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Achieving the Ideal Brand Portfolio

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Many companies' brand portfolios have become bloated and obscured. A five-step approach can illuminate which brands should be supported, retired, repositioned or otherwise honed to bring greater clarity to the portfolio.

Sam Hill, Richard Ettenson and Dane Tyson

In 1995, Royal Caribbean Cruises Ltd. acquired Celebrity Cruises Inc., an award-winning pioneer in premium cruise travel. Over the next five years, RCCL poured over a billion dollars into new vessels and advertising to support Celebrity, which seemed like the perfect complement to RCCL's Royal Caribbean brand. But the acquisition foundered, as the larger, successful Royal Caribbean brand simply overwhelmed the less-established Celebrity. As Royal grew stronger, Celebrity grew weaker and evolved away from its successful roots.

Brand blurring is a common problem at many companies, but it's not the only one. Brand portfolios often bloat, fragmenting marketing resources and destroying economies of scale. Management time is frequently eaten up with refereeing brand usage. And brands sometimes get lost in large portfolios — sometimes literally, as the Procter & Gamble Co. discovered when it lost the rights to the White Cloud trademark after the company retired the brand and left it unprotected. Moreover, cluttered portfolios create marketplace confusion.

The challenge is that the processes for managing brand portfolios have not grown at the same pace as people's enthusiasm for creating and expanding those portfolios. The techniques are essentially the same as those that were in place when the typical portfolio was a tenth of the size that it is today. In particular, few companies have a formal methodology that enables them to clear away the debris from earlier, less successful branding efforts. What firms need is a structured and straightforward approach for streamlining their brands into a more powerful and effective portfolio.

A New Framework

Portfolio planning is to brand management as strategic planning is to budgeting. Like strategic planning, brand portfolio planning is a periodic, discrete event that allows managers to step back from the crush of daily problems and chart the course ahead. And just as the strategic plan looks across markets and business units to identify areas of opportunity and challenge, brand portfolio planning looks across the entire brand set with an eye both for reallocating resources toward the areas of greatest opportunity and for identifying necessary interventions to prevent loss of competitive advantage.

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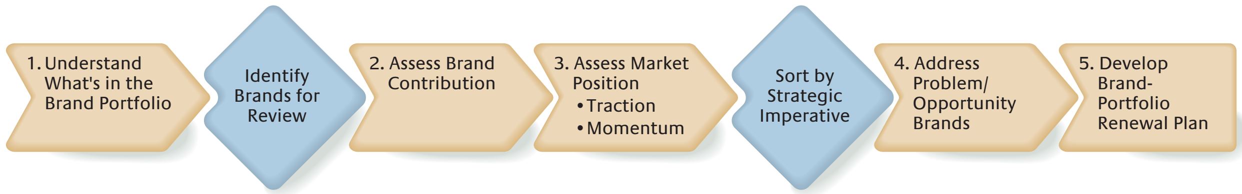
The Brand-Portfolio Renewal Framework

Companies can use a five-step process to optimize their brand portfolios.



Brand portfolio planning is not a replacement for brand management but rather a necessary complement.

There are multiple approaches to brand portfolio planning (just as there are many frameworks for strategic planning).[1] These range from simple organizational charts (called "brand architecture diagrams") to complex and often unwieldy mathematical models.[2] The problem with either type of approach is that the former leaves managers uncertain about what they should do next while the latter leaves them wondering how to get started. Instead, managers need a tool that is straightforward and sufficiently rigorous and that advises them on whether to support, sell, extend, split, reposition or consolidate each of the brands in their portfolios.

That framework for brand portfolio renewal consists of five major steps. (See "The Brand-Portfolio Renewal Framework.") First, managers must agree on the brands to be reviewed. Second, they analyze all of the brands on the resulting short list with respect to each one's contribution to the company. Third, they assess the brands according to current market performance (traction) and future prospects (momentum). Fourth, they sort the brands along those three dimensions (contribution, traction and momentum) in order to identify various challenges as well as opportunities. Fifth, they tie together the objectives for each individual brand into an overall plan for portfolio renewal that will include any changes to the roster, brand architecture and resource allocation. This overall framework has two advantages: (1) Key brands can be compared directly along important dimensions, and (2) the final result is prescriptive at both the individual brand level *and* the portfolio level. A closer look at the methodology provides information about how each step is performed.[3]

About the Research

In studying more than 30 brand portfolios, we developed two techniques: (1) brand portfolio mapping, which helps define all the relationships among the different brands in a portfolio, and (2) a tool kit for optimizing those brands. Both were well received by academics but not widely adopted by practitioners; they were simply too unwieldy and expensive. Consequently, for the last seven years we have been working to embed these concepts in a user-friendly process. We've evolved this framework as we've implemented it with various clients in publishing, telecommunications, automotive, consumer services, enterprise software, health care, retail, professional services and high technology. The five-step approach described in this article is the result of that effort.

Step 1: Understanding the Portfolio The working definition of "brand" varies widely. Some companies take a very inclusive approach (considering all of their owned trademarks), while others are more selective (considering only those trademarks most actively marketed).[4] Consequently, compiling an inventory is not as straightforward as it might first appear. For most companies, it's not practical to consider hundreds of owned trademarks. At the same time, carelessly selecting only the most prominent brands for review creates the very real risk of overlooking any opportunities for older brands (such as White Cloud), underexploited brand equities or struggling brands that need attention.

The best approach is to start with an inclusive definition of the brand set and then winnow the resulting list down to 50 or so brands for deeper review. The place to begin compiling the list is usually the legal department, which typically maintains the company's formal registry of trademarks. To that basic list must be added two other less obvious sets of brands. The first is quasibrands (such as Big Blue for IBM) that might have their origins outside the marketing department. The second is partner brands that are closely associated with a company's brand (such as Intel Inside, which has become an important slogan for a number of computer manufacturers). Just because a company doesn't own a partner brand doesn't mean that it shouldn't think through how to manage and leverage that brand. After the complete list has been compiled, the information should be updated by deleting trademarks that are obsolete or no longer used. The final list must then be checked against all communications materials, such as business cards, advertising, marketing collateral, Web sites and so on.

Step 2: Assessing Brand Contribution The next step is to understand the contribution of each brand on the list, starting with an analysis of annual revenues, direct marketing expenses and so on. (See "Assessing Brand Contribution.") In addition to examining such standard financial numbers, managers need to consider various hidden costs, including whether the brand eats up too much time for senior executives and whether it encompasses an overly complex product line. Brands can also have hidden benefits, such as providing leverage with trade partners or a platform to extend a product line. With all those considerations in mind, managers then rank each brand (into top third, middle third or bottom third) relative to others in the portfolio according to both profit and overhead.

Step 3: Assessing Market Position The next step, assessing each brand's market position, will seem reasonably familiar to brand managers. But the analysis must go a level deeper than is typical. Brands are what mathematicians call "vectors." That is, they have both force and direction. The objective here is to understand both how strong the force currently is as well as the direction in which it is headed.

Brand traction is a measure of how strong a brand is today. This metric consists of multiple indices from a variety of sources. For example, from market research, what are the brand's relative competitive position and levels of awareness among both existing and potential customers? From the sales force and customer service, what issues are they hearing from customers as well as from distribution and retail channels? For example, does the brand have poor quality, and is it overpriced? From the ad agency, how difficult is it to find relevant and substantial differences (other than price) versus the competition? And how loyal are the brand's customers, distributors, internal employees and other stakeholders? Lastly, how does the brand fit with the company, both operationally and culturally? Each of these simple heuristics can drive a rich discussion among the senior team.

Next, managers need to need to assess a brand's momentum. Often, numbers alone are not enough to provide this understanding. Plummeting volume and market share obviously signal a problem, but by the time the slide shows up in the numbers, it may already be too late to reverse the decline. Managers therefore need to ask both internal stakeholders (the sales force, marketing team and senior executives) and external parties (customers, competitors and the media) a number of incisive questions to get a good feel for a brand's true momentum. For example, in a meeting of the top marketers for a luxury car brand, the president of the division asked everyone what car they would drive if they didn't happen to work for the company. The response: 90% named a competitor's brand, a huge sign of upcoming trouble. (And, sure enough, the next year the market share of that luxury car brand slid, and the company spent eight long, hard years in reversing the erosion.) One valuable tip is to watch people's body language when asking about how a particular brand is perceived. That information can often reveal much about a brand's true momentum in the marketplace that quantitative data cannot.

Step 4: Addressing Problems and Identifying Opportunities Brands tend to fall into one of eight categories: (1) power — a brand that needs to be defended ferociously and deployed judiciously; (2)

Assessing Brand Contribution

To determine a brand's contribution, managers need to consider a number of criteria, including not only standard financial data (for example, annual revenues) but also various hidden costs (such as the amount of attention that the brand requires from senior executives).

Annual Revenues From Brand	$
Less Direct Marketing Spend	($)
Less Attributed Below-the-line Spend	($)
Apparent Brand Contribution	$

Are there any hidden costs associated with this brand that mean the real contribution may be less?		YES	NO
	Senior management time sink		
	Extra attention from sales force		
	Overly complex product line		
	Customer/trade complaints		
	Bad public relations		
	Staff turnover		
	Other		

Does this brand contribute to the profitability of other brands in ways not captured by the P&L?		YES	NO
	Leverage with trade partners		
	Platform for line extensions and new products		

How important is the contribution of this brand relative to other brands in the portfolio?		Top Third	Middle Third	Bottom Third
	Contribution to profit			
	Contribution to overheads			

	High	Medium	Low
Overall, how much does this brand contribute to the firm today?			

	More	Same	Less
Three years from now will this brand be more or less important to the overall portfolio?			

sleeper — a brand that with a little fast tracking can grow into a power brand; (3) slider — a valuable brand that has lost momentum, is slipping backwards and needs immediate intervention to prevent meltdown; (4) soldier — a solid brand that contributes quietly without the need for much management attention; (5) black hole — a brand that sucks up resources and may or may not ever pay out; (6) rocket — a brand that is on its way to power-brand status; (7) wallflower — a small, underappreciated brand with very loyal customers, often underpriced and undermarketed; and (8) discard — a brand that should have been retired years ago.

The Brand Renewal Matrix

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.

Contribution	Traction	Momentum	Brand Renewal Imperative
high	high	high	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.
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.
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.
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.
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.
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.
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.

Of course, the challenge is that people often have difficulty distinguishing among the different categories. The PowerPoint presentations for a black hole and a rocket, for example, would look exactly alike when presented by an enthusiastic and articulate brand manager. Many companies consequently make the mistake of starving their power, sleeper, soldier and wallflower brands to divert resources to other brands that should have been discontinued.

To avoid such mistakes, managers should grade each brand in their portfolios against the same criteria at the same time. By looking specifically at a brand's contribution, traction and momentum, they'll be able to classify each brand accurately into the eight categories. (See "The Brand Renewal Matrix.") Examples of various brands help to illuminate the differences.

Returning to an earlier discussion, Royal Caribbean scored high in all three dimensions (contribution, traction and momentum) in 2001, making it a classic power brand. On the other hand, Celebrity was a prototypical slider. Its financial performance was marginal; it no longer had a clear positioning in the market; issues of being "old-fashioned" were starting to emerge; and several young marketing stars declined being assigned to the brand. When Jack Williams, president of RCCL, sat in the call center and eavesdropped on booking agents, he repeatedly heard them selling Royal Caribbean enthusiastically while only offering Celebrity reluctantly (if at all).

To turn Celebrity around, Williams and CEO Richard Fain immediately implemented a far-reaching plan that included completely redesigning the product offering, replacing the head of marketing and the ad agency, shifting the marketing mix from advertising to direct, beefing up the customer-loyalty program and hiring additional dedicated support personnel. Williams also personally assumed responsibility for the brand. Those efforts led to Celebrity substantially increasing its customer satisfaction and closing a gap in market awareness versus its leading competitor. In February 2004, Condé Nast Publications' *Traveler* magazine named seven of Celebrity's nine ships as among the top 10 in the world, on the basis of its annual reader survey, and there's now a waiting list of salespeople who want to be reassigned to the Celebrity brand. Most tellingly, a competitor recently cornered Williams at a cocktail party to ask him, "What in the heck are you guys doing over at Celebrity?" These signs all indicate that Celebrity is moving from slider to power-brand status. The lesson here is that companies need to take immediate and drastic action in dealing with sliders; mere window dressing (for example, simply changing an ad campaign) just won't do.

Sleepers are brands that have high levels of traction — everyone knows them — but they currently aren't going anywhere. Sometimes they might have even become cultural institutions but not commercial forces. The classic example is Wolverine World Wide Inc.'s Hush Puppies. In the late 1950s, Hush Puppies essentially created a new market for casual shoes, but sales peaked in the 1960s and by the late 1980s the brand had become tired and unfocused — a shoe for older people, a comfortable shoe worn by "somebody else." Then, in the early 1990s, Wolverine launched a major brand repositioning effort, targeting younger consumers and exploiting the emergence of casual dress in the workplace. The product was given a fresh new look; the packaging was modernized; and a brand campaign was launched to erase old perceptions. Soon Hush Puppies were appearing in fashion shows (as "quintessential American style") and at high-style events like the Academy Awards. The result was a whopping 70% growth in Wolverine's shoe sales between 1992 and 1995.

Sleepers also include brands that have never been marketed aggressively. In 2003, DaimlerChrysler AG used the clever and cryptic "That thing got a HEMI?" campaign to reintroduce (and formally brand) the classic HEMI — a type of V8 engine that powered the muscle cars of the 1950s and dominated NASCAR in the 1960s. Leveraging the HEMI helped fuel a 13% jump in sales of Dodge Ram Trucks in 2003, and the brand is now being extended to Chrysler's full line of performance vehicles. In truth, there was considerable internal debate in the marketing department about putting money behind the HEMI brand because the technology was 50 years old and known primarily among auto enthusiasts. But DaimlerChrysler soon discovered that HEMI, like many sleepers, had tremendous untapped awareness and value that with modest promotion could take off. And that's the key corrective action — namely, an injection of marketing support — that has worked for sleepers like Triumph's Bonneville motorcycles, John Deere's lawn tractors and Altoids' mints.

Soldiers are brands that get little attention, seldom making the list of "most admired" brands and rarely wining advertising awards. Collectively, however, they deliver much of a company's profit and volume. The challenge for soldiers is that most marketing budgets are set based on last year's numbers. For soldiers, this typically means a modest increase, so that their overall marketing budget has often contracted once media inflation is figured in, leaving them vulnerable to aggressive competitors. The key to managing soldiers successfully is to cycle attention across them periodically to ensure they don't become sliders. Consider Head & Shoulders. Around since the 1960s, H&S is No. 3 in the highly competitive $1.8 billion shampoo market. In 2000, Proctor & Gamble instituted a major relaunch of the brand, adding seven new line extensions and pouring $60 million into marketing. Because P&G acted while H&S was still strong, the company avoided having to expend even more resources later to turn around a failing brand. The secret to managing a soldier is to cycle the budget, giving the brand periodic infusions of resources and then ramping down between those investments.

Of all the different types of brands, the most challenging are those that have high momentum but low traction and small (or negative) contribution. Such brands can either be black holes or rockets, and the difficulty is distinguishing one from the other. Often these types of brands are new and haven't yet reached full product maturity. Consider TiVo, the digital video recorder service introduced with much fanfare in 1999 by TiVo Inc. TiVo offers new and significant benefits to a market inundated with channel choice — customers can control what they watch and when they watch it. However, despite high levels of brand awareness, TiVo has yet to achieve anything close to power status. Part of the problem could be that TiVo has failed to recognize the upside of licensing its technology across all cable and satellite TV services. As a result, the number of subscribers has been disappointing, and some analysts contend that TiVo might, at best, become just a successful niche service.

Five years ago, though, TiVo appeared to be a rocket because the technology already had lots of media and consumer interest, and the upside seemed enormous. But savvy managers are well aware that only a small fraction of such brands will thrive; most will struggle to survive. When a brand could be either a black hole or a rocket, companies must be especially vigilant, continually reevaluating their investment; otherwise, they could be spending money on a big break that never comes.[5] The marketing landscape is littered with brands like Betamax, Segway and Pets.com that have fizzled despite much initial promise.

At this point, TiVo appears more likely to evolve into a wallflower than a power brand. Wallflowers are small brands that contribute but are restricted to a niche market that is not growing. If ever there was a brand that typifies wallflowers, it's Fresca, the citrus-flavored soft drink that the Coca-Cola Co. introduced almost 40 years ago. With only sporadic and very limited marketing support, the diet beverage accounts for less than 1% of the market. But Fresca maintains a very loyal following within that tiny customer base, a rather remarkable feat in light of the fact that Coke has sometimes completely cut off marketing support for the brand for stretches of three to five years. But despite this apparent neglect, Fresca continues to sell steadily. The brand has even managed to leverage its cultlike status among adult consumers to gain product placements on episodes of the popular TV series "The Sopranos" and "The West Wing." As Coke has learned, the key to managing wallflowers is discipline: holding pricing firm and limiting investments.

Step 5: Developing a Plan for the Portfolio It's one thing to ensure that each brand is working its hardest for the company, but the real opportunity (and challenge) in brand portfolio management is to make the entire range of owned and related assets perform collectively in an optimal manner. Brand managers who request resources and senior executives who allocate them know all too well that brands compete for support in a quasi–zero-sum game, drawing from the same monetary and human pool. With marketing budgets relatively fixed from year to year and with different brands requiring different marketing strategies at various points over the brand life cycle, any misjudgments of brand potential or the window for action can make a huge difference in a company's bottom line. In short, the key challenge is knowing where and when to place bets.

At the portfolio level, executives have a number of options. They can cut or sell brands (as Unilever Plc/Unilever NV's Path to Growth strategy has recently done successfully). They can reposition or extend brands (as Coke did with its new C2). They can promote a brand (as DaimlerChrysler did with HEMI) or demote it (as BP Plc has done in moving Amoco from a master brand to a product brand). They can also split or consolidate brands.

One important task in developing a master plan for a company's brand portfolio is the creation of a "watch list," which contains brands that require close observation over the coming months. (For example, is the brand a black hole or a rocket?) The watch list should contain specific metrics for measuring the brand's future progress, as well as milestone deadlines that the brand must meet (for instance, a doubling of brand awareness within six months and monthly sales of $250,000 by the end of calendar year 2006).

THE RAPID PROLIFERATION of brands has created a growing need for effective brand portfolio planning, both to allocate more marketing resources toward brands that offer the greatest opportunity and to identify weaker brands that might be vulnerable to the competition. A five-step approach helps managers accomplish this objective in a way that engages their participation, which may well prove to be the tool's greatest value. After all, a company's brands are far too important to let them evolve in a random manner.

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2. D.A. Aaker, "Brand Portfolio Strategy: Creating Relevance, Differentiation, Energy, Leverage and Clarity" (New York: Free Press, 2004).

3. A detailed discussion of the brand-portfolio renewal framework, including access to a working tool with a full set of templates, is available at www.heliosconsulting.com/brandportfolio and www.thunderbird.edu/smrexhibits.

4. For a discussion of the definition of "brand," see S. Hill and C. Lederer, "The Infinite Asset: Managing Brands to Build New Value" (Boston: Harvard Business School Press, 2001).

5. Some experts have contended that even black holes can eventually be turned around, but that argument is not particularly compelling because few companies can afford the decades of investment required to achieve that kind of transformation.

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