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Finding New Paths to Growth by Managing Brand Portfolios Well

Which of your product brands is best positioned for growth? Can you get more out of the strongest brands in new market segments and in other regions?

When a new product brand catches on, it generates buzz and gathers momentum, staff, and a growing budget. Before long, it may spawn sub-brands, each with its own resource ecosystems and rationales. That's fine as long as the product and its sub-brands maintain positive brand equity and contribute to the company's growth. But when a brand's growth slows or it loses some luster, it can act as a drag on corporate earnings. The problem is compounded when a company ends up with too many brands, which spreads resources thin and gums up operational efficiency.

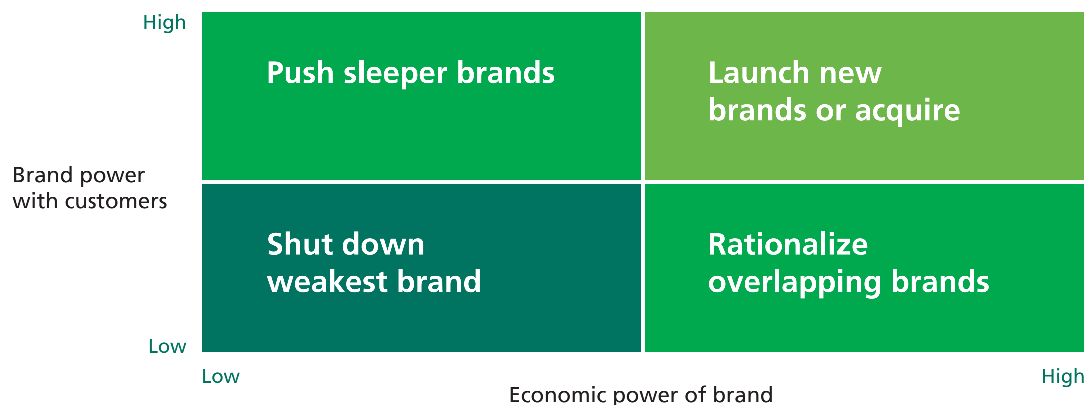
This is why it pays to actively manage your brands as a cohesive portfolio, just as savvy investors manage portfolios of financial assets. Each brand should have its own clearly defined role, growth trajectory, minimal overlap with other brands, coverage of the customer segments that offer growth potential, and vigilance over the performance of the brands in aggregate. Exemplars of brand portfolio management such as Procter & Gamble and PepsiCo are acutely attuned not only to their brands' equity with customers but also to their brands' economic potential. They focus on relative brand momentum—which brands will grow faster for longer and, therefore, deserve more resources.

The active management of brand portfolios has become more important for several reasons. Foremost is the proliferation of brands. On U.S. grocery shelves alone, the number of brands exploded from 15,000 in 1991 to three times that number a decade later. The mass-affluence phenomenon—organic juice and hand-woven Oriental rugs for all—adds pressure for more brands, as shifting demographics often do not allow consumer goods companies to cover new market segments with old brands.

Further impetus comes from faster product introduction cycles; new trademarks registered with the U.S. Patent and Trademark Office soared from roughly 45,000 in 1984 to nearly 156,000 in 2004. At the same time, renewed merger activity challenges companies to make sense of vastly expanded product line-ups.

In our experience, the best practitioners of brand portfolio management follow four key principles (see Exhibit).

Exhibit Evaluating a brand portfolio



1. Push sleeper brands to their full potential.

Many brands have untapped potential in terms of category growth or geographic expansion. A case in point is Unilever's Dove brand. Analysis showed that Dove, originally a moisturizing soap, had strong brand permission from consumers worldwide and much more economic leverage for Unilever. The company has expanded Dove's brand from 13 countries to 75 over the past decade, with sales more than doubling to $800 million. In the U.S. alone, Dove bar soap sales grew 34% from 1997 to 2000, while overall sales in that category were flat. Unilever has also exploited consumers' favorable perceptions of the brand to launch a Dove deodorant. The product generated $79 million in its first year in the U.S., gaining a market share equal to Procter & Gamble's venerable Old Spice brand.

2. Launch new brands or acquire brands.

Many companies now see more long-term growth possibilities in launching new brand names rather than trying to wring more out of existing franchises. The leading brewing companies have excelled at replicating the mass-affluence appeal of independent microbrewery brands by launching their own labels—Coors with Killian's Red and Miller with Red Dog, for example. Other companies identify gaps in their brand line-ups and seek brands they can buy—as Procter & Gamble did in 2001 when it bought the Clairol line of hair-care products.

3. Rationalize overlapping brands.

One consumer packaged goods company we worked with had acquired a food company several years ago, which quadrupled revenues in a particular line of food. The acquisition also brought a profusion of mostly regional brands. Most of the 80 brands had plenty of loyalty from regional customers. But to the senior management, the larger portfolio meant higher costs and greater complexity. They needed to rationalize brands that overlapped and identify and fill in gaps in the portfolio's market coverage.

The first step was to evaluate the brands in terms of their equity, leverage, and momentum. This revealed that 27 of the 80 brands made up 95% of the category's gross margin and sales dollars. Using brand science techniques, the firm learned that it could maintain a solid national presence with a few pillar brands, several super-regional brands, and a small group of strong regional brands—all promising sustained growth. Two years later, the company had eliminated 58 brands and nearly 2,000 SKUs.

4. Shut down the weakest brands.

When the last Oldsmobile rolled off the assembly line in April 2004, there was plenty of nostalgia for America's oldest automotive brand. But from an economic standpoint, Olds' demise was a good thing. Despite repeated attempts at resuscitation, the brand had declined in relevance, and with it slid market share and profitability. It had lost brand power with car buyers and economic power for General Motors. GM could better support its global growth goals by redirecting Oldsmobile marketing funds to high-potential brands such as Cadillac, which is now being marketed aggressively in Europe.

The steady long-term growth of brand-savvy companies such as PepsiCo points to the benefits of a rigorous portfolio approach for any assortment of brands. Brand portfolio management is just as applicable in business-to-business sectors as in consumer goods, as seen in the results of industrial conglomerate United Technologies, which owns Carrier, Pratt & Whitney, and other major brands. It starts with the right questions about which brands have the most clout with consumers now and in the future, which brands are fading fast, and what mix will produce the best growth results.

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