

LECTURE 4

MANAGING BRAND PORTFOLIO

LECTURE THEMES

1. Brand portfolio strategy

- Mono-brand portfolio (a branded house)
- Multi-brand portfolio (a house of brands)
- Sub-branding portfolio
- Endorsed branding portfolio
- Hybrid portfolio
- Returns and risks of brand portfolio

2. Brand roles and scopes in the brand portfolio

3. Achieving the ideal brand portfolio

4. Brand architecture

Brand portfolio strategy

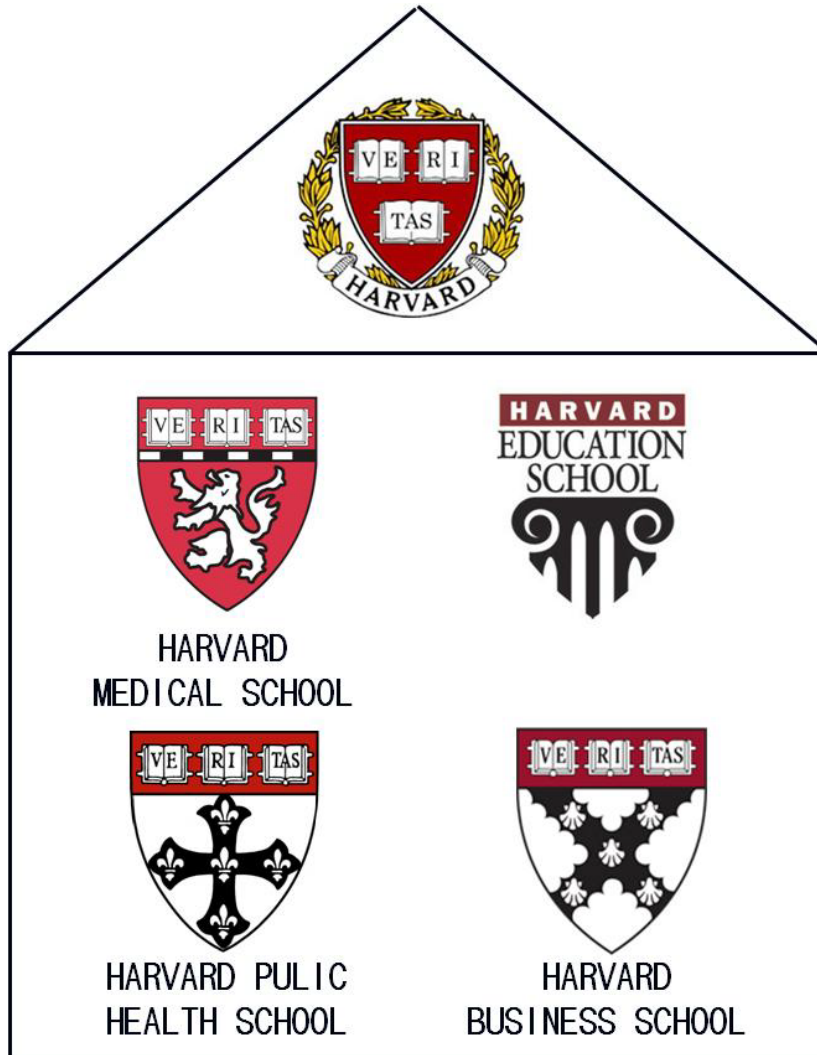
Brand portfolio strategy involves the design, deployment, and management of multiple brands as a coordinated portfolio of meaning-based assets that address the needs of diverse customers in a marketplace and maximize return while minimizing risk.

A brand portfolio strategy is designed to:

- promote complementarity
- minimize cannibalization

Brand portfolio strategy - Branded house

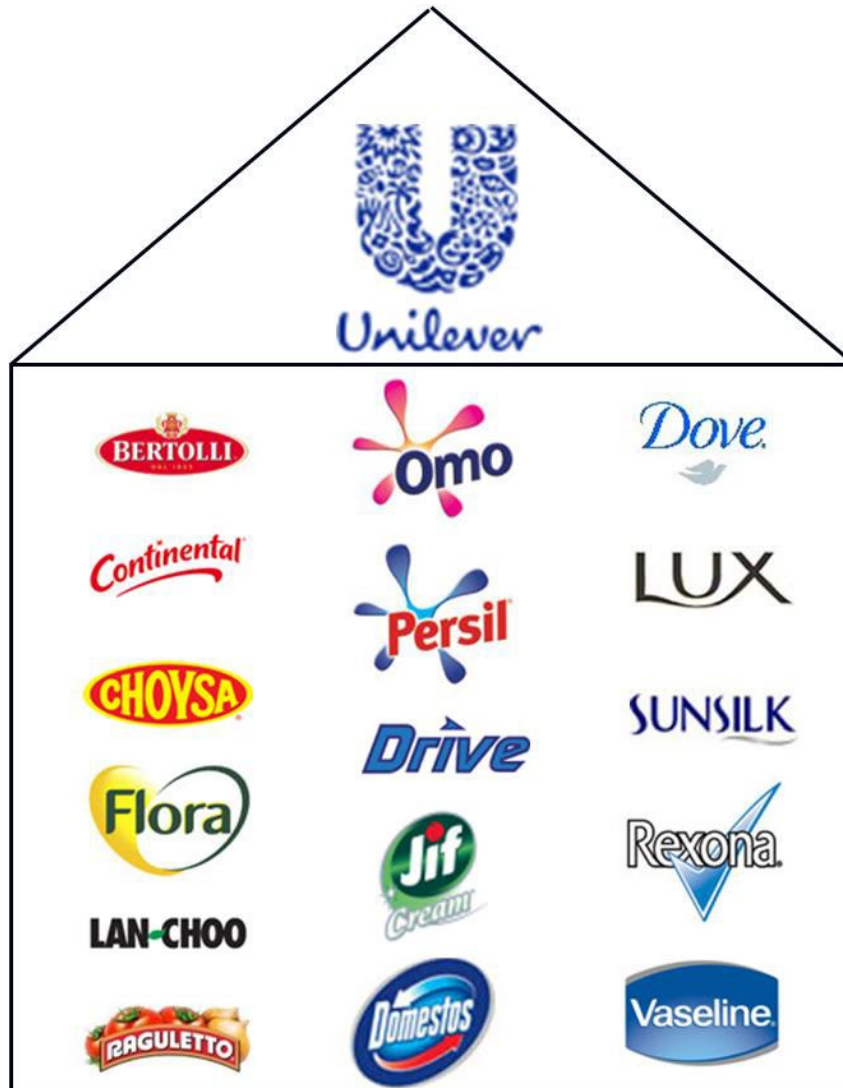
Using a single master brand across multiple product categories



- Brand reputation risk
- Brand dilution risk

Brand portfolio strategy - House of brands

A house of brands contains independent, unconnected brands



- *Shadow endorser* - is not connected visibly to the endorsed brand, but customers know about the link.
- Examples: Toyota and Lexus
- Brand cannibalization risk
- Brand stretch risk

Brand portfolio strategy - Sub-branding

The pairing of a corporate brand (rang or parent brand) with another brand (the sub-brand) in a combined relationship where both work in tandem to create and communicate meaning.

SAMSUNG
Galaxy



Brand portfolio strategy – Endorsed branding

Using the corporate brand to authenticate another brand and to provide reassurance of its credibility, quality, reliability, trustworthiness, or other important brand associations to reduce the customer's risk.



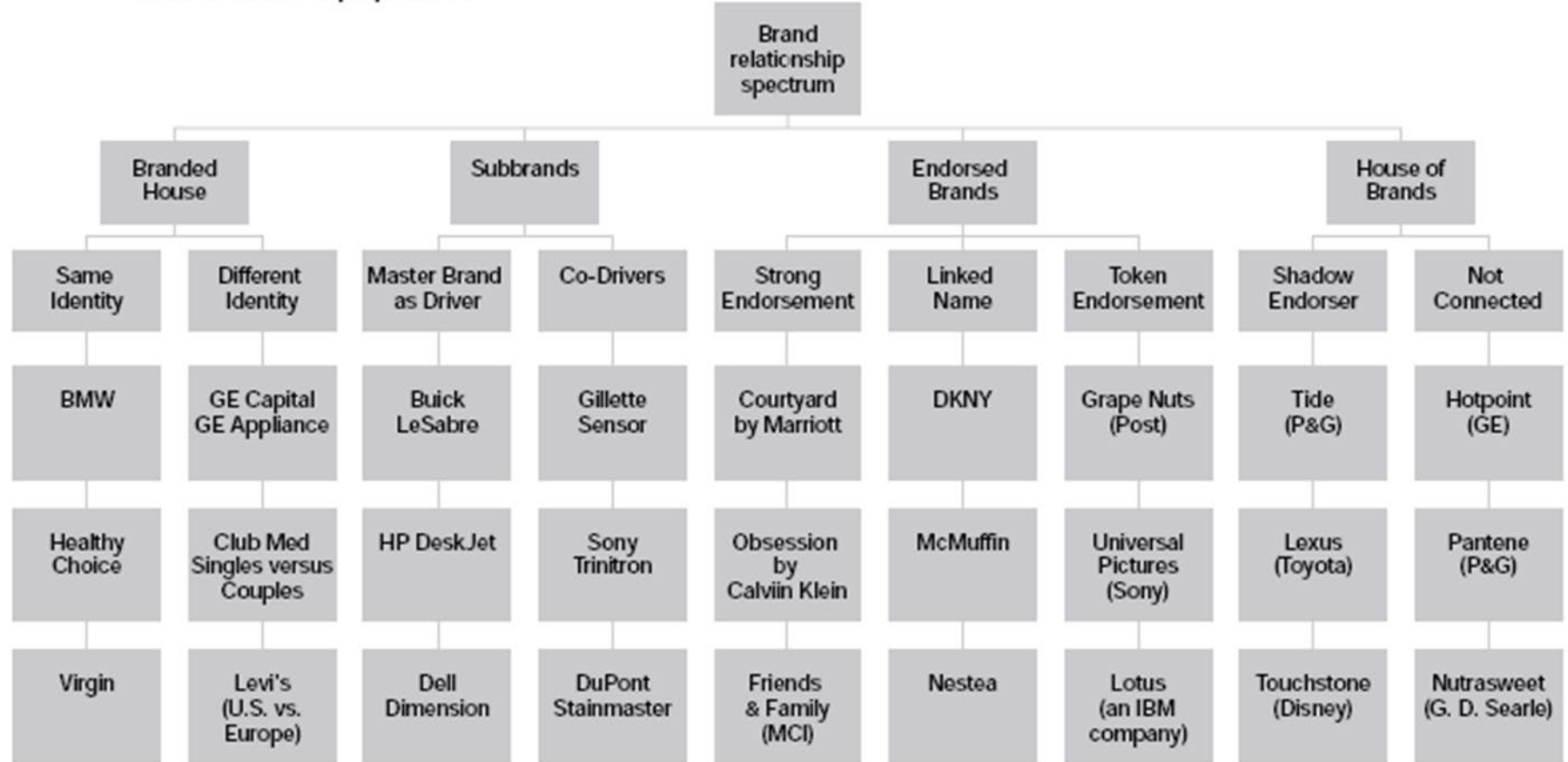
The Cayenne by Porsche

VS

The Porsche Cayenne

Brand portfolio strategy

Brand relationship spectrum



Source: Aaker, D. and Joachimstaler, E. (2000) *Brand Leadership*, p.105. London, The Free Press.

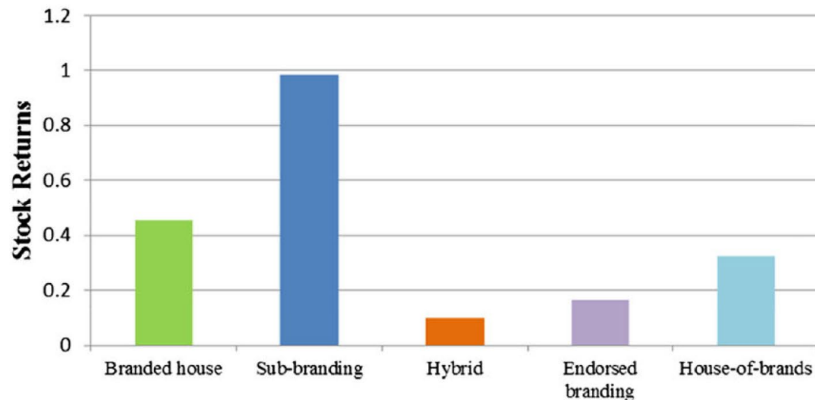
Brand portfolio strategy – Hybrid portfolio

Using the corporate brand for some products and individual brands for others.

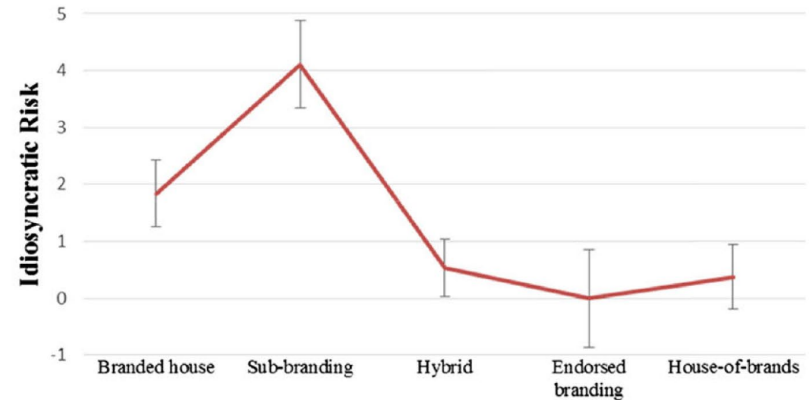


Brand portfolio strategy – Returns and Risks

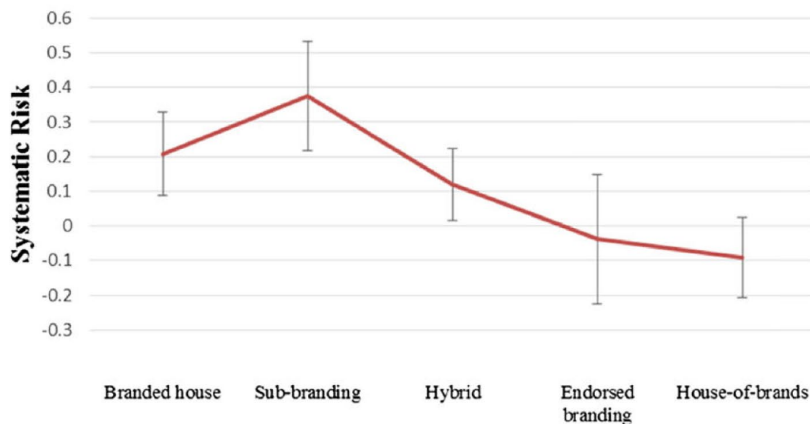
A Returns associated with each brand architecture



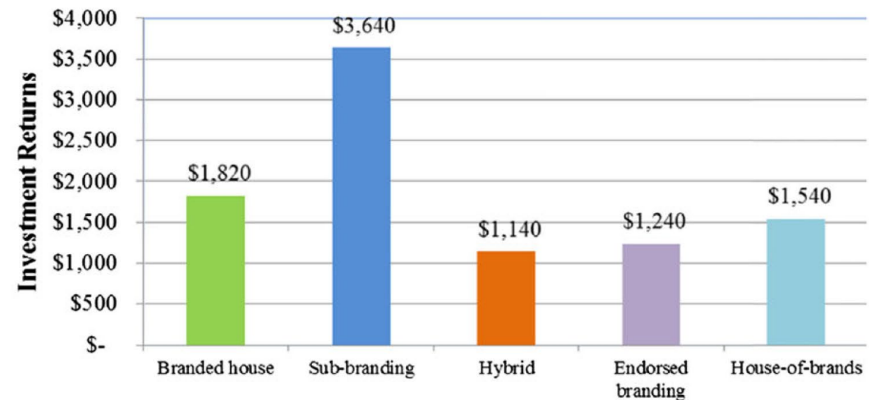
B Idiosyncratic risk associated with each brand architecture



C Systematic risk associated with each brand architecture



D Risk-adjusted returns in 2006 on \$1,000 investment in 1996 in each brand architecture



Source: Hsu, L., Fournier, S., & Srinivasan, S. (2016). Brand architecture strategy and firm value: how leveraging, separating, and distancing the corporate brand affects risk and returns. *Journal of the Academy of Marketing Science*, 44(2), 261-280.

Brand roles and scopes

In a strong portfolio, brands are clearly differentiated from each other, with each performing a specialized role and occupying a specific scope in a network where the brands are structurally linked so that they work independently to support, reinforce, and complement each other.

- *Brand role* – specifies the job it is designed to do in the portfolio
- *Brand scope* – outlines the customer segments, need states, price points, and channel.

Brand roles and scopes – roles for the firm

- *Strategic brands* – brands with strategic importance to the firm (e.g. Budweiser, Corona, Stella Artois)



- *Fighter brands* – helps strategic brand thrive in the face of lower-priced competition (e.g. Bush helps Budweiser)



Brand roles and scopes – roles for the firm

- *Flanker brands* – address niche opportunities, while leaving larger opportunities available for strategic brands.



- *Silver bullet brands* – help bolster the image of strategic brands by adding important brand associations to them.
- *Past champions* – include yesterday's strategic brands that have been supplanted by new models or advances in technology.



Brand roles and scopes – roles for the firm

- *Entry-point brands* – provide an entry point to the brand family at an affordable price or via an accessible distribution channel.

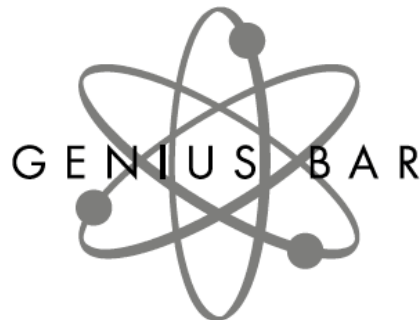


LONGCHAMP
PARIS



- *Branded differentiators* – are branded ingredients, features, technologies, services, and programs.

SAMSUNG
Galaxy Note10 | Note10+
S Pen



Brand roles and scopes – roles for the firm

Categorizing brands by their Contribution, Traction, and Momentum

- *Contribution* – measures the financial impact that the brand has on the company, the revenues and gross profits it contributes less the marketing support it receives.
- *Traction* – measures the current strength of the brand and includes assessments of its market share, price premium, levels of awareness, strength of brand knowledge, and customer satisfaction and loyalty levels.
- *Momentum* – measures the direction in which the brand is headed and the velocity of its acceleration.

Source: Hill, S., Ettenson, R., & Tyson, D. (2005). Achieving the ideal brand portfolio. *MIT Sloan Management Review*, 46 (2), 85.

	CONTRIBUTION	TRACTION	MOMENTUM	
POWER	high	high	high	BRAND RENEWAL IMPERATIVE Well done. This is a real power brand. Power brands drive company success. Do extend the brand carefully, hold the line on pricing, and defend ferociously. Don't give in to the temptation to divert resources from this brand to its weaker sisters.
SLEEPER	high	high	low	Fast track. This is a sleeper, but with a little push it could reach power brand status. Take a close look at pricing to see if selective price cuts or promos could pull in new users.
SLIDER	high	medium	low	This is a solid brand slowing rapidly. The temptation is to wait and see what happens to it, but that is probably a mistake. Once forward momentum ceases and turns negative, decline can accelerate precipitously and profitability can nosedive. It is best to act quickly to fix or sell the brand.
SOLDIER	medium	medium	medium	Maintain. This is a solid performer, and every brand portfolio needs these. In fact, 60% to 80% of most portfolios are solid brands. Cycle attention across solid brands, giving them a resource boost every two to four years.
ROCKET	low	low	high	Put this brand on the watch list. It's either a power brand of tomorrow or a black hole of brand investment. Brands take time to build, so there's no reason to pull the plug now; but set clear milestones and monitor progress. Some brands are the brands of tomorrow — and always will be.
WALLFLOWER	low	high	low	So you have a customer or set of customers who love this brand. Fair enough. Make sure it's priced so your CFO can love it, too.
DISCARD	low	low	low	It's time to prune this brand, either by selling it or putting it into mothballs. Right now, it's just getting in the way, causing clutter and soaking up management attention.

- Brands tend to fall into different categories, depending on their contribution to the company (contribution), current market performance (traction) and future prospects (momentum).
- Each type of brand requires a different plan of action.

Brand roles and scopes – roles for customers

- *Driver brands* – provide the driving force behind the customer's purchase and defines his or her use experience.



- *Corporate brands* – marks the company behind the products and services, can play a primary, secondary, or hidden role (e.g. Coca-Cola, Toyota)



Brand roles and scopes – roles for customers

- *Line brand* – identifies the product family to which the particular product or service belong (e.g. Colgate is a line brand for toothpastes, mouthwashes, and toothbrushes)



- *Product brand* – identifies a particular product grouping (e.g. Colgate Total).



Brand roles and scopes – roles for customers

- *Model or feature identifiers* – include words, numbers, or letter that further specify the version of the product or identify aspects of its ingredients, technology, use situation (e.g. Colgate Total Advanced Whitening).



- *Brand derivatives* – prefixes and suffixes derived from the corporate brand (e.g. Nestle's Nescafe and Nestea, McDonald's McMuffin and McNuggets), prefixes and suffixes that mark a sub-brand (e.g. Apple's iPhone, iPad, and iPod mobile devices)

NESCAFÉ



🍏 **iPod**

🍏 **iPhone**

🍏 **iPad**

🍏 **WATCH**

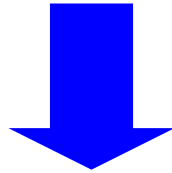
McDonald's: Australia Day



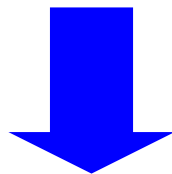
Brand roles and scopes – scoping

- *Assessing the scope of the portfolio involves two tasks.*
 - *The depth of the portfolio* - the number & nature of different brands & lines/models/SKUs in a product category
 - *The breadth of portfolio* - the number & nature of different product categories linked to the brands sold by the firm

Product Category
(oral care, paper products, snacks and coffee, etc.)

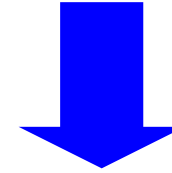


Items/Sub-product category/Brands
(toothpaste/Crest, paper tissue/Puffs, potato chips/Pringles, etc.)

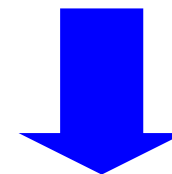


Varieties
(toothpaste in gel and paste, flavoured and unflavoured paper tissues, onion and original potato chips, etc.)

Product Mix Breadth
(number of product lines)



Product Mix Length
(total number of items)



Product Mix Depth
(number of versions of each product in the line)

Product mix breadth and product line length shown for selected major Unilever products

Product mix breadth						
Detergents and softeners	Cleansers	Toothpaste	Bar soap	Personal care	Food	Beverages
Drive	Ajax	Aim	Lux	Rexona	Rosella	Bushells
Omo and	Jif		Sunlight	Norsca	Continental	Robert Timms
Omo Micro	Domestos		Velvet	Brut	Streets	Lan-Choo
Rinso			Dove	Pears	Flora	Liptons
Persil				Impulse	Keens	
Lux					Fray Bentos	
Surf					Oxo	
Fab					Stork	
Huggie					Daffodil	
Comfort					John West	
					Seakist	
					Ally	
					Plumes	
					Copha	



FOOD



Soups

- Xtra Full
- Vegi Full
- Asian
- Classic

Side dishes

- Pasta & sauces
- Rice
- Risotto, etc.

Recipe bases

Chicken Tonight sauces

Vegetables

- Deb Potato
- Surprise Minted Peas

Pour Over Sauces & Gravies

Essential Herbs & Spices

Cooking stocks

HOME CARE



PERSONAL CARE



Brand roles and scopes – scoping

Bases of segmentation:

- *Socio-demographic segmentation*
 - Lego (Primo, Duplo, Lego, Technics, Bionicle, Clikits)
- *Benefit segmentation*
 - Danone Waters (Evian, Volvic, Taillefine/Vitalinea, Talians)
- *Attitude segmentation*
 - PSA (Peugeot & Citroen)
- *Channel segmentation*
 - L'Oreal (Helena Rubinstein v Maybelline v Redken)
- *Price segmentation*
 - Volkswagen (Skoda/Seat v Volkswagon/Audi v Rolls-Royce)

■ Laundry & Fabric Care

- **Tide:** “know fabrics best . . . gets to the bottom of dirt and stains to keep your whites white and your color bright”
- **Cheer:** “the color expert . . . dirt goes. color stays.”
- **Gain:** “enzyme detergent . . . Excellent cleaning power and a smell that says clean”
- **Ivory:** “99.44% pure . . . mild cleansing benefits for a gentle, pure, and simple clean”

■ Benefits

- Get clothes clean
- Economy
- Strength
- Mildness
- Bleaching power
- Fresh smell
- Fabric softening
- Color transfer protection
- Etc.

Different mixes of benefits

Different priorities for each benefit

OUR Brands

We want people everywhere to have easy access to our products through a presence in outlets that match their individual lifestyles.

Discover our brands by
cultural diversity

[Click here](#)



CONSUMER PRODUCTS

High technology products at competitive prices distributed through mass-market retailing channels.

- ☒ Garnier
- ☒ L'Oréal Paris
- ☒ Maybelline NY



PROFESSIONAL PRODUCTS

Portfolio of brands that meet the requirements of hair salons and provide customers with a wide range of innovative products.

- ☒ L'Oréal Professionnel
- ☒ Kérastase
- ☒ Redken
- ☒ Matrix



LUXURY PRODUCTS

Prestigious brands which offer customers products and premium service in department stores, speciality stores and travel retail outlets.

- ☒ Lancôme
- ☒ Biotherm
- ☒ Kiehl's
- ☒ Shu Uemura
- ☒ Giorgio Armani
- ☒ Ralph Lauren
- ☒ Cacharel
- ☒ Diesel
- ☒ Viktor & Rolf



THE BODY SHOP

Naturally-inspired and fairly traded products sold in over 2300 The Body Shop stores throughout the world.

Achieving the ideal brand portfolio

What is the right number of brands to maintain in a portfolio?

- *More is better* – Accor maintains 14 brands (Sofitel for luxury experience travellers, Novotel for business travellers, Ibis for budget-conscious travellers)
- *Less is more* – Many companies have pruned their brands: Unilever (1200 brands), P&G (100 brands), Ford (discontinued Mercury), GM (eliminated Pontiac, Saturn, Hummer).

The surprising truth is that most brands don't make money

Company	Number of Brands	Brand Contribution
Diageo	35	8 brands contribute 50% of sales and 70% of profits
Nestle	8,000	Bulk of profits come from 200 brands
P&G	250	10 brands contribute 50% of sales, more than 50% of profits, and 66% of its 10-year sales growth
Unilever	1,600	400 brands contribute 90% of profits

Source: Kumar, N. (2003). Kill a brand, keep a customer. *Harvard Business Review*, 81(12), 86

Quick Test

Do You Have Too Many Brands?

These ten questions will help you determine if your company has too many brands and you need to embark on a brand rationalization program.

Yes/No	
	Are more than 50% of our brands laggards or losers in their categories?
	Are we unable to match our rivals in marketing and advertising for many of our brands?
	Are we losing money on our small brands?
	Do we have different brands in different countries for essentially the same product?
	Do the target segments, product lines, price bands, or distribution channels overlap to a great degree for any brands in our portfolio?
	Do our customers think our brands compete with each other?
	Are retailers stocking only a subset of our brand portfolio?
	Does an increase in advertising expenditure for one of our brands decrease the sales of any of our other brands?
	Do we spend an inordinate amount of time discussing resource allocation decisions across brands?
	Do our brand managers see one another as their biggest rivals?
	Total

If you answered "yes" to:

0-2 questions:

Minimal brand rationalization opportunity

3-6 questions:

Considerable brand rationalization opportunity

7-10 questions:

Brand rationalization should be a priority

Brand architecture

Brand architecture specifies the blueprint for the brands' interdependent relationships, reflecting and facilitating the company's strategy.

- Informed by each brand's strategic role and scope and empowered and limited by each brand's meaning transferability, it clearly maps the hierarchical networked structure of the portfolio that will guide the execution of brand strategy in the marketplace.
- Brand architecture is a blueprint for both an internal and external audience.

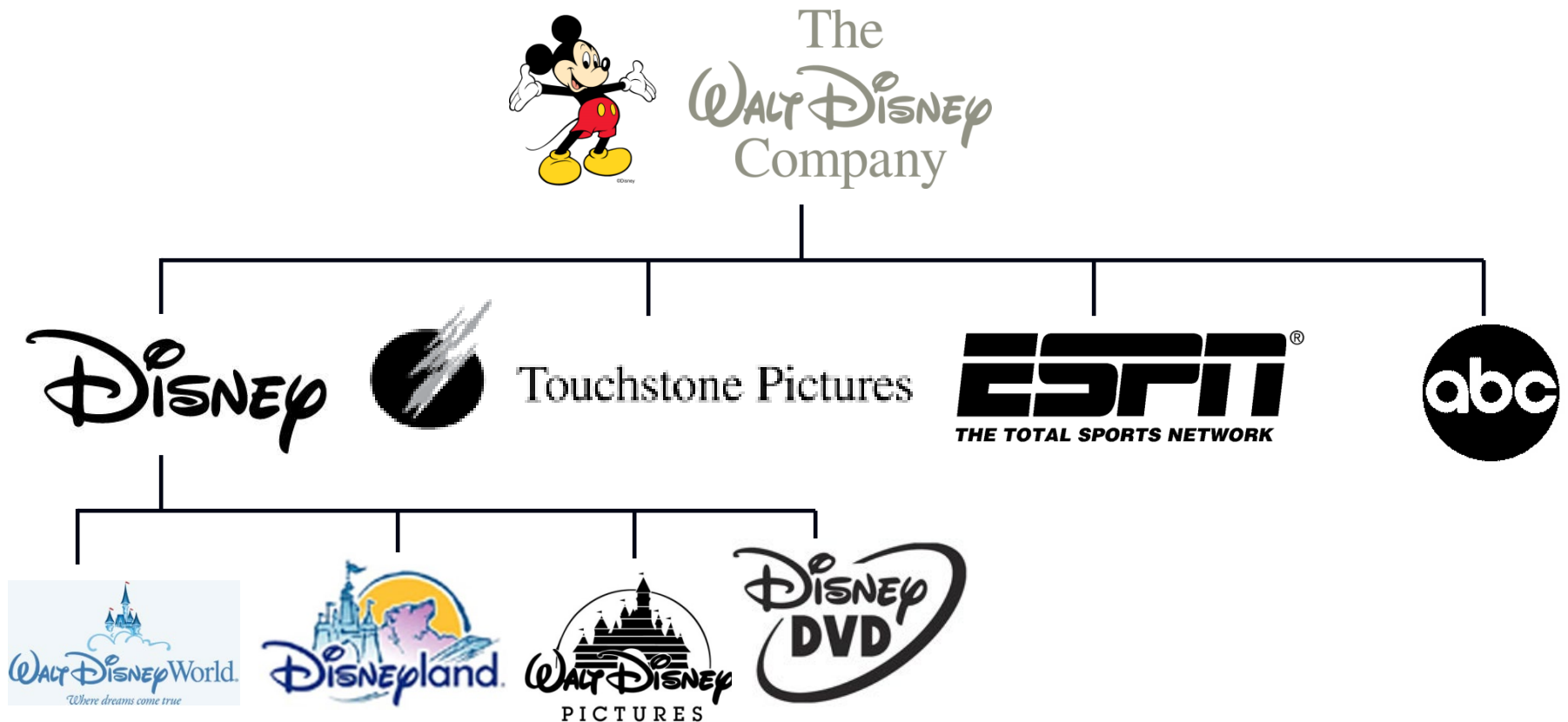
Brand architecture

Effective brand architectures support the following principles:

- Striving for simplicity
- Adding complexity for clarity
- Managing relatedness through perceptual distance
- Maintaining differentiation to diminish intra-company competition
- Introducing order and dominance
- Managing a flexible logic

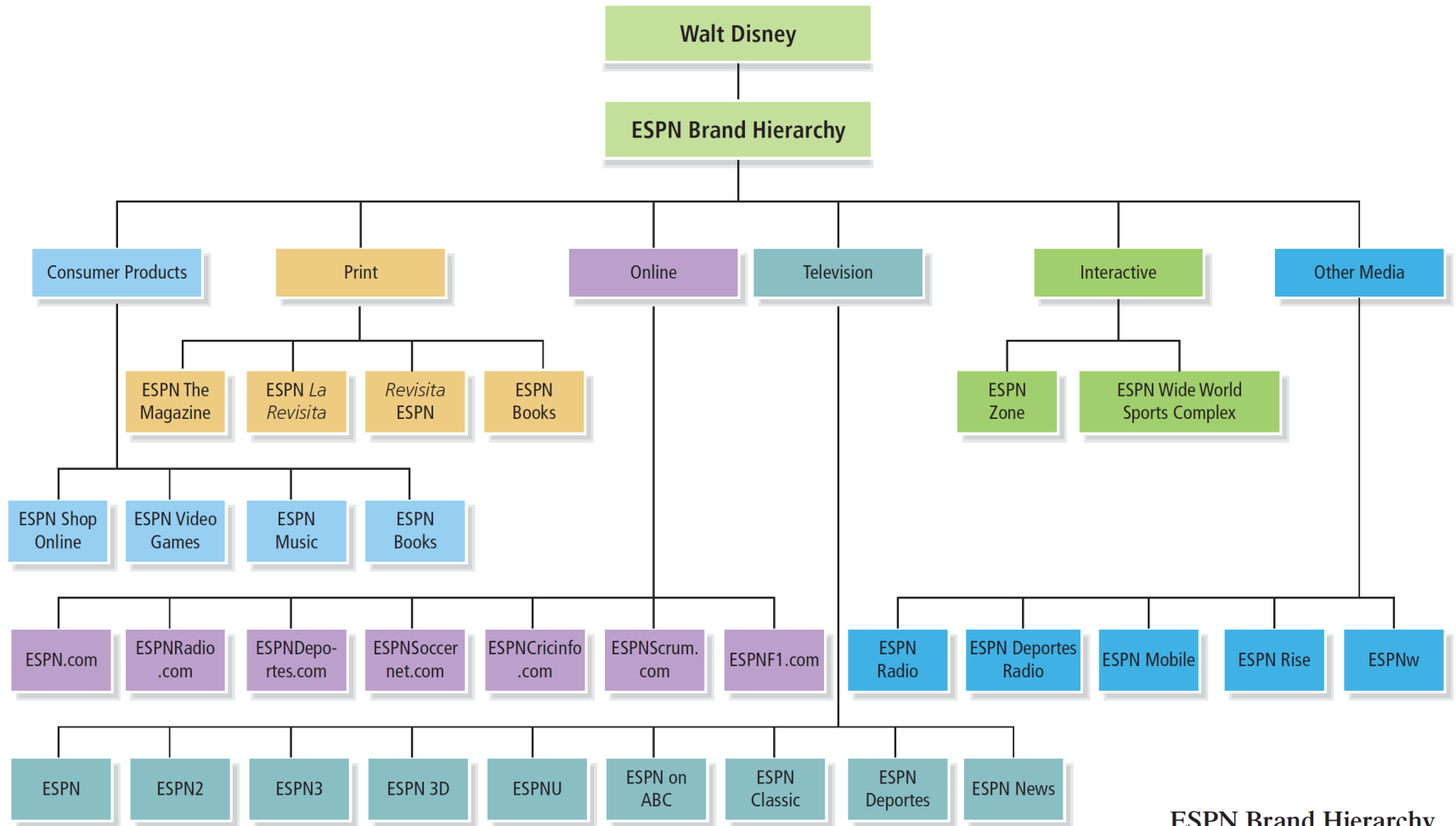
Brand architecture

Visualizing brand architecture



Brand architecture

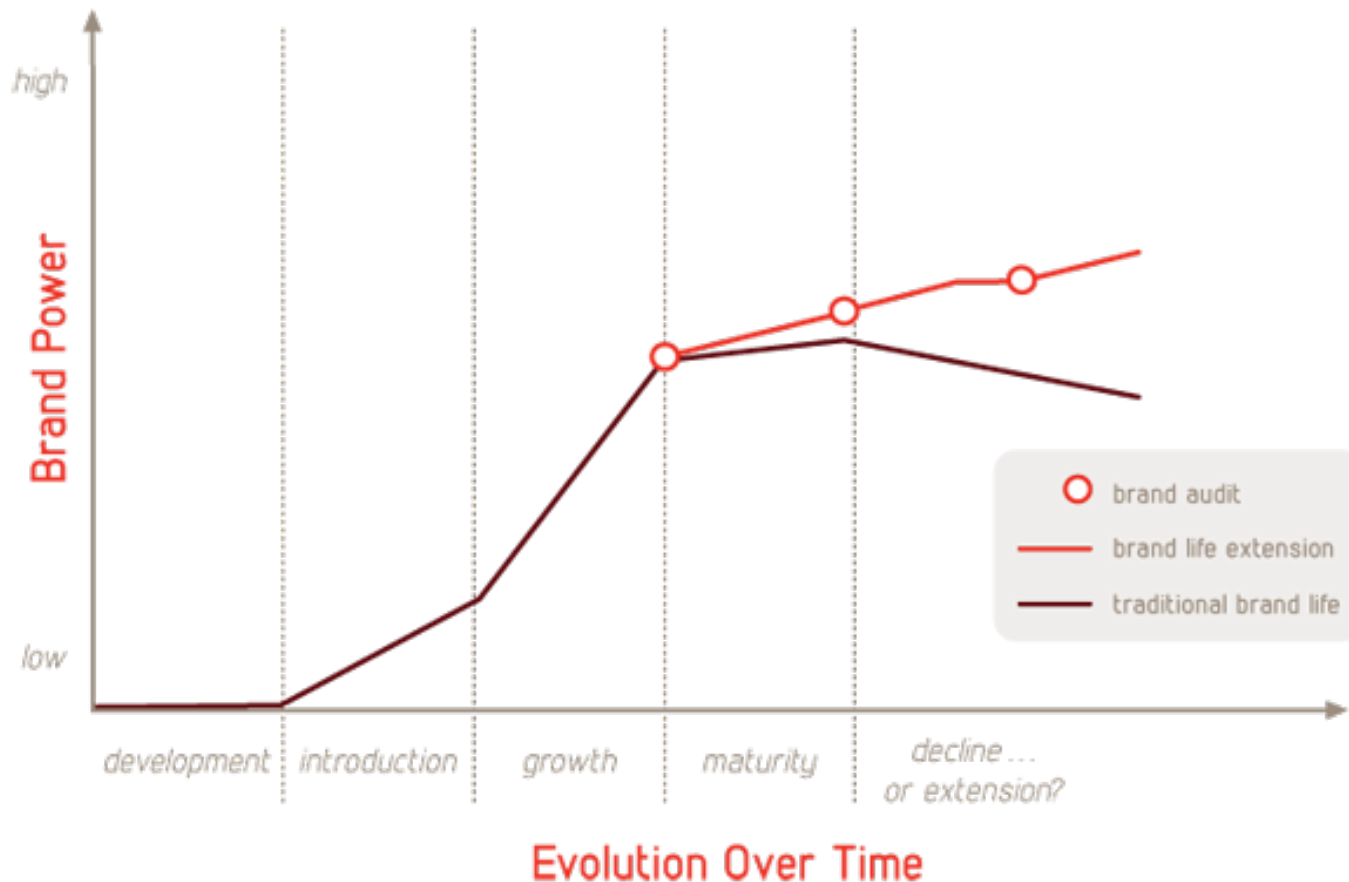
Visualizing brand architecture



Brand architecture

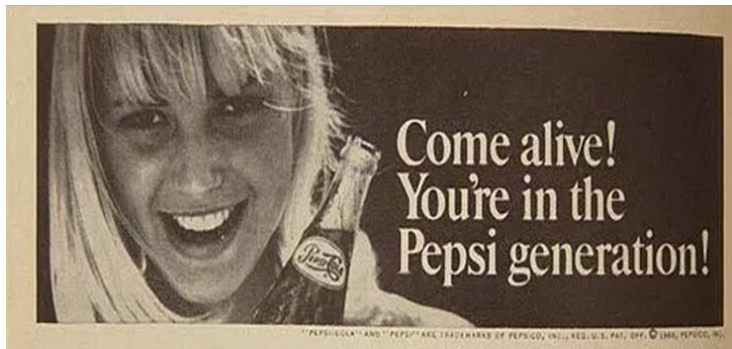
Extend the Life of Your Brand

the difference a brand audit makes





1960s



1980s – 1990s



The Choice of a New Generation

2010



2013 - 2017

