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STRATEGY

When More is More

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Product proliferation might have a strategic purpose.

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Product proliferation tends to get a bad rap. Consumers curse vast supermarket aisles filled with endless varieties of the same product. Sustainability experts object to the added environmental costs of meaningless variation. For decades, business strategists have complained that producing and selling multiple versions of the same product can even destroy value.

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All that may be true. However, if it’s such a bad idea, why do firms continue to do it? The traditional explanation is that people have a wide range of preferences: Frito-Lay sells 20 different kinds of Doritos tortilla chips because some people prefer “Doritos Flamin’ Hot Cool Ranch Flavored Tortilla Chips” to “Doritos Dinamita Chile LimónFlavored Rolled Tortilla Chips”.

If that were always the case, however, we should only see product proliferation in consumer companies. Business customers would presumably not be all that interested in endless variations. Yet the fact is this happens in business-to-business markets as well: in the US, for example, McKinsey has noted one lighting equipment company that sells 450,000 different products across ten brands.

The Flamin' Hot Cool Ranch gambit

To understand the strategic meaning of product proliferation, we took a close look at a sector with a lot of variety, the music industry. Using different industry sources (including Billboard, Discogs, and MusicBrainz) we compiled information on 8,263 original singles released by major US recording labels in the period between 2004 and 2014. These singles can have very different musicological characteristics. To add another layer to the complexity, these singles can be classified in a vast number of genres and subgenres – on Spotify alone there are 1,445 genre and subgenre categories.

From the consumer's perspective, this much choice makes no sense. Having so many songs and genres to choose from doesn't make building a playlist any easier. However, our theory is that as in other industries, the music labels create numbing amounts of variety not for consumers' benefit but to discourage other producers.

Call it the *Flamin' Hot Cool Ranch gambit*: by introducing enough complexity into the market, record companies hope to discourage rivals from entering the arena at all. In other words, our study suggests that an effective proliferation strategy hinges on a critical factor: while record companies are quick to counter competitors' new launches by rolling out their own products, a higher degree of complexity in these products – i.e. significantly investing to expand the variety of single songs, diversifying specific attributes like tone and rhythm, or making them touch on a range of different genres and subgenres – may act as a deterrent to others.

An example of this strategy is offered by Virginia-born "trap" music producer Lex Luger. In 2010, the 19-year-old Lex took the industry by storm by collaborating with emerging rapper Waka Flocka Flame and releasing *Hard in the Paint*, a smash hit that conquered radio stations nation-wide and put the trap subgenre – a Southern variation of rap – on the map. Over the next couple of years, Lex released no less than 200 songs working at demonic speed, diversifying the sound of trap by making it reach toward pop and R&B – effectively increasing the complexity of trap music and cementing his dominance over the newly created market space.

Moreover, although we studied how record companies can increase complexity by introducing product variety, this is not the only form that complexity can take. Technology can also be a factor. Consider the case of South Korean company HYBE Corporation, whose artists are responsible for 40% of K-pop albums sold in the first half of 2023. The company, which was listed in 2022 as one of Time magazine's 100 Most Influential Companies, operates through a number of subsidiaries in a way that enables it to act both as what Time called a "tech innovator" and a "creative powerhouse." It significantly invested in the launch of idol groups, who make intensive use of computer-generated music and even AI-generated alter egos, and are all characterized by meticulously crafted images that make them recognizable to a wide international audience. It would be difficult to say the least for any competitor to challenge HYBE's hold on K-pop music – in part because of HYBE's deliberate product complexity.

A similar dynamic may have been at work in the rise of the Baskin-Robbins ice cream shop empire. When Irvine Robbins opened his first ice cream shop in 1945, "There was really no such thing anyplace as a pure ice cream store," he recalled in 1985. "I just had the crazy idea that somebody ought to open a store that sold…nothing but ice cream, and could do it in an outstanding way." Robbins' original southern Californian stores were successful, but became much more successful after 1953, when he and his business partner Burt Baskin added a second element to their brand: offering a choice of 31 flavors, one for every day of the month. In Baskin-Robbins' case, complexity worked: Baskin-Robbins remains today the world's largest chain of ice cream specialty stores, with roughly 8,000 outlets worldwide.

Obviously, there are a lot of risks involved in pursuing a proliferation strategy. It can lead to product cannibalization – which occurs when a company's new products undermine the sales of its existing ones – and be extremely costly. However, the fact that so many companies pursue it suggests that it is not necessarily the losing proposition strategists make it out to be. In such cases, product proliferation can constitute a barrier to entry by keeping other companies out of the business altogether.

How do you make too much just right?

To make proliferation work strategically, the amount of variety available needs to be well-known to the market – everybody knows about Baskin-Robbins' 31 flavors, for example. The additional variety should also not create too much additional cost or difficulty in delivery.

More specifically, you should follow these four steps:

1. **Assess your market's complexity.** Before implementing a credible threat, understanding the complexity of product attributes in a specific market space can help predict the effectiveness of a proliferation strategy. If a market (or market segment) is already complex, a proliferation strategy can reduce the odds of a new entrant.
2. **Engineering innovation.** While keeping costs under control, managers should invest in developing products with unique, complex attributes that are hard for competitors to replicate quickly or cheaply. A good example of this is Samsung, when deploying its products in new markets, this company is able to differentiate itself by introducing innovative features and advanced technologies – such as cutting-edge display technologies, high-performance cameras, and exclusive software features – that set its offer apart from competitors.
3. **Pursue a gradual proliferation** Don't just aim for market saturation. In markets where firms can distinguish their products through unique attributes, supporting a range of differentiated products can effectively deter rivals and claim specific market spaces. In addition, strategic and timely decisions – such as introducing new products sequentially rather than simultaneously– can minimize the risk of cannibalization.
4. **Avoid overextension**. While product proliferation can be a powerful strategy, there is a risk of overextension. Managers must balance the benefits of proliferation against the potential drawbacks of diluting their company brand and overstretching resources. Although the Walt Disney Company's Marvel superhero movies, for instance, have earned more than $20 billion at the box office, by 2023, the

> "juggernaut finally appeared to be showing cracks", as a recent New Yorker article put it.

In the end, it's better to have a niche for yourself than to share it with another competitor. Even if the downside cost of proliferation is a certain degree of market cannibalization, owning an entire market has some important advantages. As Jerry Garcia, lead guitarist and vocalist of the Grateful Dead, once put it, "you don't want to be the best at what you do; you want to be the only one".

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