Virgin Cola

A brand too far

Many brands fail when they move into inappropriate categories. For instance, Harley Davidson perfume proved to be an extension too far. Virgin, however, is one company that seems to be able to apply its brand name to anything. Although Richard Branson's empire began as a record label, signing groundbreaking acts such as the Sex Pistols, it now encompasses virtually everything – from airlines to financial services.

An article which appeared on 27 August 2000 in the UK newspaper *The Observer* explained the way in which members of the public can 'live a Virgin life': Every morning you can wake up to Virgin Radio, put on Virgin clothes and make-up, drive to work in a car bought through Virgin using money from your Virgin bank account. On your way home you can pop into a Virgin Active gym. At weekends you can use a Virgin mobile phone or Virgin's Internet service to find out what is on at the local Virgin cinema. As you head off on holiday on a Virgin train or plane, you can play Virgin video games stopping only to buy your Virgin vodka in duty free. If you meet someone on the beach and one thing leads to another, the Virgin condoms are in the Virgin hotel minibar. When love blossoms, you get married with Virgin Brides and buy your first house with a Virgin mortgage and get a joint Virgin pension.

In most cases, these brand extensions are successful. However, sometimes even Branson, dubbed 'the people's capitalist', can stretch himself too far. In the mid-1990s, the scale of his ambitions for the Virgin brand became clear. 'I want Virgin to be as well-known around the world as Coca-Cola,' he was quoted as saying. So what better way to achieve this goal than to enter the cola market itself. He therefore decided to join forces with Cott Corporation, a Canadian private-label soda maker, to produce cola under the Virgin name. In doing this, he was placing his brand with what he referred to as the 'cola duopolists'. Namely, Coca-Cola and Pepsi. Immediately, the move raised eyebrows among those who knew the market well. 'It would be easier to make a snowman in July in Florida than to take on Coke and Pepsi,' observed John Sicher, publisher of the US trade publication, *Beverage Digest.* But Branson seemed to relish the challenge, launching the drink to the US market in spectacular style. He rode a vintage Sherman tank through New York's Times Square, aiming fire at a huge Coca-Cola billboard. He also placed his own 40-foot Virgin Cola billboard right above the Times Square Virgin Megastore. 'The signage alone was worth the rent of the entire building,' he joked at the time. 'The store is a bonus.' However, the new cola brand struggled on both sides of the Atlantic.

Although it was priced 15–20 per cent lower than the two leading brands, not enough consumers were being won over. Part of the problem was distribution. Coca Cola and Pepsi managed to block Virgin from getting crucial shelf space in half the UK's supermarkets. Meanwhile, Coke doubled its advertising and promotion budget. As Rob Baskin, Coca-Cola USA's spokesman said: 'We take all competition seriously.' Ultimately, Coca Cola and Pepsi's hold on the market has proven too strong and Virgin Cola failed to make a serious dent in their worldwide sales. Even on Virgin's home turf, the UK, the brand struggled to gain 3 per cent of the market and it has never made a profit.

Lessons from Virgin Cola

***Strong brands depend on exploiting competitors' weaknesses*.** 'We often move into areas where the customer has traditionally received a poor deal, and where the competition is complacent,' Branson once said, explaining Virgin's brand strategy. However, Pepsi and Coca Cola are anything but complacent.

***Distribution is everything*.** If you can't get the product on the shelves, it will never outsell its competitors.