CHAPTER 3

Creating a Powerful Brand Portfolio

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In 2014, executives at investment banking giant Goldman Sachs identified a promising new growth opportunity: consumer lending. The firm had long focused on high–net worth individuals and business clients, but the outlook for these businesses was somewhat troubled. Expanding into a new segment, consumer lending, could provide incremental growth.[1]

The problem, however, was that the Goldman Sachs brand was not ideal for consumer banking. Dustin Cohn, head of brand management and communications, explained the problem: "When you called it 'Goldman Sachs,' consumers said, 'Well, I've heard of Goldman Sachs, but that's not for me—that's for wealthy people and institutions.'"[2] The other problem was that offering small consumer loans might damage the Goldman Sachs brand's reputation as a partner for wealthy families and corporate titans.

Goldman resolved this issue by introducing a new brand, Marcus, to offer personal loans and savings accounts to individuals. The firm used a brand endorsement structure, calling the new firm Marcus by Goldman Sachs to tap into the power of the Goldman brand. Since the launch in 2016, Marcus has grown rapidly; by 2018 Marcus had more than 1.5 million customers and had made $3 billion in loans.[3]

Goldman's move to introduce a new endorsed brand is a perfect example of a brand portfolio decision. These portfolio moves are complicated and important. In some respects, managing a portfolio is branding's greatest challenge.

Building a single brand is a hard, especially in our hyper-connected world. Determining the correct positioning, optimizing the design, and managing the various touchpoints—all while developing and executing business initiatives that deliver profits—is a difficult undertaking. Indeed, most of this book is devoted to the topic.

Managing a brand portfolio, or a collection of brands, takes the challenge to another level. When dealing with a brand portfolio, the challenge is building a collection of brands, each with different meaning. Decisions that are optimal for one brand might not be optimal for another; building a successful brand portfolio requires trade-offs and tough choices.

Brand portfolio strategy focuses on questions such as: Should we launch a new brand or sub-brand? Should we acquire a new brand? How do we prioritize our brands? Do we have too many brands? Should we discontinue some of our brands?

Every organization needs to consider its brand portfolio. Even if a company has only one brand, it may decide to launch or acquire a new brand, or introduce a sub-brand or branded service. All of these moves impact the broader brand portfolio.

This chapter highlights how brand portfolios can drive profitable growth, explains why portfolios, if not managed well, can become major problems, and provides five keys to success.

Brand Portfolio Strategy Definitions

Before proceeding too far in a discussion of brand portfolios, it is important to cover a few key definitions.

Primary Brand

The *primary brand* is the main name on a product or service. This is generally the largest branding element on a product package or in a piece of communication. This is also what people refer to when they talk about the brand. Facebook, Apple, and Lufthansa are all primary brands.

By definition, every brand has a primary brand. The very simplest branding structures have just a primary brand and product description. Brands such as McDonald's restaurants, Starbucks coffee, Northwestern University, and Google search engine are all examples of a primary brand followed by a product description.

Sub-Brand

Sub-brands are secondary brands that fall below the primary brand in prominence. In most cases, the sub-brand will be more prominent than the descriptor that follows it. The key distinction is that the primary brand continues to be the most important branding element. For example, Honda uses a sub-brand system for many of its vehicles. The Honda Civic compact car has a primary brand (Honda), a sub-brand (Civic), and a descriptor (compact car).

Sub-brands are usually employed to distinguish a group of products or service offerings that differs in some meaningful way from the primary brand. The Toyota Highlander SUV is a Toyota, with all of the positive associations that the brand brings. The Highlander sub-brand is a group of large SUVs that are both rugged and family friendly.

Sub-brands can vary substantially in prominence, but there is a limit to how important the sub-brand can become; if the sub-brand becomes more prominent than the primary brand, then the sub-brand is actually the primary brand. Ram, for example, was at one point a sub-brand underneath the Dodge brand. Eventually, executives realized that for truck buyers, Ram was actually more powerful than Dodge, and they made Ram the primary brand.

Hyatt Corporation used a sub-brand structure when it launched Hyatt Centric in 2015, a new line of hotels targeting millennial travelers. Hyatt was eager to reach young, digitally savvy travelers, a segment it called "modern explorers." As Kristine Rose, vice president of brands at Hyatt, noted, "The modern explorers are truly a savvy, curious group. Their expectations are simple, but their standards are high and they want their experience to be intuitive and smart. They want all the options and must-haves from a full-service hotel, but without any fuss or complications."[4] With a sub-brand structure, Hyatt hoped to capitalize on positive associations with the Hyatt brand, while also indicating that this new line of properties was somewhat different and unique—and targeted to a very specific demographic.

Endorser Brand

Companies will use an endorsement branding strategy to highlight a connection to another brand. Marcus by Goldman Sachs is a perfect example of an endorsement strategy: Marcus is a distinct brand, but it is associated with Goldman Sachs. It is different but shares some characteristics. Steinway Corporation used a similar approach when it entered the mid-tier piano market. The company introduced a new brand, Boston, but included an endorsement from Steinway. The Boston by Steinway line of pianos is not the top-of-the-line Steinway, but it has some connection.

Endorsers can vary substantially in visual and verbal prominence, conveying everything from a very slight to a very strong endorsement. Like sub-brands, endorser brands can never exceed the prominence of the primary brand; if the endorser brand is the largest branding element, then it is actually the primary brand, not an endorser.

Marriott Corporation makes extensive use of endorser brands in its portfolio. The company's brand portfolio includes Residence Inn by Marriott, Courtyard by Marriott, AC Hotels by Marriott, Protea Hotels by Marriott, and many other brands that carry a Marriott endorsement.[5] The goal of this approach is to let people know that the different brands have a connection to Marriott, which means travelers can count on a certain level of quality and reliability as well as a common rewards program.

Ingredient and Service Brands

Companies can brand ingredients and ancillary services in addition to branding the core product or service offering.

Ingredient branding is commonly used to differentiate from competitors. If a company can brand one of its ingredients, it becomes a point of differentiation. A vague phrase, such as "heavy duty" or "high quality," is easy for competitors to copy. A branded ingredient or service is different because it is legally protected, so it cannot be copied by competitors. A branded ingredient or service can become an enduring point of differentiation. A competitor could create its own ingredient brand, but it can't use the same one. Unlike a patent, a branded ingredient can last forever.

This is a fairly common approach to differentiation. For example, Glad trash bags employed this strategy by adding a fragrance to its bags and creating a branded ingredient, OdorShield. The brand OdorShield wasn't part of the product name, but it was prominently featured on the package. Similarly, Chrysler created an ingredient brand around an engine, the Hemi, to indicate a high level of performance. In hotels, Westin introduced the Heavenly Bed.

Service brands are similar to ingredient brands but are used for particular service offerings. Air France-KLM created a new brand for its rewards program, Flying Blue. Lufthansa used a similar approach with the Miles & More brand.

The Power of Brand Portfolios

Building a portfolio of strong brands is a classic strategy for driving revenue and profit growth. A collection of powerful brands can reach different customer segments and capitalize on shifts in the market.

The strategic thinking behind brand portfolios isn't complicated. Start with the core challenge: growth. Firms today are under constant pressure to generate incremental revenue and profit. If you are a public company, growth is essential to keep investors happy: people don't line up to invest in a company that isn't growing. Private companies also have to grow, as private equity managers are not known for their patience. Family companies have to grow, too, because there are usually more and more family members to support as the years go by.

Stretching the Brand

So how do you grow? One way is to stretch your brand and broaden its appeal. Sometimes a company will extend a brand into new categories. Other times a firm will reach new target groups within the same category. Porsche, for example, has stretched its brand to multiple segments of the auto industry. For many years the core of its brand was small, high-performance, expensive cars. This was distinctive but also limiting: the world doesn't need many tiny, super-fast cars. So over the past 15 years, Porsche has stretched its brand. In 2002, the company launched the Cayenne, a large SUV, in an effort to reach families. Later, Porsche introduced a four-door sedan, the Panamera, and then a smaller SUV, the Macan. In the process, Porsche drove significant growth. The Cayenne is now its best-seller.

Danish design firm Vipp has grown by stretching its brand to new categories. The company's core product was a durable, stylish trash can. In 1996, the brand introduced its second product, a toilet brush. From there, the brand expanded into furniture, lighting, kitchens, homes, and even a line of hotels. Vipp's solid, durable, and expensive product has become something of an icon, leading Vipp to enter different parts of the household industry. As CEO Kasper Egelund explained, "We were a trash-can brand. Then we became a bathroom brand, then a kitchen and bathroom brand, and now we're what you call a lifestyle brand. But is that it? There's no rule that says this is where it ends. You have to have a dream and then pursue it like hell."[6]

The challenge with stretching a brand is that it only works to a certain degree. If a company stretches its brand too far, it can become less distinct. Great brands stand for something specific—you can't be all things to all people. The more you stretch a brand, the closer you get to the "all things to all people" dilemma. Some brands simply can't stretch very far. As Andy Palmer, CEO of luxury British automaker Aston Martin observed, "This is not a car company that is ever going to be selling a lot of cars. Part of its mystique is the exclusivity."[7]

Fashion giant Ralph Lauren Corporation illustrates what can happen when a brand expands too far. The brand, founded by Ralph Lauren in 1968, started as an upscale fashion brand with a distinctive sense of style. Over time the firm expanded and launched dozens of new product lines, including Polo Ralph Lauren, Double RL, Ralph by Ralph Lauren, RL Restaurant, and Ralph's Coffee Shop. The new lines drove significant growth, with sales reaching $7.6 billion in fiscal year 2015. The expansion also weakened the Ralph Lauren brand. Industry analyst Neil Saunders observed, "The Ralph Lauren flagship on New York's Upper East Side is a world away from the selection of random Polo sweaters thrown onto a fixture at Macy's. It is becoming increasingly difficult for the two to coexist without causing brand confusion."[8] Sales slumped in 2016, and in 2017 the company lost almost $100 million.

Expanding the Brand Portfolio

An alternative approach to growth is to create a portfolio of brands so a company has different brands reaching different segments of customers. With a brand portfolio, a corporate parent will have multiple brands in the market. One brand might target families while another brand targets young, single people. In many cases, customers are not aware of the ownership structure. In several research studies, I've found that people generally have no idea who actually owns many of the brands they use every day.

A portfolio provides many advantages. First, it lets a company capitalize on opportunities in the market. If there is a compelling segment or opportunity, the firm can create a brand to address it. Second, a portfolio provides flexibility. It is possible to launch, acquire, spin off, and discontinue brands. Third, a portfolio reduces risk. If one brand encounters trouble, the other brands in the portfolio may be fine—or even benefit as people look for alternatives.

Facebook, for example, has a portfolio of brands in the market. The core of the company is the Facebook network, where people post and share photos, videos, and comments. The firm also acquired Instagram in 2012, a network where people primarily share images. Many people are unaware that Facebook now owns Instagram.

Some organizations have vast portfolios. Marriott Corporation has more than 25 brands, brewing giant AB InBev owns more than 400 brands, and Coca-Cola Corporation owns more than 500 different brands.

The Characteristics of Strong Brand Portfolios

Strong brand portfolios have several characteristics. First, each brand within the corporate portfolio has clear associations and a distinct customer advantage. The brand meaning is clear, and the brand creates value. Customers understand and value the brand.

Second, there is little overlap. The best brand portfolios have distinct brands, with each brand going after different segments of the market. Overlap is almost always a concern; the more overlap, the more difficult the different brands are to manage. Redundant brands create confusion and conflict.

Third, a strong brand portfolio has a manageable number of brands. Each brand requires attention and support: a company must have the resources to monitor quality, field customer complaints, engage on social media, and optimize production and pricing for each brand.

Portfolio Problems

Without care and attention, a brand portfolio can quickly become a problem: instead of being a key driver of growth and profit, the portfolio creates complexity, inefficiency, and conflict. Key portfolio problems include weak brands, redundant brands, and too many brands.

General Motors Corporation provides a vivid example of what can happen if a portfolio is not managed well. For many years, GM was one of the leading corporations in the world. It was the dominant auto manufacturer and also one of the top manufacturers in the world. GM's brand portfolio drove much of this growth; the company had different brands, each aimed at a distinct customer segment. In the U.S. market, the Chevrolet brand was positioned for young people starting out who were looking for a practical, reliable car. Pontiac had a bit more flash and performance for people making progress in their careers and earning a bit more money. Buick was a family car—safe and reliable. Oldsmobile provided comfort and a touch of luxury for more mature buyers. And Cadillac was the ultimate sign of luxury. If you drove a Cadillac, your ship had clearly come in.

As GM expanded, however, the firm started to manage the brands more and more independently. The company put someone in charge of Chevrolet and told that person to drive growth, then put someone else in charge of Pontiac who was told to drive growth, too. So the managers did what they were told to do: grow. A logical way to grow is to expand the product line. The Chevrolet manager started introducing slightly bigger and snazzier cars, hoping to keep people in the Chevrolet franchise. The Pontiac manager grew the brand also, with a similar approach. The Cadillac manager employed a similar strategy.

Eventually, the operations team at GM observed that each brand was now selling a similar car, so there was money to be saved by embracing a platform manufacturing process. GM started selling variations of essentially the same car under the different brands. This was efficient from a production standpoint but weakened each individual brand.

With weakening brands, GM decided to add new, distinctive brands. It bought the Saab brand to anchor the high-end consumer market. GM also acquired the Hummer brand and then launched the new Saturn brand to compete on the low end.

Eventually, GM ended up with a vast collection of overlapping brands in the U.S. market: Saturn, Chevrolet, Pontiac, Buick, Oldsmobile, Cadillac, Saab, Hummer, GMC, and GM. This was a disaster: inefficient, confusing, weak. The problematic portfolio is one reason GM went bankrupt in 2009.

An important lesson from the GM example is this: it isn't enough to optimize each brand on its own. A parent company must consider and effectively manage the overall portfolio in its entirety.

MAKING PORTFOLIO DECISIONS

Portfolio decisions are some of the most important and challenging a business leader will face. One reason is that portfolio decisions are long term. When you launch a new brand, you have to manage it for many, many years. When you kill a brand, it is gone.

Portfolio decisions also usually require trade-offs among brands. Building all of the brands simultaneously and maximizing the total portfolio are often very different things: often the best way to build a portfolio is to focus on some brands at the expense of others.

The decisions can become emotional. The team leading a brand is often very attached to it; the brand may even give the team a sense of identity, just as some brands give their customers a sense of identity. As a result, people working on a brand will often fight very hard to defend it, lobbying for resources and attention even when the moves might not be right for the company as a whole.

Most challenging, perhaps, is the fact that there is rarely a clear answer to a portfolio decision, and in most situations there are no analyses that will conclusively prove that one decision is right and another is wrong. Portfolio decisions are affected by many variables, making it difficult to construct a financial model that will clearly indicate which path will lead to the most long-term profitability. The results depend on the assumptions that go into the analysis. You can do various analyses—concept tests and financial modeling—but none of the analyses will decisively determine the "right" answer.

While portfolio questions are challenging, they cannot be ignored. Every company must address brand portfolio questions. Each time a company launches a new product, it makes a portfolio decision. Similarly, each time a company sets financial targets and allocates resources, it makes a portfolio decision.

Optimizing each individual brand in the absence of a broader perspective is a bit like worrying about each particular color in a painting: the individual colors may be nice, but they must work together to create a beautiful piece.

Brand Portfolio Models

There are two basic models for brand portfolios: "house of brands" and "branded house." Companies employ both models widely, and both have strengths and weaknesses.

House of Brands

The classic and most powerful model for a brand portfolio is the house of brands. With this model, a company will own a number of different brands, possibly with several different brands in the same category. Each brand exists on its own. The company minimizes cannibalization and redundancy by creating a distinct positioning for each brand.

In a particular category, for example, one brand may target price-sensitive customers and compete on low prices, while another brand may target performance-oriented customers and compete on technical features. Companies employing the house of brands model often use a distinct corporate name. As a result, consumers are often unaware that a company's brands are all owned by the same parent.

Procter & Gamble is a classic example of a company employing a house of brands approach. The company owns dozens of different brands, including Dawn, Crest, Charmin, Bounty, Gillette, and Always. Each brand is distinct: the P&G brand is not used in a meaningful way on any of the products. Indeed, the only way a customer would know the brands are owned by P&G is by studying the fine print on the back of the label or spending some time on Google.

LVMH group is another example of a company embracing the house of brands model. LVMH owns more than 70 different luxury brands across categories that include fashion, wines and spirits, and watches. LVMH brands include Louis Vuitton, Chandon, Krug, Hennessy, Marc Jacobs, Berluti, Fresh, Hublot, Zenith, and Sephora. Each brand is distinct; LVMH owns and manages the brands but plays no role in each product's branding. There is no LVMH store, no LVMH credit card, and no LVMH frequent buyer program. The corporation capitalizes on synergies. There are common HR policies, for example, and a centralized real estate group to manage retail properties. Customers have no idea that the brands are all owned by the same firm.

The house of brands structure has a number of compelling advantages. The most obvious is that each brand can be precisely targeted to a group of consumers with a distinct product offering and positioning. There is no need to stretch a brand beyond its positioning: if an opportunity is compelling but the existing brands in the portfolio are not appropriate, the company can acquire or launch a new brand. When PepsiCo saw a need for a carbonated drink to compete with LaCroix sparkling water, for example, it expanded its portfolio in 2018 by launching a new brand, Bubbly, targeted precisely at the opportunity. This made perfect sense: extending the Pepsi brand itself into carbonated water would have created confusion about the new product and confusion about Pepsi.

Similarly, a house of brands strategy makes it easy to build a global business, because brands can play in the countries where they are most relevant. If a brand is not meaningful in one country, for example, the parent company can acquire or launch another brand that is.

The house of brands approach does have downsides, the biggest being that it can be a challenge to manage. Each brand needs to make decisions about pricing, new products, advertising, and other matters. If a company doesn't have an entrepreneurial culture, a house of brands approach can lead to debilitating complexity. It can also be inefficient. If a company pursuing a house of brands model isn't careful, it can end up with a large number of small brands, each one lacking the scale needed to drive substantial profits. Supporting the corporate brand—important for investors, business partners, and employees—requires additional spending.

Branded House

The opposite brand portfolio strategy is the branded house. In this model, a company takes a single primary brand across multiple products and categories. Purely executed, all the products a company produces are sold under a single brand name. Most often the corporation has the same name as the primary brand.

Uber is an example of a branded house. The company, founded by Travis Kalanick and Garrett Camp in 2008, operates solely under the Uber brand. In a bid to drive growth, Uber has expanded its product offerings, providing food delivery and unique experiences. It continues to leverage the Uber brand name.

Virgin Group is another example of a branded house. British business leader Richard Branson created the brand in 1971. The company first operated a music store in London, then gradually expanded into new businesses: airlines, telecommunications, financial services, soft drinks, wine, and many more. The Virgin brand is used across almost all of these categories, making Virgin one of the most broadly applied brands in the world.

The branded house drives focus on the brand. Because there is just one brand, it receives an enormous amount of senior management attention. Branson is very focused on the Virgin brand; he doesn't get distracted managing a dozen different ones. It is also efficient, because all the company's marketing efforts support the primary brand, which builds scale. Sponsoring an event such as the World Cup or the Olympics requires enormous investment, putting it out of reach for small brands.

Perhaps the biggest challenge with a branded house model is that the brand can become diluted as it spreads across different product categories. Virgin is unique because it successfully plays in disparate markets, unified by the popular and dynamic Branson. Other companies have more difficulty. The Hewlett Packard brand, for example, is used in different categories (and now by different companies) and has lost much of its distinction.

The branded house model can also constrain innovation and growth. If all ideas must fit under the one primary brand name, a company may not pursue good ideas simply because they don't fit under the brand's umbrella.

KEYS TO SUCCESS

There is no one magic formula for creating a strong brand portfolio. Each company and situation is unique, with dynamics that require a deep strategic assessment of the particular situation. What works in one situation will not necessarily work in the next. There are, however, some best practices.

Key to Success #1: Build and Extend Core Brands

The first and most important lesson in portfolio strategy is that it is always best to start with the core. If a company doesn't have a strong foundation, it will be impossible to invest in new brands. As a result, establishing a strong base is priority number one. This means that if you have a new idea that fits with your existing brand, put it there. The innovation will help the existing brand, and the existing brand will help the innovation.

Keep in mind that it is possible to go too far: extensions can weaken a brand, creating confusion and dilution. Extending the Gerber brand into beer, for example, would weaken the meaning of the baby-food brand. As Jack Trout writes in *Differentiate or Die*, "The more things you try to become and the more you lose focus, the more difficult it is to differentiate your product."[9]

It is useful to ask three questions about any line extension. First, will the existing brand help the new product? The existing brand must be an asset for the new product, but this is not always the case—as noted above, existing brands can sometimes diminish the appeal of a new product. Using the Clorox brand on a new line of salad dressings, for example, will not help sales of the new product. The Clorox brand is associated with bleach, which is obviously not a positive in the world of salad dressing. Similarly, using Kikkoman, a well-known brand of soy sauce, to launch an airline will simply create confusion.

Second, will the new product help the existing brand? The new product must be positive for the base brand. Damaging a strong brand by launching a poor-quality or confusing extension makes little sense.

Third, is the new product a good business idea? It may be possible to extend a brand into a new category, but the idea must make good business sense. Simply because a product can expand into a new category doesn't mean it should. Entering an existing, well-established category with a nondifferentiated item is not likely to be successful, regardless of how compelling the brand is.

Apple illustrates the power of focusing on the core brand. The company consistently uses the Apple brand on all of its new products. This creates two positive dynamics: the new products help the Apple brand, demonstrating its innovative and contemporary nature, and Apple helps the new products through its positive associations of excellence in design and customer experience.

Key to Success #2: Add Brands to the Portfolio to Address Major Opportunities

It is important to be open to launching new brands. One of the most obvious times to launch a new brand is when the company is going after a new market—either a new segment of an existing category or an entirely new category. If the brands currently in the portfolio are not well aligned with the opportunity, it may make sense to add a new brand to the portfolio rather than extend a current brand.

There are even times when it makes sense to launch the same product under different brand names, if the product is positioned against different uses. In the pharmaceutical industry, for example, compounds are occasionally introduced under different brand names to address different needs. Amgen introduced its biologic compound denosumab under the Prolia brand name to treat osteoporosis in older people and under the Xgeva brand to prevent bone fractures in oncology patients.

When a company has a breakthrough technology or new product idea, it should carefully consider whether it is best to extend an existing brand or to introduce a new brand. Launching the new product idea under an existing brand will give the product a set of initial associations, and this may actually limit its long-term appeal. As Harvard marketing professor John Quelch noted, "By bringing important new products to market as line extensions, many companies leave money on the table. Some product ideas are big enough to warrant a new brand."[10]

By contrast, using the opportunity to introduce a new brand could drive high levels of incremental volume and lead to long-term growth. Importantly, a new brand can create its own identity. This is particularly important when the existing brands have limited appeal.

Of course, launching a new brand is costly, and if technology changes, the new brand's point of difference could become irrelevant. Sanka, for example, was a line of decaffeinated coffee. When the decaffeinated alternative was adopted across the coffee category, the benefit of Sanka vanished. Today, Sanka is a weak, fading brand.

When evaluating whether to add a brand to the portfolio, a company must do three important things: it must ensure that the new brand is distinct from the existing brands in the portfolio; it must be sure that the financial returns are positive; and it must ensure that the organization has the resources to manage the new brand.

Key to Success #3: Proactively Prune Weak and Redundant Brands

Just as pruning dead flowers from a plant ensures that the remaining buds will grow and flourish more abundantly, pruning is an essential part of managing the brand portfolio. Pruning weak brands will ensure that the remaining brands will continue to grow and thrive.

Brand portfolios tend to expand over time due to acquisitions and new product introductions. Few companies deliberately set out to create unwieldy brand portfolios, but often it is the natural result of expansion. Complex and unwieldy portfolios are difficult to manage, as each piece of the puzzle requires attention.

Redundant brands are a particularly difficult problem for companies: it is exceptionally hard to manage multiple brands in the same market space. Trading sales between brands, often at great cost, is not a good way to do business. Inevitably, redundant brands also create internal conflicts. Each management team, likely motivated by the need to deliver strong business results, will fight for sales attention, marketing spending, and new product ideas.

Retail giant Macy's has dramatically pruned its portfolio in recent years, taking dozens of regional department stores and bringing them together under just two brands: Macy's and Bloomingdale's. The company combined iconic local brands such as Marshall Field's (Illinois); Dayton's (Minnesota); Robinson's (California and Arizona); and Lazarus (Ohio). In the process, Macy's increased efficiency and built scale.

Pruning a portfolio has two benefits. First, it helps promising brands grow, enabling management to focus its time, attention, and resources on its most profitable brands. Second, it eliminates brands that will likely never play a meaningful role in the company portfolio.

Unfortunately, managers often have few incentives to prune the brand portfolio. Pruning is not glamorous work. At most companies, the rewards go to people who launch new initiatives and create new brands, not to people who identify and prune the deadwood.

Pruning is a difficult decision. It is final, absolute, and, for those who have come to have an emotional connection with the brand, very sad. Decisions to prune a portfolio should be made with care, as it is hard to reverse the decision, and eliminating a brand means disposing of a key company asset.

Once a decision has been made to prune a brand, there are several ways to accomplish the task. First, brands can be divested, or sold to another company. This likely maximizes the value of the brand, but it could create a new competitor. Second, brands can be harvested, or managed solely for short-term profits. Third, brands can simply be discontinued, or pulled off the market. This needs to be done carefully to ensure that another company does not pick up the trademarks.

P&G, for example, lost control of its bathroom tissue brand White Cloud when in 1993 the company discontinued the old brand in order to focus its efforts on its primary bathroom tissue brand, Charmin. Tony Gelbart, an enterprising marketer, noticed P&G's move and applied for the White Cloud trademark, declaring that it was an abandoned mark. After years of legal fights, Gelbart secured ownership of White Cloud and relaunched it as a premium brand at Walmart. P&G tried to kill White Cloud but ended up competing against it.[11]

Finally, brands can be combined. In this scenario, brands are gradually brought together, with the company transitioning customers over time. For example, Nestlé folded its Contadina line of refrigerated pastas into the Buitoni brand. Nestlé made the change very gradually, first adding Buitoni to the package as an endorser, then making Buitoni the primary brand and Contadina the sub-brand, and finally dropping the Contadina name entirely. Nestlé maintained category leadership during the transition.

Key to Success #4: Keep Things Simple

In business, too much complexity is almost always a problem. In branding, this is particularly true, as a complex brand portfolio is a challenge to manage. Every brand in a corporate structure must be managed and tracked, so each bit of complexity makes it harder to develop and execute business plans.

Every branding element requires investment. Introducing a sub-brand that is meaningless to customers, for example, creates needless complexity. A company must invest in creating meaning around a branding element; otherwise it should simply use a product descriptor.

In an effort to capture the best of all worlds, managers have an incentive to introduce many sub-brands and endorsers. The result, though, is that customers sometimes have no idea what any brand stands for. A good rule of thumb: if you can't explain a brand structure in a sentence or two, it is too complex.

Key to Success #5: Involve Senior Management

In order to achieve the best results, brand portfolio decisions should be made at the very highest levels of an organization, for three reasons. First, as discussed earlier, portfolio decisions are enormously important; few will have as important an impact as a brand portfolio decision.

Second, portfolio decisions require a long-term perspective. Managers charged with delivering short-term financial targets obviously have an incentive to maximize short-term results. However, short-term thinking shouldn't drive a portfolio decision.

Third, portfolio decisions often require trade-offs among brands. The goal in managing a portfolio is to maximize the whole, not the parts. The managers responsible for delivering results for a particular brand aren't usually interested in hurting their own brand's results to help another brand; thus, senior management must be the decision maker. Nicolas Hayek, the former CEO of Swatch Group, managed a wide range of brands. He observed, "Each brand is different, so each message is different. But each brand has a message. My job is to sit in the bunker with a machine gun defending the distinct messages of all my brands."[12]

SUMMARY

Managing brand portfolios is one of the great challenges in branding. As hard as it is to build a strong brand, it is even harder to build a portfolio of great brands. The answers are seldom clear, and the trade-offs are significant. Still, a company must focus on the portfolio challenge in order to prosper. Great results don't come from strong brands—they come from strong portfolios of brands.

To build a strong portfolio, firms should build the core, add brands to address compelling new opportunities, proactively prune weak brands, keep things simple, and involve senior management.

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