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6. BRAND PORTFOLIO AND ARCHITECTURE

“But surely the more established brands you have the better?”



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Using this guide

Navigation

There are a number of ways to make your way round this guide:

> Bookmarks

Gives a topic overview of the guide – first select the bookmarks tab on the left of the screen (alternatively use [F5] key), then click on to a topic to link to the relevant page.

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Clicking on the left or right of this icon, at the bottom right of each page, will enable you to move forward or back, page by page.

> Tool bar

The tool bar at the bottom of the screen is another way to skip through pages, by clicking on the arrows.

> Margin icons

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> **To Branding website**

Clicking on the '@' icon at the bottom left of each page will take you to the home page of the Branding website. This link will only work when you are online.

Margin icons

We've added icons in the margins of the text to highlight particular types of information:



> **Case study**

This signals a story that will illustrate theory applied in practice. Click on the icon to view the example and, once you have finished, select 'back' to return to where you were originally.



> **Checklist**

Points to a summary page.



> **Resources**

Links through to the online Brand Store section where you will find further resources on the topic being discussed.



> **FAQs**

Gives answers to frequently asked questions.



> **Further details**

Indicates additional material on the same subject. This information may be located within the same eGuide; in one of the other six eGuides (in which case the link will only work if the pdfs of the other eGuides have been downloaded into the same folder); or on a separate website (in which case the link will only work if the pdf is being viewed online).



In order to distribute your investment most effectively it is important to look at the relationships between all the sub-brands and their strategic importance in overall brand building.

Introduction

“But surely the more established brands you have the better?”

The brand portfolio includes all the brands and sub-brands attached to product-market offerings, including co-brands with other brands. In order to distribute your investment most effectively it is important to look at the relationships between all the sub-brands and their strategic importance in overall brand building. This will help you answer the following questions:

- > What is the logic of the structure?
- > Does it provide clarity to the customer rather than complexity and confusion?
- > Does the logic promote synergy and leverage?
- > Does it provide a sense of order, purpose and direction to the organisation?
- > Or does it suggest ad-hoc decision making that will lead to strategic drift and an incoherent jumble of brands?

Looking at brands as stand-alone silos is a recipe for confusion and inefficiency.

Why managing a brand portfolio is important

"Lack of focus means that energy and resources are dissipated. Focus, in contrast, ensures that people and resources are concentrated where they can add greatest value." [Fitzgerald, 2001]

Portfolio management will influence the following areas:

Resource

Resources such as R&D and marketing spend need to be allocated to areas of best return. Each brand requires brand-building resources. Without a clear picture of the portfolio, it will be harder to identify how best to support the brands that will bring the best returns. If each brand is funded solely according to its profit contribution, high-potential brands with modest current sales could be starved of resources.

Efficiency

Create synergy with your brand portfolio – strong associations can not only benefit all the

brands but also be cost efficient by creating economies of scale in both manufacturing and communications. Looking at brands as stand-alone silos is a recipe for confusion and inefficiency. Are there too many or too few brands? Could some be consolidated, eliminated or sold?

Growth

Davidson [August 2002 a] identifies six ways in which portfolio management enhances growth:

- > Clear prioritisation of future focus by major market
- > Prioritisation by brand and product
- > Concentration of spend on priority market, brands and products
- > Operational cost savings through simplified business
- > Disposal of brands which don't fit
- > Gap filling by product development and acquisition.

A proper portfolio analysis can highlight which brands are best suited to extension.

Leverage

Leverage your brand equity. Leveraging brands makes them work harder. A proper portfolio analysis can highlight which brands are best suited to extension, for instance. The more effective and powerful your brands, the stronger your leverage and the bottom line.

Clarity

Clarity of product offerings will underpin a consistent brand identity with all the stakeholders.

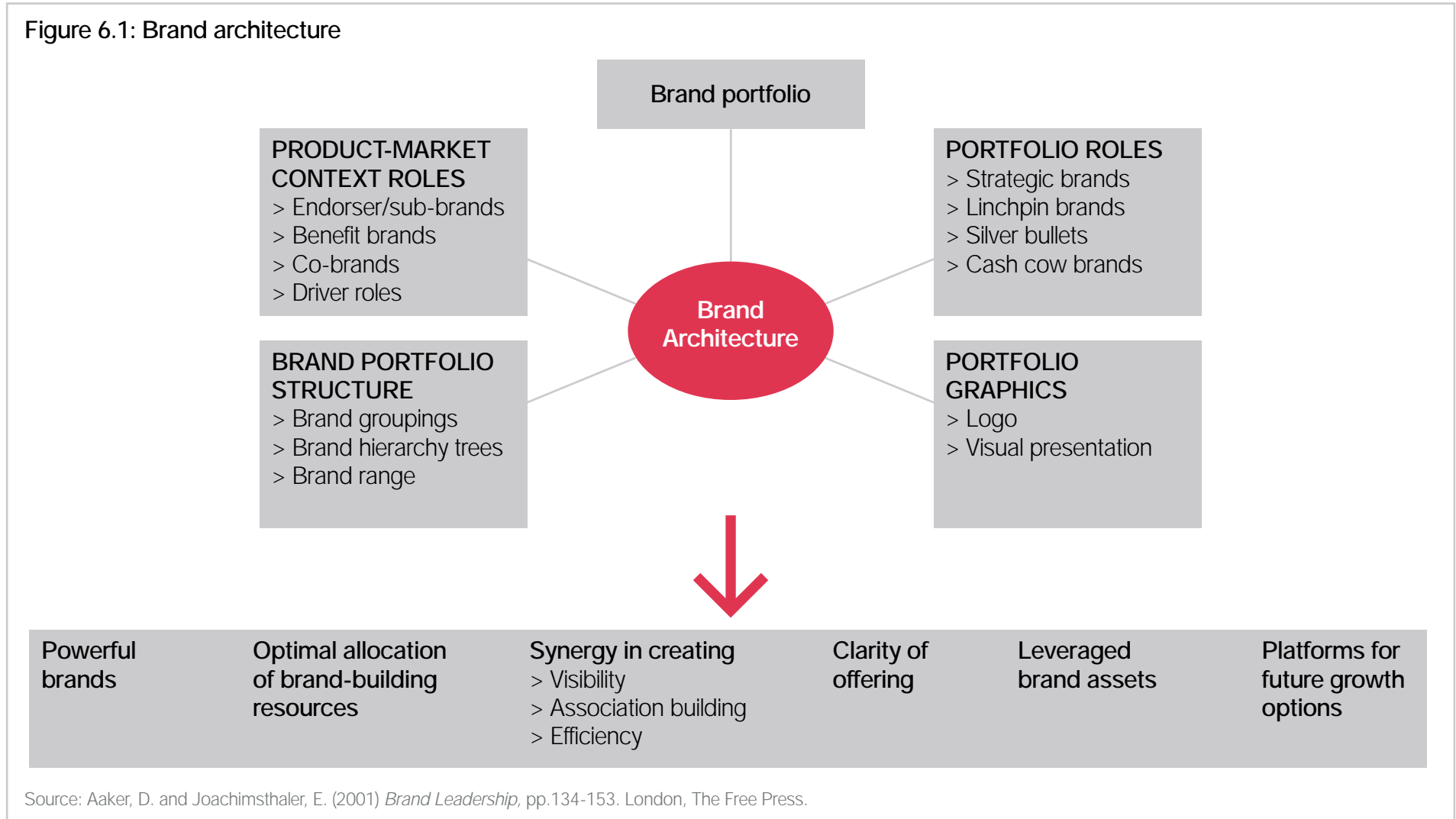
Brand architecture

Brand architecture is the way in which the brands within a company's portfolio are related to, and differentiated from, one another. The architecture should define the different leagues of branding within the organisation; how the corporate brand and sub-brands relate to and support each other; and how the sub-brands reflect or reinforce the core purpose of the corporate brand to which they belong. [Bennie, 2000] The following model (Figure 6.1), proposed by Aaker, maps out the different elements of a brand architecture.



Brand Leadership, pp134-153, for a detailed description of the diagram.

Figure 6.1: Brand architecture



Brand relationships within a portfolio

There are three generic relationships between a master brand and sub-brands:

> **Single brand across organisation**

Examples include Virgin, Red Cross or Oxford University. These brands use a single name across all their activities and this name is how they are known to all their stakeholders – consumers, employees, shareholders, partners, suppliers and other parties.

> **Endorsed brands**

Like Nestle's KitKat, Sony Playstation or Polo by Ralph Lauren. The endorsement of a parent brand should add credibility to the endorsed brand in the eyes of consumers. This strategy also allows companies who operate in many categories to differentiate their different product groups' positioning.






Case study: Japanese brands

> **House of brands**

Like Procter & Gamble's Pampers or Unilever's Persil. The individual sub-brands are offered to consumers, and the parent brand gets little or no prominence. Other stakeholders, like shareholders or partners, know the company by its parent brand.

Figure 6.2 shows the brand relationships spectrum, and there are additional examples of brand relationships in Figure 6.3.

Figure 6.2: Brand relationships spectrum

Types of brand		Organisation brand	Individual brands
Type 1: Single brand across organisation		IBM Mayo Clinic Harvard University Greenpeace Goldman Sachs	None
Type 2: Endorsed brands		Ralph Lauren Microsoft Sony McDonalds	Polo Windows Playstation 2 Big Mac
Type 3: House of brands		Procter & Gamble Pfizer Woodruff Arts Center	Pampers Viagra Atlanta Symphony Orchestra

Source: Davidson, H. (2002)

Figure 6.3: Brand relationship spectrum

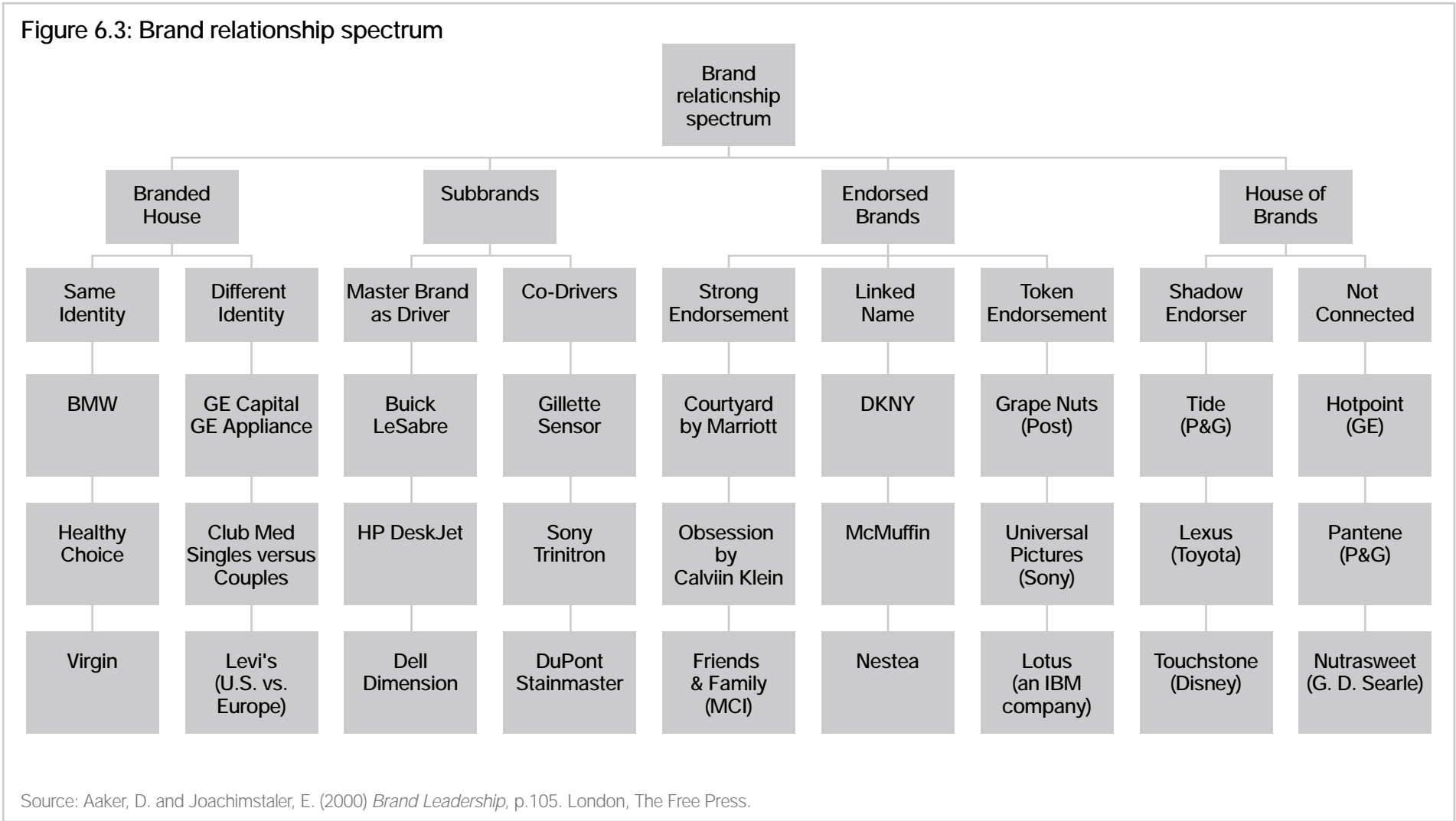
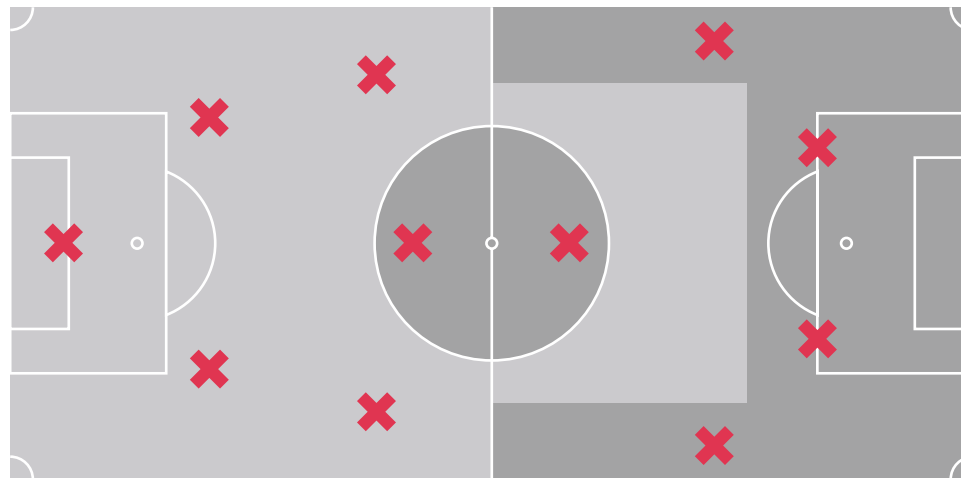


Figure 6.4: Ideal brand portfolio



Source: Davidson, H. (2002 b) Accenture presentation.

Characteristics of the ideal brand portfolio

There is a clear analogy between managing a brand portfolio and a football team [Davidson, 2002 b]. The football pitch is the market map. You have to decide in which areas you will dominate – whether, for example, the midfield or the flanks. The players, represented by brands, have to cover the priority areas. Each will have a specific role but will still contribute to the team.

The manager will avoid players who duplicate – for example, two small fast strikers – or who detract from team effort. Some players are stars (superbrands) while others have a more pedestrian role (support brands).

Figure 6.4 illustrates an ideal football team portfolio – Manchester United playing well. The shaded areas in midfield, on the flanks and up-front are where they dominate to win.

Companies, unlike football teams, are not restricted by any fixed boundaries, and may enter any market they wish. And they are not limited to 11 products or brands – though perhaps they should be.

The biggest mistake is to allow each brand to be managed in isolation because what is right for an individual brand may be wrong for the portfolio.



So the ideal portfolio:

- > Fits the company's future vision and destination
- > Prioritises markets and key segments
- > Efficiently covers those priority segments
- > Ruthlessly prunes out those that do not fit
- > Fills gaps through new or extended brands and acquisitions.

Case study: Allied Domecq

Major mistakes in portfolio management

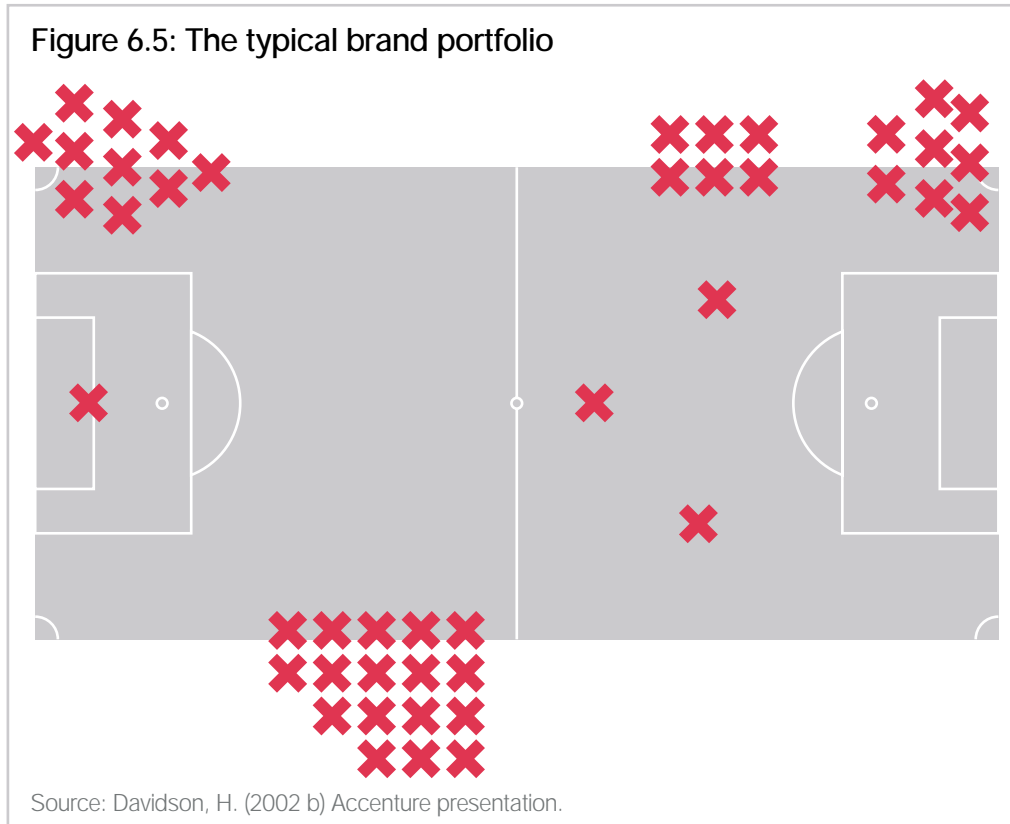
The biggest mistake is to allow each brand to be managed in isolation because what is right for an individual brand may be wrong for the portfolio in terms of:

- > Too many brands in too many segments: there may be too many brands in relation to consumer needs, retailer space and company ability to promote
- > Duplication and overlap
- > Gaps in priority market segments
- > Inefficiencies in operations and the supply chain
- > Diffused and therefore ineffective resource allocation.

[Davidson, 1997]

To return to the football analogy, this approach will result in bunching and poor coverage of the playing area (see Figure 6.5).





Prioritising segments

Prioritise in the context of the company vision

Jack Welch of the US company General Electric outlined the vision he had for GE in 1981:

"We will become number one or two in every market we serve and revolutionise this company to have the speed and agility of a small enterprise."

Use consistent segment definitions across countries

Acquisitions often leave companies with far more brands than they can profitably handle. Taking a stricter look at marketing resources forces companies to look more critically at their portfolios. There are a number of issues to address:

- > On what basis should brands be invested in for future growth?
- > Which should be maintained as local players, which should enter the global arena? And if they should, how?



- > What can be extended?
- > What should be sold off or killed?

Case study: Unilever

Develop a brand framework

Ask six key questions [Bennie, 2000]:

- > How do the brands relate to the corporate brand?
- > What do the brands derive from the parent brand? And what do they give back?
- > What role does each brand have in the portfolio?
- > Are the different brands and sub-brands sufficiently differentiated?
- > Does the consumer understand the differentiation?
- > Is the whole brand architecture greater than the sum of its parts?

A balanced portfolio would take advantage of the relative strength of each type of brand to support others.

Examples of portfolio analysis

Market segment portfolio analysis is a useful graphic device for examining the competitive position of products, services or businesses in different markets. It is useful as the basis for discussions about what markets to target and where to put resources for the best return.

BCG Matrix

The original model was invented by the Boston Consulting Group. This is a matrix which relates relative market share to market growth. A product with a high relative market share in a growing market is a 'star'. A minor product in a falling market is a 'dog'. In between are 'cash cows' with high market shares in mature markets, and 'problem children' with low shares in fast-growing markets (see Figure 6.6). A balanced portfolio would take advantage of the relative strength of each type of brand to support others.

Figure 6.6: The Boston matrix – cash management

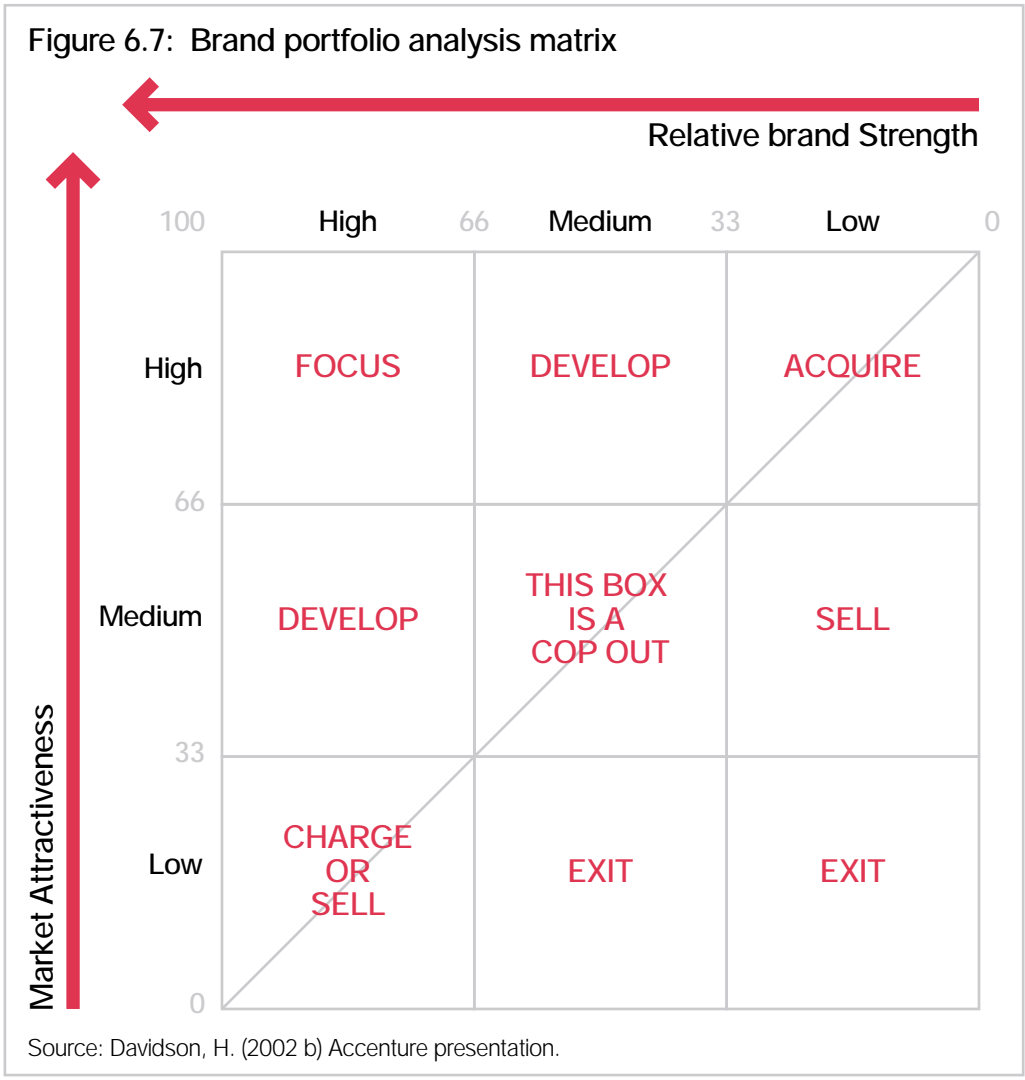
		Relative market share (ratio of company share to share of largest competitor)	
		High	Low
Market growth (annual rate in constant £ relative to GNP growth)	High	<p>'STAR'</p> <p>Cash generated + + + Cash use - - -</p> <hr/> <p>0</p>	<p>'QUESTION MARK'</p> <p>Cash generated + Cash use - - -</p> <hr/> <p>- -</p>
	Low	<p>'CASH COW'</p> <p>Cash generated + + + Cash use -</p> <hr/> <p>+ +</p>	<p>'DOG'</p> <p>Cash generated + Cash use -</p> <hr/> <p>0</p>

Source: Boston Consulting Group

Quantified Portfolio Analysis [QPA®]

It is a useful tool to guide strategic investment priorities by market, business unit, channel or brand because a quantified process (which is increasingly feasible with modern database management) helps set priorities objectively by using a common scoring system across markets and countries (see Figure 6.7).

As with the BCG matrix, the QPA also looks at the market attractiveness but joins it with the internal analysis of the brand and its strength in relation to other brands. Both axes consist of a number of criteria, which are given a maximum weighting score based on relative importance – refer to examples in Figures 6.8 and 6.9. The tables are just an example, the criteria chosen for each axis will differ by industry and type of brand. The advantage of this system is that it enables all brands to be compared on common criteria, while the need for quantified scores enhances objectivity.



Example 1 (see Figure 6.8): Playtex UK

- > Reduced range from 70 to 50 products
- > Major cost savings in operations and supply chain
- > Sales increased 15%, profits 25%.

Figure 6.8: Example of market attractiveness scoresheet

Criteria	Maximum score
1 Size	8
2 Growth	15
3 Profitability	20
4 Pricing trends	10
5 Competitive intensity	10
6 Failure risk	6
7 Opportunity to differentiate	10
8 Segmentation	9
9 Retail structure	12
Total	100

Source: Davidson, H. (1997) *Even More Offensive Marketing*.

Figure 6.9: Example of brand strength scoresheet

Criteria	Maximum score
1 Brand profitability	12
2 Relative consumer value	15
3 Relative brand share and trend	9
4 Market sector position	7
5 Sales level and trend	7
6 Differentiation	12
7 Distribution and trade strength	7
8 Innovation record	6
9 Future potential (extendability)	10
10 Awareness and loyalty	7
11 Investment support (advertising , R&D)	8
Total	100

Source: Davidson, H. (1997) *Even More Offensive Marketing*.

Example 2 (see Figure 6.9): a merger of two major European healthcare companies

- > Defined 15 priority market sectors
- > A common database developed across 12 countries
- > Five segments exited and 20 brands sold
- > 80% of future marketing and R&D spend focused on eight power brands
- > Plants rationalised; fewer in number and bigger in size.



Checklist

Have you:

- > Defined the playing field
- > Developed a consistent database of segments, products and services
- > Used a quantified portfolio scorecard to prioritise brands
- > Developed a product portfolio which fills priority segments efficiently
- > Decided where to develop, sell, acquire or exit.

CASE STUDIES

- 1. Allied Domecq: ideal brands**
- 2. The Japanese giants: corporate branding**
- 3. Unilever: portfolio management**

1. Allied Domecq: ideal brands

Allied Domecq Spirits and Wine Ltd is one of the largest players in the alcoholic drinks market with colossal brands such as Beefeater Gin, Kahlua liquor, Sauza tequila, Tia Maria and Malibu in their portfolio. The company also own a chain of some 3,500 pubs in the UK and the American fast food giant Dunkin' Donuts. Their website claims that 'Allied is about brands and people' and with some of the world's leading alcoholic drink brands and an exclusive database of some three million consumers to assist in understanding their customers it would be difficult to argue with the statement.

The Allied portfolio of brands is carefully managed for a large company with such a vast range. Allied have prioritised the areas that they wish to compete in such as high quality spirits (Courvoisier cognac, Ballantines Finest Scotch) and ready to drink cocktails and positioned their brands accordingly. This has been supported by brand extensions and a policy of buying individual, cherry picked, brands to strengthen their portfolio; Allied have recently produced a new range of Kahlua cocktails and purchased brands such as

Malibu, Mumm Champagne and the US distribution rights for Stolichnaya vodka.

This policy has allowed Allied to manage their portfolio effectively. They have covered their priority areas, maintained a sustainable number of brands and have largely avoided overlapping and causing cannibalisation.

The strategy seems to be working. In 2001, Allied reported pre tax profits of £236million over a six-month period, an increase of 16% on the previous year. Allied's four core drinks brands, Kahlua, Sauza, Beefeater and Ballantines are all the second biggest of their kind globally and with a vast portfolio of second tier products, a commitment to market research and innovative products such as their ready to drink cocktails, Allied's focus on portfolio management seems to be paying off.

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2. The Japanese giants: corporate branding

The concept, practice and techniques of branding in the Japanese market are traditionally very different to their Western counterparts. The large, successful brand is king in the Japanese market and, as a result, individual products and lines have often played second fiddle to, or been endorsed by, the more powerful corporate brand. Corporate logos often feature prominently in advertisements and the endorsement of a successful corporate brand has traditionally been very important to new products in particular.

One reason for this is that frequent purchasing and ever shifting trends in Japanese society have shortened the average life cycle of a product as new fads and ever increasing benchmarks have resulted in businesses having a necessity for quick model change and new products simply to maintain momentum. This quick turnover means that, often, a line will not be in existence long enough to develop a brand identity of its own and so by attaching a well known corporate brand, instant kudos is added. Examples of this include Sony whose

brand name is attached to many of their products such as the 'Sony Minidisc' and 'Sony Walkman' and Yamaha who attach their own brand name to their lines of motorcycles, musical instruments and sports equipment.

As products have changed quickly, so the discerning Japanese consumer has come to rely on big names of strong reputation when making purchasing decisions. The basic driver of a brand in the Japanese market is success and a large and successful corporate name has often become a badge that instantly authenticates a new product on the market, reducing the need for individual brands to be built and promoted.

Following the difficulties in the Japanese domestic economy in the 1990's, however, practices are beginning to change in Japan. As the economy slowed, so businesses found themselves able to spend less on product innovation and instead concentrated on sustaining and promoting established products. Japanese corporations are increasingly taking on a more Western attitude of creating brands for individual lines as the product and the corporate brand are separated. The Playstation 2 is an excellent example; the Sony name is

much less prevalent in the promotion of the product than the previous Playstation as Sony attempts to build a distinct 'PS2' brand, separate from the Sony brand itself.

These are interesting times for branding in Japan. Many of the large corporate brands are long standing and they have built strong reputations of reliability, quality and cutting edge technology or have come to define a niche market. Whilst the corporate brand has often been less important in the marketing of Japanese products for export, they have been vital in the domestic market and as they are distanced from products it remains to be seen how Japanese consumers will react to a new generation of product rather than corporate brands.

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3. Unilever: portfolio management

[© J H Davidson. Sources: Unilever annual report, *Business Week*, *Advertising Age* and *Marketing Week*.]

Unilever background

Unilever is one of the world's top three food companies and a major player in detergents and personal products. It is the world's third largest advertiser (after Procter and Gamble and General Motors), spending \$3664 million in 2000. Major brands include Lipton's, Persil, Bird's Eye, Magnum and Ragu.

Portfolio management objectives

In February 2000, Unilever embarked on a five year global programme to reduce the number of brands from 1400 to 400 and to concentrate marketing and other investment on 'Power' and 'Jewel' brands. The objective of the 'Path to Growth Strategy' was to use this redeployment as a means to reduce the cost of operations and supply chains; and to invest the savings in additional marketing spend, focussed on brands and market sectors with the most potential. This would lead to profitable growth in relatively mature markets.



Results to date

By 2001, the 400 leading brands accounted for 84% of sales and are expected to account for 95% in 2004. Growth of leading brands in 2001 was 5.3% and operating margin, at 13.9%, was a record. Since the inception of Path to Growth, 59 plants have been closed and global purchasing savings amount to \$1.1 billion.

Unilever has sold some brands like Elizabeth Arden, Bestfoods Baking Company and Unipath and merged (Radion merged with Surf) or discontinued (eg Lux Flakes) others.

Criteria for selecting leading brands

Unilever's exact criteria for selecting 400 leading brands from 1400, and the priorities within the 400, are unknown. However typical criteria would include:

- > Relevance of market segments in which brand operates. Are they strategically important to the company, with good growth and profit prospects?

- > Brand sales level, trend, and market share. For example in the USA, Unilever selected five 'Powerhouse' brands with sales between \$300million and \$2 billion; and five 'jewel' brands with sales over \$150million for investment focus.
- > Brand profitability and responsiveness to marketing spending.
- > Brand differentiation and avoidance of overlap with other company brands.
- > Brand extendibility. Can its franchise be extended into other priority segment or countries?

Comment

Unilever has made a good start with its ambitious Portfolio Management Programme, but still has some way to go.

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