RESEARCH & IDEAS

How to Brand a Next-Generation Product

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Upgrades to existing product lines make up a huge part of corporate research and development activity, and with every upgrade comes the decision of how to brand it. Harvard Business School marketing professors John T. Gourville and Elie Ofek teamed up with London Business School's Marco Bertini to suss out the best practices for naming next-generation products. Key concepts include:

- Companies often take one of two tracks in naming a next-generation product—the sequential naming approach or the complete name change approach.
- Experimental research showed that each naming approach affects customer expectations. With a name change, research participants expected features that were distinctly different or new. With a name continuation, they just expected improved performance on existing features.
- Companies must assess risk versus reward when branding a product upgrade, weighing the excitement generated by a new name against the danger of scaring away customers who worry that new features pose the threat of new glitches and a steep learning curve.

When Apple launched its latest iPad, experts and nonexperts alike expected it to be dubbed "iPad 3," a natural follow-on to the second-generation iPad 2. Instead, the company called the new iPad just that: "the new iPad." Observers debated whether this was lazy branding or a very deliberate effort to market the iPad as a sibling to the Mac. Macs keep their names with each successive upgrade, analysts noted, while iPhones sport sequential numbers and letters to indicate improvements.

"Consumers don't necessarily read specs to learn about new features, but they'll always notice a new name."

Like Apple, most consumer-centric companies deal with the dilemma of how to brand the next-generation of an existing product. Product upgrades make up the majority of corporate research and development activity. That's why Harvard Business School marketing professors John T. Gourville and Elie Ofek were surprised to find a dearth of academic research on the subject. "There's a lot of research about new-product branding, but as best as we could tell, nobody had looked closely at the issue of how to brand a successive generation," Gourville says.

To that end, Gourville and Ofek teamed up with London Business School professor Marco Bertini (HBS DBA ’06) to suss out the best practices for branding next-generation products.

"For managers, this is not a trivial decision," Ofek says. "Consumers don't necessarily read specs to learn about new features, but they'll always notice a new name. We thought we could come in and bring some guidelines and normative implications that were well grounded in academic research."

Many companies choose either the sequential naming approach (Sony's successive PlayStation, PlayStation 2, and PlayStation 3 video game consoles, for example) or the complete name change approach (Nintendo's Nintendo 64, GameCube, Wii). The professors conducted a series of experiments to determine when and why each approach made the most sense.

Brand name continuation vs. name change

In one experiment, 78 participants considered a hypothetical scenario in which a well-known firm is preparing to launch a new version of its color printer. The participants, who were split into two groups, received a list of seven successive model names. For the first group, the entire series of printers was branded in a sequential fashion, from 2300W to 2900W. For the second group, the first four models were named sequentially—2300W to 2600W, but the last three models reflected a brand name change—MagiColor, MagiColor II, and MagiColor III.

Based on the names alone, on a scale of 1 to 7, participants gauged the likelihood of significant changes and improvements for each successive model. Even though participants had no information about the actual features of the products, participants predicted much greater change when the latest version was named MagiColor than when it was named 2700W.

"With a name change, participants tended to expect features that were distinctly different or new," Ofek says. "With a name continuation, they just expected improved performance on existing features."

"The perception is that if it's a brand name continuation, it'll be somewhat better than the previous model, but it won't be buggy and there won't be a learning curve."

A follow-up experiment reversed the task. Participants learned that the firm Garmin had adopted a sequential naming approach for the first five generations of its in-car GPS receiver, from RoadRunner 610 to RoadRunner 650. Their task was to choose the more appropriate name for the sixth generation: either RoadRunner 660 or StreetPilot. In this experiment, the researchers varied the list of features for the new product. When the list only included improvements on existing features, 61.3 percent of participants choose RoadRunner 660 as the preferred name. But when the list included several new features, 65.7 percent chose the name StreetPilot.

While these experiments focused on high-tech equipment, the professors note that the findings hold true across many industries. "The make the movies," Gourville says. "In the Rocky series, you expect Rocky II to play off Rocky. But with James Bond movies, there's no reason to expect that the latest Bond movie [Quantum of Solace] has anything to do with the previous Bond movie [Casino Royale]. So it gives you added freedom. You can change who James Bond is—Sean Connerly, Roger Moore, Timothy Dalton, Pierce Brosnan, Daniel..."
Craig—without destroying the franchise... Whereas with Rocky, you're pretty much stuck with Sylvester Stallone.”

Risk vs. reward

Companies also must assess risk versus reward when branding a product upgrade. On the one hand, changing the brand name may induce excitement among prospective consumers who value new bells and whistles over small improvements. On the other hand, customers may worry that new features pose the risk of new glitches and a steep learning curve. It's important for a firm to predict the likelihood of risk aversion in its branding decision. Sometimes this is an unpredictable matter of a consumer’s individual personality; for every Cautious Carl in the world, there's a Risky Rita. But many times, it's a matter of the situation at hand.

Ofek cites the example of Intel, which in 2001 introduced a 64-bit processor called Itanium, indicating that the product was markedly different than Xeon, its 32-bit predecessor. These types of processors power huge computer servers, which play vital roles in companies' day-to-day operations. Servers are a major expenditure, and a faulty server can lead to a crisis. "Even though Intel promised that Itanium had backward compatibility with Xeon, IT directors really worried about it," Ofek says. "That created a real delay in purchasing for Itanium, which really never took off."

To illustrate this point scientifically, the professors conducted an experiment with 203 participants, who each were told to imagine that a close friend was getting married soon, and that the friend had asked them to photograph the ceremony as a favor. However, because their Ricoh camera had been stolen, they would have to buy a new one shortly before the event. Each participant had a choice: replace the camera with the exact same model that was stolen, or upgrade to the next-generation version that Ricoh had recently introduced.

All the participants received the same list of specs for both the old and the new cameras, including information on features such as resolution, memory, zoom, and motion sensor. But the researchers manipulated the experiment in two key ways.

In some cases, participants were told that they were among several people taking pictures at the wedding, indicating a low-risk situation because if one person's photos came out badly, another person's photos could pick up the slack. In other cases, they were told that they would be the wedding's sole photographer, a much higher-risk proposition.

Participants also learned that the stolen camera model, named FS-E40, was the fourth in a line of sequentially named products: the FS-E10 through FS-E30. While some participants learned that the next-generation model followed that pattern, the FS-E50, others were told that the new model had a new name: the Spectra.

As expected, participants in the high-risk solo-photographer scenario were more likely to choose the FS-E50 over the FS-E40; the sequential naming approach indicated small, manageable changes. Given the choice between the FS-E40 and the Spectra, however, they stuck with the FS-E40—presumably fearing the challenges of moving to a significantly new design, Gourville says.

"In the Rocky series, you expect Rocky II to play off Rocky."

Participants in the low-risk scenario were much more likely to go with the new model regardless of whether it was called Spectra or FS-E50; given the choice of either new model, the low-risk set tended toward the Spectra.

"The perception is that if it's a brand name continuation, it'll be somewhat better than the previous model, but it won't be buggy and there won't be a learning curve," Gourville says. "With a brand name change, you infer that there may be a steep learning curve, and it may work differently from your previous camera."

Creative sequences

A brand name change also comes with the risk of disappointing consumers who expect more from the product than they otherwise would have.

"If you're really just tweaking the previous generation of your product, it's probably much better to use brand name continuation than brand name change," Gourville says. "Otherwise people will be led to believe that there are massively new features in there, and you'll just lead them to disappointment."

On the other hand, a brand sequencing approach can be tricky in a crowded marketplace where competitors are using the same approach. No company wants to release Dooodad 3 when its chief rival is launching Thingamabob 4, for fear of apparently lagging behind.

But there are ways around that.

For instance, Microsoft released its Xbox video game well behind Sony's PlayStation launch such that its second-generation Xbox competed directly against the third-generation PlayStation. Fearful of being perceived as a laggard, Microsoft chose the name Xbox 360—sneaking that "3" in there with the added promise of 360-degree comprehension, Gourville explains.

Microsoft also shows us that if a company switches from a sequential naming approach to a name change approach, it's perfectly OK to switch back. With its Windows operating system platform, the company succeeded Windows 98 and Windows 2000 with Windows XP and then the oft-criticized Windows Vista. And then came Windows 7. Windows 8, due out later this year, is still in development, but Microsoft has already confirmed its name.

"Windows 7 brought us back to the notion of sequential indicators," Ofek says. "Microsoft learned that when you break from sequential names, people often overemphasize the risk of significant change.

Readers: Have you encountered brand decisions of this type? How did you handle them? Let us know in the comments section below. [WK]

About the author

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