questionnaire, consumers were first screened for familiarity with the product categories to which the focal line extensions belonged. Responses were included in subsequent analyses only when a consumer considered herself quite familiar with a product category. Each consumer was presented with descriptions of line extensions in four product categories. She was asked to rate the meaningfulness of each set of line extensions on the scale used earlier by the product managers (adapted slightly for consumers). A total of 488 responses were generated (122 respondents x 4 product categories per respondent). After eliminating responses obtained when a consumer was unfamiliar with a product category, each of the eight sets of line extensions had between 30 and 55 responses. The correlation between managers' ratings and the average consumer rating for each set of line extension was .84 ( $p < .001$ ), supporting the assumption that managers' responses mirrored those of consumers. In summary, the measure of meaningfulness does not appear to suffer from social bias and corresponds well with consumers' assessments.

A firm's time horizon is implicitly reflected in the planning and reward practices of the firm (Hayes and Abernathy 1980; Schotter and Weigelt 1992). Therefore, time horizon was measured with two seven-point items that assessed the degree to which the division focused on short- or long-term results in marketing planning and in rewarding product managers. The items were developed through discussions with product managers. The degree to which risk taking is encouraged was defined as the degree to which product managers were encouraged to develop marketing ideas (such as new SKUs) that deviated from the status quo. A four-item, seven-point Likert-type scale based on items appearing in Andrews and Smith (1996) was used. Coefficient alpha for the measure was .80.

The length of assignment was taken to be the number of months product managers in the respondent's division tended to serve on a product or brand before being reassigned to another. The response to this item was divided by 12 to convert it to years. On average, product lines were reassigned after 2.8 years. Responses ranged from 9 months to 5 years.

To examine how the marketing function was structured, two seven-point items measured the extent to which marketing was organized around (a) products and (b) brands. A single seven-point item assessed the extent to which marketing was organized around segments or customer groups (1 = does not describe my division at all; 7 = perfectly describes my division). The correlation between product structure and market structure was  $-.17$  ( $p < .05$ ). Although the correlation is significant, it is quite low, supporting the observation that product- and market-focused structures are not two ends of a continuum.

Amount of evidence required was measured with four seven-point items taken from Silverman's (1996) measure of evidence used in marketing planning. Respondents rated the extent to which each type of information (e.g., environmental trends, how a SKU would improve the product line's market share) was required to justify the addition of a proposed SKU or set of SKUs. The mean for this measure, 5.35, is as expected because companies that manufacture consumer products tend to be fairly sophisticated in marketing planning. The scale is a formative one, for which the items are separate subdimensions of the construct. Thus, coefficient alpha was not calculated (Howell 1987).

Team size was defined as the number of people who belonged to the formal group or team that managed the focal product line. Responses ranged from 1 (i.e., products managed by an individual) to 29. Seventy percent of teams had 6 or fewer members. The average team size was 5.6 members. The product team's degree of social cohesion was defined as the extent of interpersonal attraction, comfort, and commitment to maintaining close interpersonal relationships with other members of the product team. Assessment of social cohesion requires the respondent to serve as a key informant for the team. Evidence from previous work (Sethi, Smith, and Park 1997) suggests that the views of those responsible for team output are a good proxy for the group. As noted earlier, most respondents held such responsibility (mean of 5.02 on a 7-point scale of responsibility). A four-item, 7-point semantic differential measure developed by Sethi (1995) was used. Coefficient alpha for the measure was  $.91$ . Only respondents whose products were managed in teams completed this measure. In subsequent analyses, the mean of this variable was substituted for cases in which an individual managed the product. This provided a conservative test of the effect of social cohesion on meaningfulness of line extensions.

Four covariates were also included. Although they were thought to affect meaningfulness, these variables are not part of the organizational system in which line extensions are developed. Two are characteristics of the market (competitive intensity, variety-seeking behavior). Competitive intensity was assessed because firms operating in product categories with intense rivalry may introduce less-meaningful line extensions simply to seal off shelf space or to respond to the actions of competitors. To measure competitive intensity, three items were drawn from the competitive intensity scale published by Kohli, Jaworski, and Kumar (1993). Coefficient alpha for the measure was  $.63$ . The second covariate measured the extent to which consumers seek variety when purchasing items in the focal product category. In categories in which consumers are thought to seek variety, line extensions that offer trivial differences from existing products may be common. A four-

item, seven-point Likert-type scale was developed based on work by McAlister and Pessemier (1982). Coefficient alpha for the measure was .70.

The third covariate was the degree of differentiation that existed between the respondent's product line and competitors' lines prior to the extensions for which meaningfulness was assessed. When a product line is differentiated from competitors, a firm may tend to focus more on maintaining or increasing its unique value in the category than on emulating competitors. The degree of differentiation in four areas (product benefits, brand name prestige, product quality, and price) was measured using a seven-point scale (1 = no real differences between us and competitors; 7 = big differences between us and competitors). Because this is a formative scale, coefficient alphas was not calculated. The last covariate was the respondent's degree of responsibility for developing the line extensions for which meaningfulness was judged. This was used to account for the possibility that respondents would rate meaningfulness higher when they were closely involved with the line extensions they rated. A single item was measured on a seven-point scale (1 = mainly someone else's responsibility to develop; 7 = mainly my responsibility to develop).



# Results

Hypotheses were tested with multiple regression in which the covariates, main effects, and interactions of interest were estimated simultaneously. Significant interactions were further probed with simple slope analysis (Aiken and West 1991). Prior to hypothesis testing, the independent variables were standardized and interaction terms were created from the standardized variables. This reduces multicollinearity between the interaction terms and their constituent variables and permits comparison among coefficients (Aiken and West 1991). Correlations among the terms in the model appear in Table 2. The adjusted  $R^2$  for the model was .39 and the F statistic was 7.59 ( $p < .001$ ). Regression coefficients and t-statistics appear in Table 3.

**Table 2. Correlations Among the Variables**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Meaningfulness	1.00															
2. Time horizon	.40***	1.00														
3. Risk-taking encouragement	.31***	.24***	1.00													
4. Length of assignment	-.13*	.02	-.01	1.00												
5. Product-focused structure	.09	.03	.10	-.13*	1.00											
6. Market-focused structure	.06	.15*	.09	-.03	-.17*	1.00										
7. Evidence required	.26**	.35***	.11	-.22**	.17*	.04	1.00									
8. Team size	-.17*	.11	.09	-.09	.10	.04	.19**	1.00								
9. Social cohesion	.01	.02	.03	-.01	.24**	.03	.03	.01	1.00							
10. Time horizon x evidence	-.06	.003	.01	.05	.02	.06	-.43***	.05	.01	1.00						
11. Assignment length x evidence	.27	.05	.06	-.14	-.01	.07	.27***	.06	-.12	-.26***	1.00					
12. Product-focused structure x evidence	-.11	.01	-.05	.01	-.05	-.05	-.25***	-.02	.12	.16**	-.16**	1.00				
13. Team size x evidence	-.04	.06	.09	.06	-.02	-.03	-.11	.26***	.17**	.14*	-.26***	.12	1.00			
14. Competitive intensity	-.24***	-.04	-.01	-.13*	.17*	-.02	.15*	.10	.05	.09	-.13*	-.05	.12	1.00		
15. Variety-seeking	-.01	.16*	.02	-.01	.21**	.02	.05	-.12	.09	-.07	.11	.08	-.02	.15*	1.00	
16. Differentiation	.18**	.14*	.01	.04	-.12	.08	.02	.05	.003	-.01	.06	.12	.04	-.23***	.02	1.00
17. Project responsibility	.14	.11	.03	.08	.002	.02	-.04	-.03	.19**	.10	-.002	.11	-.02	-.09	.24***	.11

\* $p < .05$

\*\* $p < .01$

\*\*\* $p < .001$

## Covariates

To identify the unique effect of organizational variables on meaningfulness more clearly, it was important to account for two widely cited market-based motivations for launching less-meaningful line extensions—competitive pressures and a desire to appeal to consumers who seek variety in the product category. Therefore, competitive intensity and variety-seeking behavior were included as covariates. The regression coefficients for competitive intensity ( $\beta = -.22$ ,  $t = -2.78$ ,  $p < .01$ ) and

variety-seeking behavior ( $\beta = -.17$ ,  $t = -2.11$ ,  $p < .05$ ) are both negative, as would be expected. Less-meaningful line extensions are being developed to respond to competitive pressures and to appeal to variety-seeking consumers. To further examine the role of these market factors, the regression was rerun without those covariates, and the change in adjusted  $R^2$  was observed. As noted earlier,  $R^2$  for the full model was .390. This compares to .301 without competitive intensity and variety-seeking behavior, a difference of .089. Thus, those market factors accounted for 8.9 percent of the variance in meaningfulness. When organizational factors were removed from the model but all the covariates were left in,  $R^2$  was .065. Compared with the variance explained by the full model, organizational factors accounted for 32.5 percent of the variance in meaningfulness.

**Table 3. Factors Affecting the Meaningfulness of Line Extensions**

<i>Covariates</i>	<i>Unstandardized Coefficient</i>	<i>t-statistic</i>
Competitive intensity	-.22	-2.78***
Variety-seeking behavior	-.17	-2.11**
Differentiation	.13	1.75**
Project responsibility	.14	1.83**
<i>Main Effects</i>		
Time horizon	.37	4.32***
Risk-taking encouragement	.25	3.24***
Assignment length	-.16	-2.03**
Product-focused structure	.16	1.93**
Market-focused structure	-.01	-.16
Evidence required	.16	1.65**
Team size	-.38	-4.78***
Social cohesion	-.02	-.21
<i>Interactions</i>		
Time horizon x Evidence	.08	.93
Assignment length x Evidence	.26	3.24***
Product structure x Evidence	-.08	-1.24
Team size x Evidence	.14	1.66**
Constant = 4.70		
Adjusted $R^2 = .39$		
F = 7.59***		

\* $p < .10$

\*\* $p < .05$

\*\*\* $p < .01$

## Main Effects of Organizational Characteristics

As predicted in  $H_1$ , the longer the planning and reward horizon, the more meaningful the line extensions that were developed ( $\beta = .37$ ,  $t = 4.32$ ,  $p < .01$ ).  $H_1$  is supported. A related question of considerable practical significance is whether stock market pressures for performance result in shorter time horizons for product managers. If market pressures do translate into short-term horizons as is often noted, then the time horizon may not be controllable by management policy. A  $t$ -test revealed no difference in time horizon between public firms (69 percent of responses) and nonpublic firms (31 percent of responses). The mean time horizon for public firms was 3.76 on the 7-point scale, and the mean for nonpublic firms was 3.88 ( $t = -.53$ ,  $p > .55$ ). This suggests that the time horizon may be more internally controllable than commonly thought. This finding will be discussed in more detail in the next section.

As proposed in  $H_2$ , encouragement of risk taking had a positive effect on meaningfulness ( $\beta = .25$ ,  $t = 3.24$ ,  $p < .01$ ).  $H_2$  is supported.

Although it was expected that the average length of time product assignments are held would affect the meaningfulness of line extensions, a direction was not proposed. As expected, the coefficient is significant ( $\beta = -.16$ ,  $t = -2.03$ ,  $p < .05$ ). This negative relationship supports the view that broad knowledge developed through rotation across product lines can contribute to the creation of meaningful additions to the line. Conversely, in firms where product managers have longer tenure on a brand, there may be a tendency to form routines that make it more difficult to develop meaningfully different line extensions.

A product-focused marketing structure was expected to have a negative effect on meaningfulness ( $H_{3a}$ ) and a market-focused marketing structure was expected to have a positive effect ( $H_{3b}$ ). Although the coefficient for product-focused structure is significant, it is positive ( $\beta = .16$ ,  $t = 1.93$ ,  $p < .05$ ).  $H_{3a}$  is not supported. The coefficient for market-focused structure is not significant.  $H_{3b}$  is not supported. These findings have interesting implications for the structure of marketing organizations. Although many have argued against using a product-focused structure, the findings suggest that a product-focused structure, per se, does not induce the development of meaningless line extensions. On the other hand, the nonsignificant coefficient for market-based structure may reflect a focus on channel member customers rather than end users. Both findings will be discussed in more detail in the next section.

As predicted in  $H_4$ , the more evidence required to justify new SKUs, the more meaningful the line extensions that are produced ( $\beta = .16$ ,  $t = 1.65$ ,  $p < .05$ ). One way to formalize the marketing planning process is to require more evidence in the marketing plan. Earlier research found that formalized marketing planning results in more credible plans that are more widely used to guide decision making (John and Martin 1984). The positive effect of evidence on the development of meaningful line extensions shows that formalized marketing planning pays off in more ways than one.

Team size was expected to have a negative impact on meaningfulness ( $H_5$ ). The coefficient ( $\beta = -.38$ ,  $t = -4.78$ ,  $p < .01$ ) supports this hypothesis. As teams become more widely used to manage established products, their value in spreading the workload and bringing new perspectives to the table must be weighed against the apparent tendency for members of larger groups to fail to carry their weight in idea generation.

Finally, although social cohesion was expected to have a negative effect on meaningfulness, the coefficient was not significant.  $H_6$  is not supported.

### **The Moderating Role of Evidence**

It was predicted that requiring more evidence to justify a line extension would offset the effects of time horizon ( $H_{7a}$ ), assignment length ( $H_{7b}$ ), product management structure ( $H_{7c}$ ), and team size ( $H_{7d}$ ) on meaningfulness. The coefficient for the time horizon x evidence term is not significant. However, the interaction between assignment length and evidence is significant ( $\beta = .26$ ,  $t = 3.24$ ,  $p < .01$ ). Recall that the sign of the coefficient for length of assignment was negative, suggesting that longer tenure on a brand results in less-meaningful line extensions. A slope analysis of the interaction indicates that as the amount of evidence required increases, the impact of length of assignment on meaningfulness diminishes ( $\beta$  for low evidence =  $-.41$ ;  $\beta$  for high evidence =  $.10$ ).  $H_{7b}$  is supported. In firms in which products are reassigned infrequently, the tendency to develop a routine for managing a product line may hinder the creation of meaningful line extensions. However, requiring managers to go through the process of collecting significant background material for the marketing plan can offset this.

The coefficient for the product management structure x evidence interaction was not significant.  $H_{7c}$  is not supported. Finally, the coefficient for the team size x evidence interaction was significant ( $\beta = .14$ ,  $t = 1.66$ ,  $p < .10$ ). Slope analysis indicates that as more evidence is required when developing a line extension, the harmful effect of larger team size on meaningfulness diminishes ( $\beta$  for low evidence =  $-.52$ ;  $\beta$  for high evidence =  $-.24$ ).  $H_{7d}$  is supported. When team members are required to collect and consider a broad range of information, the motivational aspect of evidence gathering (i.e., a greater sense of the importance of the task) appears to offset the reliance on others to generate useful ideas.

# Discussion

## **The Role of Organizational Factors**

This study provides initial evidence on the relative influence of market-based factors and organization-based factors on the introduction of meaningful line extensions. Although market factors such as competitive intensity within the industry and variety-seeking behavior on the part of consumers encourage the development of line extensions that are less meaningful, organizational characteristics play a greater role. This finding is interesting because market factors are often used to justify or explain the development of quick, trivial line extensions. However, it appears that the variance in line extension meaningfulness is better explained by characteristics of the internal system in which line extensions are created. Therefore, regardless of market conditions, modifying characteristics of the internal system may significantly enhance production of meaningful line extensions. Examples will be discussed throughout this section.

## **The Practice of Product Management**

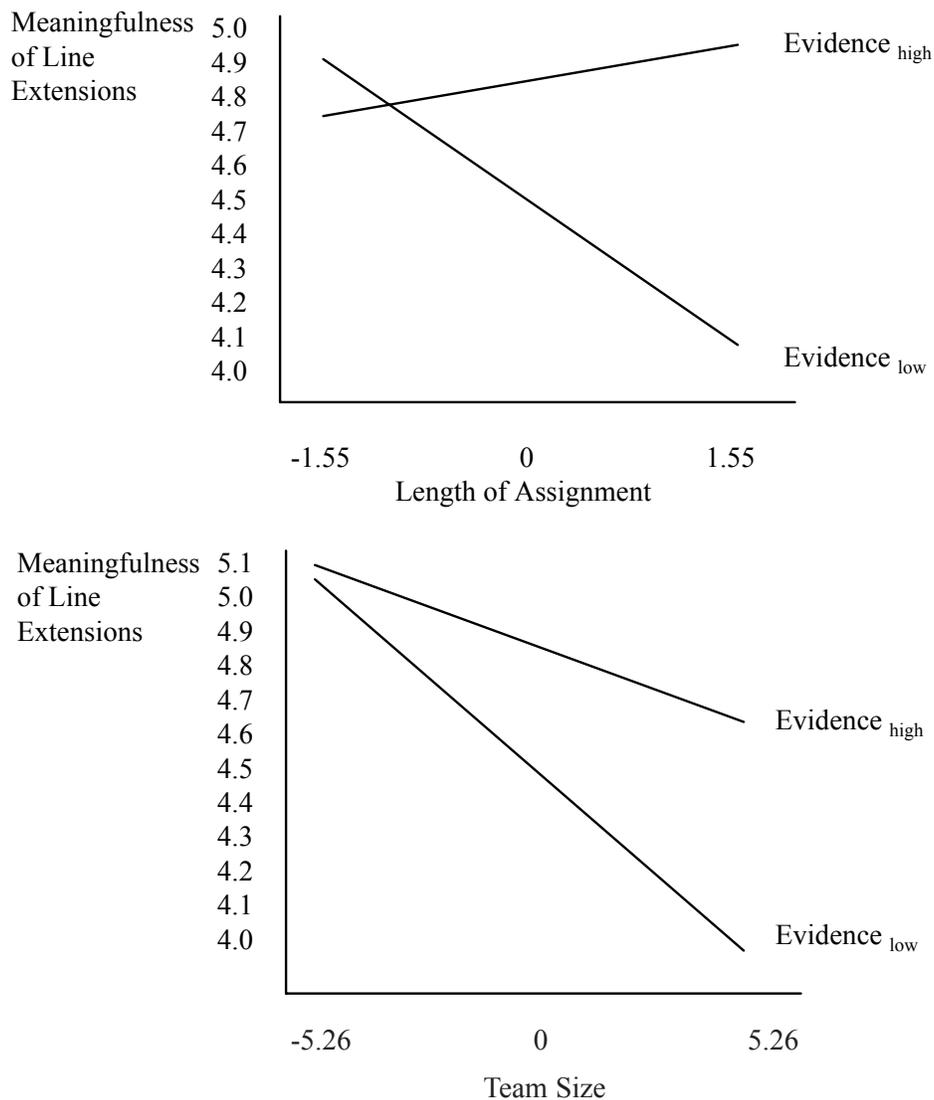
The findings provide insight into the value of product management as a way of organizing the marketing function. Product management typically is characterized by the organization of individuals or teams around products or brands, rotation of product assignments, and a short-term planning and reward horizon. Concern has been raised that the classical product management structure is outdated and potentially harmful to the brands that are managed (Skenazy 1987; Howley 1988; Schultz 1995; Berthon, Hulbert, and Pitt 1997). Those who voice this concern conclude that the product management structure should be scrapped or significantly modified if it is to remain viable in the future. Two findings support this opinion. The short-term time horizon under which many product managers operate does indeed hamper the development of meaningful line extensions. In addition, although many firms are moving toward team-based product management, larger teams result in less-meaningful line extensions.

On the other hand, two findings support product management. First, counter to conventional wisdom, a product-focused structure enhances the development of meaningful line extensions. This may be due to the extent to which knowledge of consumers can be developed in a product-focused structure. Although product management is not explicitly structured around customer types, many products and brands have a fairly well defined target audience. When product managers work with a limited and well-defined group of consumers, they may develop a better understanding of the target market and the needs that are fulfilled (or that remain unfulfilled) by existing products. This knowledge can translate into more-meaningful line extensions.

A second common feature of product management, regular rotation of product assignments, also promotes development of meaningful line extensions. Assignment rotation lends a product manager's knowledge base breadth, which is

critical for generating meaningful new ideas. Regular reassignment may also prevent managers from forming comfortable routines that encourage incomplete consideration of information and limited generation of ideas (see Amabile 1983; Scott and Bruce 1994). Because some firms rotate product assignments infrequently, it was important to examine whether the impact of relatively long tenure can be offset. A graph of the interaction between length of product assignment and amount of evidence required (Figure 1) reveals that when firms infrequently rotate product assignments but require a great deal of evidence to justify line extensions, those that are produced are more meaningful to consumers. It appears that requiring more evidence in the marketing plan encourages longer-tenured product managers to collect and consider more consumer and environmental information than they normally would. This, in turn, helps better identify opportunities and problems that are significant to consumers, leading to more-meaningful line extensions.

**Figure 1. Graphic Representation of Significant Interactions**



It seems premature to conclude that product management should be scrapped. A more fruitful course of action would be to modify conditions, such as a short-term time horizon, that encourage development of less-meaningful line extensions. As suggested earlier, a firm may have more control over time horizon than is generally thought. Thus, modifying practices that encourage short-term thinking (such as quarterly product-line financial reports) may have a positive impact on the development of meaningful line extensions. Another aspect of product management that should be monitored is team size. Fairly small teams are preferable, but when they are not possible, actions such as assigning specific roles to team members can be taken to encourage full effort among team members (Fried 1991).

### **Additional Implications for Marketing Theory and Practice**

The study's findings also help to increase our understanding of conditions that promote or inhibit the development of successful new products. New consumer products have a fairly high failure rate (Crawford 1997), and the most common reason for failure is a lack of differentiation (meaningful uniqueness) in the new product (see Cooper and Kleinschmidt 1987). However, little is known about how to enhance the development of differentiated offerings. The present study bridges the gap between the normative theory of differentiation and the practice of marketing management by identifying organizational factors that promote or inhibit the development of meaningful line extensions, the most common type of new consumer product. Knowledge of such factors begins to address the more general problem of how to reduce the failure rate in new consumer products.

Another practical implication concerns future prospects for meaningful line extensions. As SKUs proliferate, each product manager must plan for and track the performance of more items. When this is coupled with the rightsizing that has occurred in the last decade, a product manager's or product team's workload may be increasing geometrically. A growing workload heightens the perception of time pressure. Because time pressure decreases the ability to devise meaningful new ideas for the product line (see Amabile 1988), an increasing workload promises to have a lasting negative impact on the development of meaningful line extensions.

### **Limitations and Future Research**

This study has several limitations. First, the limitations of cross-sectional data apply. In addition, although meaningfulness can also describe extensions of consumer durable goods, services, or industrial products, this study's findings are limited to consumer packaged goods.

Another limitation is the assumption that meaningfulness is a good attribute for line extensions. While meaningful line extensions are likely to have a positive financial impact, our research did not address this issue. Developing meaningful line extensions may require significant investment of capital and time. Although by definition a meaningful line extension is one that consumers value, they may be unwilling to pay sufficiently more for it to generate a reasonable return on investment. Accordingly, future research is called for on the outcomes of offering meaningful line extensions. A number of questions could be explored. For example,

when all costs are accounted for, what is the financial impact of meaningful line extensions, and how does it change over time? Also, to what extent does the consistent introduction of meaningful (meaningless) line extensions enhance (diminish) initial acceptance of new extensions, brand equity, and/or stock value?

Regarding market-focused structure, it is difficult to draw a solid conclusion from the nonsignificant finding. The measure of market-focused structure did not differentiate between channel customers and end users. However, justification for the hypothesis assumed a marketing structure based on end users, because meaningfulness was defined from this perspective. Finding a large number of consumer-goods organizations that structure their marketing around end users may be difficult, because although structuring marketing around end users is fairly common in business-to-business marketing, in consumer-goods marketing the focus is more likely to be on channel members. Indeed, in recent years, a number of trade-focused marketing positions have emerged; trade-marketing management and category management, for example. Future research is needed to examine the role of various channel-based marketing structures in developing meaningful line extensions.

Additional organizational factors are likely to affect the development of meaningful line extensions. One is the practice of setting goals for the number of new products (often line extensions) a firm will introduce. When a large number of new products are expected, little time may be available to generate and test each product concept. Thus, to meet high goals for new products, a firm may rely on simple yet less-meaningful line extensions. Another factor to examine is organizational slack—the adequacy of human and financial resources available to develop line extensions and other new products. Amabile et al. (1996) note that resource availability signals the value of a project and can affect the meaningfulness and novelty of what is produced.

Finally, research on the meaningfulness of line extensions can be enhanced by drawing on research in consumer information processing and decision making as well as on marketing management, accounting, and operations research. Recently, issues such as the effect on consumers and the financial impact of reducing product variety have been examined (Broniarczyk, Hoyer, and McAlister 1998). Other consumer issues remain to be explored, such as conditions under which consumers place increased value on variety and strategies consumers use to cope with product assortments that do not seem to offer meaningful distinctions between items. Internally, the impact of such practices as activity-based costing and flexible manufacturing on the meaningfulness of line extensions can be explored.

# Conclusion

Why are some firms better able than others to develop and market meaningful product line extensions? Our results suggest that the organization and implementation of the marketing function in a firm are critical to creating an environment from which meaningful line extensions emerge. The challenge facing senior management is to cultivate a long-term perspective in the marketing function through managing reward systems and planning processes and through encouraging risk taking. Specific characteristics of the marketing organization that will facilitate development of more-meaningful line extensions include product-focused structure with regular brand rotations, small development teams, and the requirement of ample evidence to justify new SKUs. Because these factors are controllable by senior managers, our recommendations present feasible actions to stem the trend toward product proliferation facing many firms today.



# Appendix

## Measures

### A. Line Extension Meaningfulness

In the last two years, how many of the SKUs that were added to this product line by your division:

(1 = none; 4 = about half; 7 = almost all)

- a. filled a significant consumer need that was not filled by other SKUs you offered in the line.
- b. tapped a segment that you didn't already serve with this product line.
- c. were very attractive, in some way, to consumers.
- d. are likely to reshape the product category.
- e. Sometimes companies add SKUs that don't provide value, or are viewed as useless in the eyes of consumers. Overall, how would you describe the SKUs that were added by your division for your product line in the last two years: (1 = not at all valuable or useful to consumers; 7 = extremely valuable or useful to consumers).

### B. Time Horizon

- a. The ability to plan for the long term is valued here.<sup>a</sup>
- b. Pay raises and bonuses are more likely to be given to people who produce: (1 = short-term [one year or less] results; 7 = long-term [multiyear] results).

### C. Risk-Taking Encouragement

In my division:<sup>a</sup>

- a. it is best to play it safe when developing ideas to market products.<sup>b</sup>
- b. we are encouraged to think conservatively when developing ideas to market products.<sup>b</sup>
- c. maintaining the status quo is important.<sup>b</sup>
- d. people are encouraged to take risks.

### D. Length of Product Assignment

- a. On average, how often (in months) are product managers in your division reassigned to a different product or brand?

## E. Marketing Structure

Please indicate the extent to which each of the following describes the marketing function in your division: (1 = does not describe my division at all; 7 = perfectly describes my division).

1. Product-focused structure
  - a. Marketing is organized around product lines.
  - b. Marketing is organized around brands.
2. Market-focused structure
  - a. Marketing is organized around segments or customer groups.

## F. Evidence Required

Please indicate the extent to which each of the following types of information is required in your marketing plan to support the addition of an SKU or related set of SKUs: (1 = not required at all; 7 = must be included).

- a. evidence on how it would improve the product line's market share.
- b. evidence on how it would improve the product line's financial contribution.
- c. an assessment of how it would impact competitors.
- d. an assessment of how it would fit with trends (e.g., demographics, the economy, legislation, technology, etc.).

## G. Team Size

How many people belong to the formal group or team that manages your product line?

## H. Social Cohesion

For each statement, please circle one number that best describes interactions between the members of your team.

Members were very friendly with each other	1 2 3 4 5 6 7	Members were not very friendly with each other <sup>b</sup>
Members were very comfortable with each other	1 2 3 4 5 6 7	Members were not comfortable with each other <sup>b</sup>
The team had a very pleasant working atmosphere	1 2 3 4 5 6 7	The team did not have a pleasant working atmosphere <sup>b</sup>
Members were committed to maintaining close interpersonal relationships	1 2 3 4 5 6 7	There was no commitment to maintaining close interpersonal relationships <sup>b</sup>

I. Competitive Intensity<sup>a</sup>

- a. There are many promotion wars in this product category.
- b. In this product category, anything that one competitor can offer, others can match readily.
- c. Price competition is the hallmark of this product category.

J. Variety-seeking Behavior<sup>a</sup>

- a. Over time, consumers purchase a variety of items from this category.
- b. Consumers tend to buy several different items from this category because they purchase for different people.
- c. Consumers buy different versions (sizes, flavors, formulations, etc.) of this product to use in different situations.
- d. Consumers seek variety in this product category.

K. Differentiation

In each of the following areas, how much differentiation is there between your product and others in the product category? (1 = no real difference between us and competitors; 7 = big differences between us and competitors).

- a. product benefits provided to consumers
- b. prestige of brand name
- c. product quality
- d. price

L. Project Responsibility

Were the SKUs that were most recently added to your product line primarily your responsibility to develop or someone else's responsibility to develop?

mainly someone else's responsibility to develop	1 2 3 4 5 6 7	mainly my responsibility to develop
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<sup>a</sup> 1 = strongly disagree; 7 = strongly agree

<sup>b</sup> reverse coded



# Notes

1. Consumers are only one possible focal group for the determination of meaningfulness. As an alternative, retailers or other channel members could have been selected. Interviews with retailers revealed that, not surprisingly, new products were identified as more valuable or meaningful when they offered greater margins, higher turnover, and/or more generous incentives (such as paying “full slotting”) than existing SKUs. Because turnover is driven largely by a product’s meaningfulness to consumers, meaningfulness to retailers also hinges on meaningfulness to consumers. For that reason, consumers were chosen as the focal group when defining and measuring meaningfulness.
2. The term product manager is used generically to refer to a person who is responsible for the marketing planning and implementation activities for a product or product line. Other titles that often encompass similar responsibilities include brand manager and marketing manager.
3. Line extensions boost sales quickly for several reasons. They give the sales force news—a fresh reason to call on retail accounts. Also, the manufacturer often offers financial or other incentives to the sales force to place the line extension and to retailers to carry it.



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