

Pros and Cons of Expanding Your Product Line

Diversifying may bring in new business, but can also hurt your brand. Here's how to determine if it's the right move.

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There are many reasons to add new products—or line extensions—to your company's product mix. In fact, line extensions may be the answer to building sales and moving your company in a whole new direction. Take a cue from big business. Look at how Kraft, for instance, has added Jell-O Instant Pudding and multiple permutations of the Jell-O brand in order to capture new audiences and expand into previously untapped market niches.

It all starts with a brand. Let's use Gillette as an example. The brand encompasses a number of product lines, including blades and razors, toiletries, writing instruments and lighters. Individual products exist within each of the product lines. In other words, Gillette's line of blades and razors extends to Lady Gillette, Mach 3, Sensor and others. The company's toiletries line includes Gillette Foamy, Dry Idea and Right Guard, while its writing instruments line consists of Paper Mate and Flair. This gives Gillette a wide product mix.

You don't have to own a large business to benefit from this kind of expansion. Having multiple product lines may allow a growing business to diversify risk and capitalize on its established reputation. And the number of product items (or line extensions) in a product line can attract buyers with different preferences, increase profitability thanks to market segmentation and, for some businesses, even out seasonal sales patterns. Adding new products to your existing product line can also help you compete more broadly in your industry.

On the downside, there's the potential for overextension—new products may cannibalize sales of older ones, or your resources may be disproportionately siphoned off for slower-moving products. Of course, that's where the principle of planned obsolescence comes into play. It's no accident that each time Hewlett-Packard and Canon introduce the latest incarnations of their desktop printers, the older models with fewer features become less desirable and eventually obsolete.

Know Your Product's Life Cycle

Every product you introduce has a life cycle of its own—some long and others quite short. And your marketing strategy must vary at each stage in that cycle.

- In the *introduction* stage, your marketing objectives are to create awareness and stimulate product trials.
- To achieve the *growth* stage, you'll need to maximize market share and penetration.
- Once your product reaches the *maturity* stage, the task will be to maximize profitability while defending the market share you've earned.
- When it begins to *decline*, you'll slowly phase out the weak product, reduce expenditures and focus on retaining cash flow while targeting hard-core loyal customers.

Four Steps to Expansion

You can add a new product to expand your business or merely to replace an older product or group that's in decline. Just be sure to take these four steps before moving forward:

1. Determine the specific needs of your customers in each high-priority market segment.
2. Identify the product/service bundles (groups of features) that would be most attractive to them.
3. Create a unique value proposition for the proposed line extensions and decide how you'll position the product in the market segments you've identified.
4. Determine the sales and distribution channels that will achieve the highest penetration of your target market segments.

In all, you'll need to use market research and speak with customers and marketing partners or distributors and evaluate competitive products. This will help you to validate the present level of demand for the product and the best channels for sales distribution, plus shape the product messaging. If you do your homework and proceed with an analytical eye, your line extension will increase sales, help you reach new markets and build market share overall for your growing business.

Kim T. Gordon is an author, marketing coach and media spokesperson. Her newest book, Bringing Home The Business, identifies the 30 truths that can make the difference between success and failure in a homebased business. To receive free how-to articles and advice and get information on coaching and appearances, visit [Small Business Now](#), a site devoted exclusively to marketing your small business.