



INSTITUT FÜR MARKENTECHNIK
GENEVA

Brand Architecture

Building and managing complex brand portfolios
to achieve maximum competitive strength

International business consultancy for
strategic and operational brand management

Conflicts of interest between a company's own brands

When the secondary brand jeopardizes the main brand

A second cheaper brand – whether acquired or developed in-house – will quickly become a threat for the company's main brand. As less effort is required initially to drive sales due to the lower price, it undermines the main brand. It takes away money as a result of cross-subsidization, occupies management time, and uses the resources, equipment and relationships of the main brand without paying for them. The sales force proudly announces that it offers the same quality as the main brand, but at a cheaper price. "Synergies" of this kind can threaten the very survival of the company.

Umbrella brand or product brand ?

Successful brands form line extensions; companies form divisions. One of the first problems that need to be tackled is what name to give the line extensions or sub-groups. If this process is not strictly managed and controlled from the outset, so-called sub-brands will develop under the established brand. These will ultimately begin to claim rights of their own, and become a burden for the system as a whole. Logos will end up competing with one another, and once this happens, the question arises as to which name should be promoted. As the confusion starts to get out of hand, brand managers will find themselves faced with an insoluble dilemma. Typically, this is the point at which the choice of an umbrella brand seems to offer the perfect solution. However, experience has shown that an umbrella brand cannot provide a strong product brand with additional energy. On the contrary, it may even be counterproductive because the superior performance of the product brand can no longer be the focus of communications.

Competitors turned allies

One day you have two brands locked in a bitter battle to outdo each other in the marketplace. The next, one buys the other out, and all of a sudden they become part of the same company. Should they remain competitors? Or should they go after completely different segments in order to cover the market as fully as possible? This is not an easy question to answer, particularly if both brands have historically occupied the same position, more often than not in the mid-range segment. Should one of the brands position itself differently? Or should one of them be given higher priority? To do so would inevitably have drastic consequences for the other brand.

Separate or joint sales forces ?

There are no hard and fast rules on this crucial issue. The real question that needs to be answered is whether the impact of the joint sales force is regarded as more important than the competitive strength of the brands when sold separately. If the decision is to go for a powerful joint sales force, how can the brand energy of both brands be leveraged to obtain a maximum competitive effect? Looking at this from a purely cost perspective may create a situation in which neither the sales force nor

the brands can develop their full potential in the market. What is more, the sales force will not know which brands they have worked for at the end of the day, nor indeed the ones which they will work for the next morning.

A new “brand” for each new product or service ?

Companies expand their range of products and services through innovations and acquisitions. The difficulty lies in deciding under which brand name to market the new offering. A company division that has just been set up is often quick to dismiss the name of their parent company as “old-fashioned”, and to demand a new “modern” brand. Giving in to such demands means risking a loss of vitality. When the new, more modern parts of a company choose to differentiate themselves from the parent by adopting a different name, the parent will soon start to look old; and yet it is the parent that actually finances them. Costly naming experiments, which have subsequently been reversed, provide sufficient reason for thinking about a sustainable brand structure early on in the process.

What should be done ?

Behind all this, there is one fundamental, but difficult, question that needs to be addressed: how does one organize brands, names, symbols as well as the financial and human energies within a multi-brand organization in such a way that the company’s economic objectives can be achieved? In its search for pragmatic answers that not only make good business sense but also deliver sustainable results, the Institut für Markentechnik has drawn on its extensive know-how and experience to develop the *Brand Architecture* method.

The advantage of this method is that each problem can be assessed precisely, bearing in mind its specific complexity and dimension. The appropriate amount of time and resources needed for the particular case can be allocated accordingly. There is clearly a big difference between deciding what names to give products within a product range, and setting up a brand hierarchy within a corporate group.

Brand Architecture – succeeding in the marketplace even with complex portfolios

Typically, problems such as those described above are rendered more complex by the fact that they usually occur at one and the same time. The relationship between the group and the product brands often needs to be redefined while simultaneously restoring order to a system of parallel or competing brands. Whatever the case, decisions will need to consider the following aspects: what product range needs to be *joined* with which corporate activity so that they can mutually reinforce one another in the marketplace? Which activities need to be clearly *separated* in order to achieve maximum impact?

Joining and *separating* – usually both are needed to create a sustainable structure for complex company portfolios. The *Brand Architecture* method allows these highly sensitive issues to be moved from the superficial branding level (name, logo, colors) to a much deeper level. All the strategic and operational implications of brand-related decisions are analyzed and presented in a way that makes it clear to management the consequences or undesirable effects their decisions will produce.

In complex multi-brand systems, the market power of the individual brands and synergy effects are structurally opposing forces. With the instruments provided by the *Brand Architecture*, these two parameters can be optimized even in difficult cases (e.g. mergers and acquisitions). To achieve this, the process of joining and separating brands must be carried out consistently throughout the entire value-added chain – from R & D to production, from marketing to sales, and even to distribution channels. In those areas where individual brands are to operate independently, they are allowed to lead their separate existences. The group brand, on the other hand, will be used in those cases where it is felt that it can create a stronger impact.

The *Brand Architecture* method can also be used to determine whether, in a multi-brand system, a joint sales force will create a greater benefit – or whether the impact will be stronger if the brands are handled by separate sales forces. Here it is important to carry out a detailed analysis of the relationship between the company and the brands on the one hand, and its distribution partners on the other. Armed with these results, the sales force will be able to make the most of this relationship to create the maximum impact.

What should be done with the secondary brand which has a lower price positioning? Clearly, it is a matter of the utmost importance that the main brand is not cannibalized. However, there is no easy solution. Each case needs to be treated individually and all the relevant parameters must be taken into account. Secondary brands that can only survive through cross-subsidization must be evaluated in terms of their economic viability.

If a company has already established a well-organized brand structure, another problem affecting the brand architecture may arise, namely how to present the product ranges under each of the brands. Each brand portfolio must fulfill two conditions. First, there has to be a connection between the product offerings and the established brand. The reason is that customers store all their positive experiences under the name and symbols of the brand. Secondly, the individual products need to be sufficiently differentiated from one another. This way customers can perceive how broad a range the brand is capable of covering. If these conditions are met, the brand will achieve maximum competitive strength over its entire product range.

When the brand portfolio is headed by a group brand, the *Brand Architecture* method has to address another issue. In communications with sales markets, the group may need to remain entirely invisible or to display its connection with the brand. In the latter case, it is important to determine how prominent that link must be.

Certainly, one of the main tasks of any group brand is to impress the financial markets. Unlike sales markets, where the existence of individual, unconnected brands will not necessarily have a negative effect on the relationship with customers and retailers, financial markets need to see evidence that a group has successfully integrated its brands into a strong portfolio.

The instruments of the Brand Architecture

The *Brand Architecture* method provides a set of instruments which puts the company name, as well as its brands and symbols, on to a secure and economically viable basis. Management gets all the information it needs to make decision-making both reliable and transparent:

- The *Brand Architecture* establishes the correlation between the competitive strength of the brands that has been built up over time, and the company's current policies and plans.
- The very first task is to decide which names and symbols are connected with the energy that the brand has developed over its history. These represent significant corporate assets and, within a complex portfolio, provide the framework for the *Brand Architecture*.
- All the relevant options for the future brand structure will be worked out in detail and analyzed from a strategic and operational perspective.
- The Institut für Markentechnik systematically evaluates all the advantages and disadvantages of the different options and compares them objectively.
- Should it prove necessary to give up established names, a migration process will be developed for transferring the brand energy.
- Implementation strategies are designed to ensure that the new brand structure can be realized in day-to-day business.
- Each new activity (at the company, brand or product level) will have its logical place in the brand structure and can therefore be integrated according to objective criteria at any future point in time – this enables management to manage and control the brand portfolio in a sustainable manner.

For further information on the *Brand Architecture*, please contact:

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