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Book Excerpt

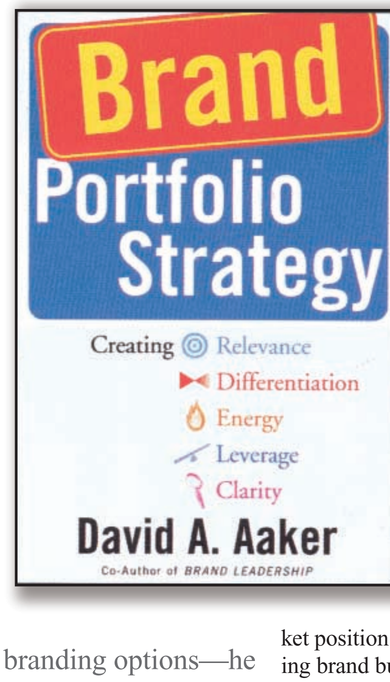
Toward Focus and Clarity *by David A. Aaker, Vice Chairman of Prophet*

Even Brands Need Spring Cleaning

"Nothing is more emotional than a brand within an organization," says David Aaker. Yet, if companies do not take a more active role in developing brand portfolio strategies to support and enable their business strategies, he warns, "They will find themselves in Henry Ford's position when he woke up and realized not all cars need to be black."

Vice Chairman of Management Consultancy Prophet and author of several books on the subject of brand building, Aaker provides a roadmap for companies facing pressures to grow and a relevance challenge caused by fragmenting markets in the new *Brand Portfolio Strategy* by Free Press, a unit of Simon & Schuster.

In the following excerpt, he addresses the challenge of creating focus and clarity in the brand portfolio. The reader is guided through a brand consolidation process that enables marketers to identify relevant brands, prioritize them and evaluate their importance with the context of an organization's strategy goals. Brands that do not meet four criteria—brand equity, business strength, strategic fit and branding options—he argues, should be placed on notice, eliminated or merged. He writes, "The goal is to have strong brands in key markets . . . the bias toward adding brands, subbrand and line extensions can detract from that goal."



An overbranded portfolio can starve strategic brands and result in debilitating confusion. The use of a disciplined brand consolidation process in which a revised brand portfolio structure is created based on the assessment and prioritization of a set of brands can directly address the problem. When this is coupled by discipline in creating new brands, the overbranding tendency can be controlled.

Too many firms "discover" that their portfolio contains too many brands, they are overbranded, the consequence of which can range from inefficiency, misdirected resources and confusion to paralysis in managing the portfolio. Having too many brands can result in inefficiency and waste caused by the presence of numerous, ineffective brand-building programs rather than a few, focused, impactful ones. It can also result in strategic brands losing equity and market position because marginal brands are absorbing brand building dollars and, worse, managerial talent.

Debilitating confusion is another probable outcome from an overbranded portfolio. Rather than clarity, there may be brands with complex

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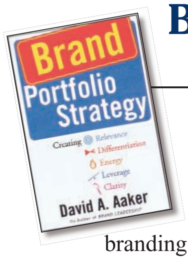


branding structures that lack logic and consistency. Some brands may reflect product types and others price-value and still others customer types or applications. The branded offerings may even overlap. The totality simply reflects a mess. Customers have a hard time understanding what is being offered and what to purchase. Even employees may be confused.

How can it happen? How does an organization become so undisciplined that brands proliferate? To provide a remedy, it is well worth looking at the causes.

The prime culprit is usually the process. There should be discipline behind the branding process. There should be a group within the organization with authority to approve the introduction of new or acquired brands and subbrands. The decision to add a new brand or subbrand should be based on two questions:

1) Is the business associated with the new brand or subbrand substantial enough and have a long enough life to justify creating or maintaining a brand?

2) Would the use of any existing brand inhibit or even detract from the promise or would the new offering tarnish the brand?

The decision to retain an acquired or existing brand involves slightly different questions: Is the business associated with the acquired or existing brand or subbrand substantial enough and have a long enough life to justify creating or maintaining a brand? Can brand equity from the acquired or existing brand or subbrand be transferred to another brand within the portfolio without putting that brand at risk?

The process can fail in several ways. The most certain failure occurs when there is, in fact, no process at all. Brands and subbrands are added and/or retained in an ad hoc, uncontrolled manner with little concern for the total brand architecture going forward. This is especially common in the decentralized organizational structure to which most firms adhere. When a business unit manager is empowered to be entrepreneurial, it is difficult to then remove one of the strategic levers.

In others contexts, the process is there, but mistakes are made. The prospects for a new business are overestimated, for example, predictions of customer demand simply turn out to be wrong. People within organizations charged with coming up with a new product or even new product modification in order to fuel growth are inclined to exaggerate the "newness" of the product, the sales prospects and its potential for long-term success.

When brands are acquired, the decision to drop an acquired brand is often not so easy. The acquired brand may have difficulty transferring customer and market equity. Further, there may be organizational sensitivities that cause eliminating acquired brands to create tensions in an already difficult organizational merger.

One solution is to simply reduce the number of brands and/or prioritize brands so that the key brands can be identified and thus supported. The problem is that there is no natural mechanism to get rid of or dial down marginal or redundant brands and all brands, even the most marginal, have patrons and supporters that will resist dumping or even withdrawing support from a brand. Yet just as thinning a forest makes it healthier because the remaining trees have more access to sun and nutrients, so can pruning the brand portfolio.

The case can thus be made for an objective periodic review and pruning of the brand portfolio supported by an in-depth analysis. A brand portfolio review can precipitate decisions that are too easily put off and inject objective information into what is a highly subjective and emotion-driven process. And it can deal with political costs of making tough decisions often with turf issues by providing organizational cover.

"Just as thinning a forest makes it healthier . . . so too can pruning a company's brand portfolio."

The goal is to create a comprehensive and objective process that will systematically review the strength and utility of the brands on the portfolio. Such a process, termed the strategic brand consolidation process, is organized into six steps as described in the following:

Identify the Relevant Brand Set

The brand set will depend on the problem context. It can include all brands and subbrands, but often the focus will be on a subset, brand groupings of comparable brands. For example, an analysis for GM could include its major nameplates, namely Chevrolet, Pontiac, etc. Another analysis stage could then be subbrands attached to a master brand. Thus, for Pontiac the subbrands would be Bonneville, Firebird, Montana etc. When brands are involved that share similar roles, it becomes easier to evaluate the relative strength.

Establish Assessment Criteria

The brand criteria will depend on the context but, in general, there are four dimensions that should be considered:

1) Brand Equity

• Awareness. Is the brand well known in the marketplace?

• Reputation. Is the brand well regarded in the marketplace? Does it have high perceived quality?

• Differentiation. Does the brand have a point of differentiation? A personality?

• Relevance. Is it relevant to today's customers and today's applications?

• Loyalty. Are customers loyal to the brand?

2) Business Strength

• Sales. Is this brand driving a significant business?

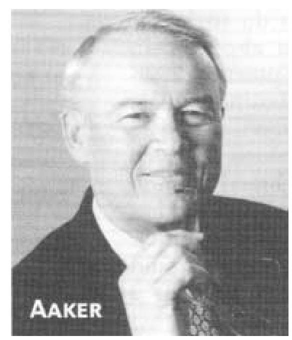
• Profit margin. Is this brand a margin contributor? Or is the cost position or the market conditions such that margins are unfavorable?

• Growth. Are the growth prospects for the brand positive within its existing markets? Is the brand likely to gain share or participate in a growing market?

3) Strategic Fit

• Extendibility. Can the brand be extended to other products either as a master brand or endorser? Can it be a platform for growth?

• Business fit. Does the brand drive a business that fits strategically with the direction of the firm? Does it support a product or market that is central to the future business strategy of the firm?



4) Branding Options

• Brand equity transferability. Could the brand equity be transferred to another brand in the portfolio by reducing the brand to a subbrand or by developing a descriptor?

• The potential to merge with other brands. Could the brand be aggregated with other brands in the portfolio to form one brand?

Evaluating the Brands

Brands should be evaluated with respect to the criteria. It is usually both stimulating and illuminating to quantify the evaluation using a scale (perhaps a seven-point scale), although there should be no illusion that the quantification is anything but suggestive. A total score—the sum of the criteria scores—can be helpful, but any decision will require deeper analysis. Introducing weighting is an option, although refining the analysis is usually not worthwhile given the subjectivity; it becomes over-quantification.

The profile of a brand across the criteria provides more detailed diagnostics. A brand that is high on extendibility and business fit may merit investment even if it is weak elsewhere. And a brand that has a low score on a key dimension like profit margin or business fit may be a candidate for review whatever the other dimensions show.

The criteria scores will be based on the business and market knowledge of the brand team or perhaps some of their colleagues. If there are gaps in knowledge, it might be worthwhile to go outside the groups to supplement. Formal marketing research may be useful or even indispensable to confirming assumptions that might lead to some radical judgments about the brand portfolio.

Prioritize Brands

The brands that are to live, be supported, and be actively managed need to be prioritized or tiered or categorized in some way so that precious brand building budgets are allocated wisely. The top tier will include the strategic power brands, those with existing or potential equity, that are supporting a significant business or have the potential to do so in the future. The top tier can also contain brands that can provide a point of differentiation for important business units. One type of second-tier brands would be those brands with a specialized role such as a flanker or silver bullet brand (a brand that helps another brand—ThinkPad has helped the IBM brand, for example). Another type, perhaps a third tier, would involve a smaller business, perhaps a niche or local business.

Another category of brands is the cash cow brands, brands that should be dialed down into a descriptive role with no resources behind them at all. While such brands are not eliminated, they no longer drain brand-building resources from other more important brands. Further, they are less likely to get in the way of the total offering and create confusion in the marketplace. The remaining brands should be placed on notice, eliminated, or merged.

Develop a revised brand portfolio strategy

With brand priorities set, the brand portfolio strategy will need to be revised. Toward that end, several brand portfolio structures should be created, ranging from a simple structure close to a branded house to a rich structure more toward the house of brands side with several levels of subbrands. The most promising options are likely to be in between. The idea is to create around two or three viable options with perhaps two or three suboptions.

The major brand portfolio structure options together with suboptions need to be evaluated with respect to whether they:

- Support the business strategy going forward
- Provide suitable roles for the strong brands
- Leverage the strong brands
- Generate clarity both to customers and to the brand team

Consider the brand consolidation process that the Safeway grocery chain went through with its private label program. Most of its 25 private label brands were very weak and were not capturing any synergy. After eliminating brands that lacked a supportable role, four brands emerged. Safeway Select was the premium brand, usually positioned as equal or superior to the best brands in a category, whereas the "S" brands were the value brands always priced among the lowest in each category. The other two brands, Lucerne in the dairy department and Mrs. Wright for packaged bakery items, were perceived to have significant equity and were retained. This brand rationalization decision was based on a realistic appraisal of the existing brand equities, the value proposition offered to customers, the economics of carrying extra brands, and the brand-building synergies of having the two base brands all over the store.

Migrating the Strategy

The final step is to implement the portfolio strategy by transitioning either abruptly or gradually to a target strategy. An abrupt transition can signal a change in the overall business and brand strategy, it becomes a one time chance to provide visibility and credibility to a change affecting customers. So when Norwest Bank acquired Wells Fargo and changed the name of Norwest to Wells Fargo, they had the opportunity to communicate new capabilities that would enhance the offering for customers. Norwest customers were assured that they would benefit from the electronic banking competence of Wells Fargo while retaining the personal relationships which was a hallmark of Norwest.

The change in the brand promise will need to be communicated with credibility based on real substance behind new positioning. Other-

KNOW YOUR TERMS: A BRAND PORTFOLIO GLOSSARY

Whenever a product offering is proposed, it needs to be identified to customers by a brand or set of brands. The brand set with product-defining roles reflects an external view of the brands from the customer's perspective. Each brand will be in one of the following roles: master brand, endorser brand, subbrand, descriptor, product brand, umbrella brand, branded differentiator or brand alliance.

A **MASTER BRAND** is the primary indicator of the offering, the point of reference. Visually, it will usually take top billing, such as 3M in the brand 3M Accuribbon.

An **ENDORSER BRAND** serves to provide credibility and substance to the offering (e.g., General Mills endorses Cheerios). Its role is to represent an organization and its credibility and substance is based on the strategy, resources, values and heritage of that organization.

A **SUBBRAND** augments or modifies the associations of a master brand in a specific product-market context (e.g., Porsche includes the subbrand Carrera). Its role is to create a brand that will be significantly different from the master brand, perhaps by adding an attribute dimension or a personality element, and thus be appropriate for a particular product or segment.

DESCRIPTORS describe the offering, usually in functional terms (e.g., aircraft engines, appliances, light bulbs). Although not brands per se, descriptors play key roles in any portfolio strategy.

A **PRODUCT BRAND** defines a product offering consisting of a master brand and a subbrand (Toyota Corolla), or a master brand plus a descriptor (Apple-Cinnamon Cheerios).

An **UMBRELLA BRAND** defines a grouping of product offerings (Microsoft Office Word, Microsoft Office Excel, etc.) under a common brand (Microsoft Office). The umbrella brand, such as FedEx eBusiness Tools, can be a more appropriate and effective vehicle to gain relevance, visibility and differentiation than individual product brands, such as eShipping Tools, eCommerce Solutions and eCommerce Builder.

A **DRIVER ROLE** reflects the degree to which a brand drives the purchase decision and defines the use experience. While master brands usually have the dominant driver role, endorsers, subbrands, or even descriptors or second-level subbrands (that is, subbrands to subbrands) can also play driver roles that can vary in intensity. Toyota plays more of the driver role than Corolla, but both have influence.

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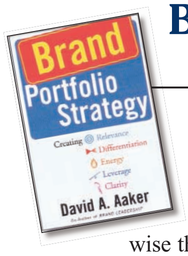

wise the one time chance to make a statement will be wasted. If the revised business strategy is not in place the effort will backfire. If, for example, the Wells Fargo technology cannot be delivered, the best course would be to delay the name change until the substance behind the new position can be delivered.

The other option is to migrate customers from one brand to another, gradually. This will be preferred when:

• There is no newsworthy reposition that will accompany the change

• Customers that may not have high involvement in the product class may need time to learn about and understand the change and

• There is a risk of alienating existing customers by disrupting their brand relationship.

The transfer of the Contadina brand to the Buitoni brand provides an illustration. Nestlé rebranded a pasta offering acquired in 1987 as Contadina Pasta and Cheese. A year later, Nestlé purchased Buitoni. Although the Buitoni presence in the United States was much weaker than that of Contadina, it was the more authentic Italian brand and was much stronger in Europe. Buitoni had an Italian heritage that went back to 1827 when Mamma Giulia Buitoni first sold pasta commercially. Its home and symbol, Casa Buitoni, is an ongoing source of new recipes and products. A decision was thus made to make Buitoni the Nestlé Italian brand.

The conversion started in 1994 when Contadina was endorsed with Della Casa Buitoni (from the house of Buitoni). Imagery and equity from both brands went into the package design. In 1998 the Buitoni endorsement was increased and the visual symbol changed from a woman to the house. In 1999 the name was changed to Buitoni with a Contadina endorsement. In 2001, Nestlé sold the Contadina brand clearing the way for the final conversion to Buitoni.

"Although the Buitoni presence in the U.S. was much weaker than that of Contadina, it was the more authentic Italian brand."

Keep Your Perspective

So, fewer brands are better and the best architecture is a single brand, perhaps the corporate brand—the branded house. Not exactly! It is not that simple.

It is appropriate to put the role of a master brand in perspective by reviewing some of the reasons why it can be damaging to stretch a brand over too many products. A master brand might lack the credibility and authenticity needed, for example. Black & Decker does not have the credibility to make power tools for the professional carpenter; a new brand, deWalt, was needed to break through.

Or, the value of creating a brand around a segment or application may require a separate brand. Thus, P&G brands such as Head & Shoulders and Pantene have developed images with no compromises because they are standalone brands. A related issue is when a niche brand has a tradition and loyal following and transferring that equity to a master brand might be difficult or impossible. For example, some prestige private banking brands faded when they were acquired by a major investment house, losing their brand and their customer relationship.

Otherwise, a master brand may have connotations that make it unacceptable. The Clorox corporate brand could not be used on their food products like Hidden Valley Dressing and even associating it with cleaning products that do not involve bleach is a stretch. Ford may be too corporate for some of their target segments.

Or else, a brand extension may diffuse a clear image and thus reduce the brand's equity, especially if some part of the brand's DNA is based on a product class association or perhaps excellence in some aspect of the product class.

Overcoming Organizational bias

There are alternatives to using a master brand to drive the business across products and markets. A master brand can be leveraged with a subbrand or as an endorsed brand. Another option is to leverage the master brand using linked brand names such as the CitiGroup linked names which include CitiMortgage and CitiBanking. As a result the various brands can have some space but the master brand still acts as a visible umbrella over them.

The strategist should always remember that the goal is to have strong brands in the key markets that support the business strategies going forward and to have effective, efficient brand-building programs. Having the same brand across products does not necessarily enhance this goal. The key is what the brand stands for in the customer's mind and how that can be evolved or changed to take on a larger task.

There is a bias toward adding brands, subbrands and line extensions to capture niche opportunities and to build brand platforms.

However, it is easier to add than subtract. Brands that have lost their purpose or will never be viable should be deleted, phased out, dialed down, combined with other brands or offerings or, put on the shelf and saved for a future application. Organizations instinctively want to solve a brand problem by turning it around or to engage in benign neglect. Unfortunately, there is rarely a brand killing champion willing to battle these organizational biases.

There are two implications to consider. First, new brands, subbrands and line extensions should be added only when they are truly justified. There should be sunset rules, understanding as to what conditions should prompt a decision to kill or dial down the brand. The trigger point may be a failure to support a business or the fact that its purpose is over because the trend that prompted it faded or because the promotion to which it was tied is over.

A second implication is that periodically it is healthy to take a close look at the brands in the brand family to evaluate their roles and their performance. Weak brands, brands that no longer fit the strategy, should be candidates for removal from the portfolio.

The end result can be a healthier, more focused brand architecture.

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