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Why it pays to jump on the brand-wagon

The marketing guru warns Simon London that companies need to sharpen their brand management skills or risk seeing their products become irrelevant

Say what you like about David Aaker, he could never be described as flashy. A marketing guru without a bow tie or PowerPoint slides? What will they think of next?

But the laid-back style and "aw-shucks" delivery are deceptive. In a field populated by more than its fair share of shallow self-publicists, Prof Aaker has the respect of academics and executives alike.

His books on branding, from the early 1990s onwards, have been instrumental in establishing notions such as "brand equity" as part of mainstream business.



"Before David Aaker, only trademark lawyers thought about brands," wrote Sam Hill and Chris Lederer, the consultants, in *The Infinite Asset* (2001), their contribution to the marketing

oeuvre.

We meet over coffee to discuss Prof Aaker's new book, *Brand Portfolio Strategy*, a handbook for marketers who want their brands to work together.

The topic is hardly new. Marketers realised many years ago that brand management is a team sport. It is more than a decade, for example, since Procter & Gamble created a new cadre of "category managers" to oversee multiple brands.

So why another book on brand portfolios?

"It seems that just about every company I visit is struggling with this stuff," comes the unfazed reply. "Either they are not sure

'Companies are not sure which brands to grow, or have too many and can't cut through the clutter'

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which brands to grow, or they have too many brands and can't cut through the clutter, or they have brands that are losing relevance."

Loss of relevance is a problem that is especially wide-



Branching out: Levi Strauss believes its budget Signature brand will not affect sales of its original high-quality jeans

spread, he believes. Competition is moving so fast that market-leading brands can become marginalized faster than you can say "Oldsmobile".

One of Prof Aaker's favourite examples is PowerBar, the brand that in the late 1980s established energy bars as a product category.

PowerBar's inventor, Brian Maxwell, who died last month, positioned his gooey, foil-wrapped product as instant energy for athletes. But other companies were quick to realise that the idea could be applied to other sub-markets.

Supermarket shelves were soon stacked with energy bars aimed at women (Luna), bars with greater emphasis on taste and texture (Clif) and bars aimed at the diet-conscious (Balance).

The market was growing fast, but in directions that had little relevance for PowerBar's ultra-athletic positioning. Should the company create new brands or try to extend the PowerBar

brand into new territory?

The case – and the outcome – are described in more detail in the book. Prof Aaker's point is that even market-leading products can become irrelevant very quickly.

To avoid this fate, marketers need not just one or two brands but, if necessary, a portfolio of master brands, endorser brands, branded differentiators, alliance brands and so on.

But surely loss of relevance has always been a challenge for brand managers? New markets are always emerging.

Prof Aaker does not disagree. He believes, however, that the pace of change leaves companies struggling to keep up: "Every CEO I talk with is challenged by managing in this very dynamic environment. Time and again we find brands that are very strong – with high awareness, high quality, high loyalty – but are losing market share. Submarkets are emerging where they are just not relevant."

I say this reminds me of Levi Strauss, the privately owned company once synonymous with denim that is now struggling to compete in sub-markets ranging from the designer (Calvin Klein) to the discount (Wal-Mart).

It is a piquant example. Prof Aaker retired two years ago from the faculty of the University of California, Berkeley's Haas School of Business. The Haas family fortune came from Levi Strauss; they remain big operators in San Francisco where Prophet, the consulting firm where he is vice-chairman, is based.

Levi Strauss last year launched a new brand, Levi Strauss Signature, to sell through discount retailers Wal-Mart and Target. This gives it a portfolio of three brands (Levi's, Levi Strauss Signature and Dockers, a smart-casual label) with which to address the market.

But is Levi Strauss Signature strong enough to stand in its own right?

Prof Aaker is sceptical: "This is a really weak brand. I don't think anyone buys Signatures; they buy Levi's. [The company] would be better off making completely new brands for growth. It worked with Dockers."

In response, Levi Strauss says it believes that the Signature brand will be successful, and that its market research shows no damage to the original Levi's brand.

Only time will tell whether Prof Aaker's critique is correct. The wider point is that creating a portfolio of complementary brands, with just the right degree of connection between them, is a complex proposition.

So which companies have mastered the art of brand portfolio strategy?

Perhaps surprisingly, Prof Aaker nominates not a consumer goods group but Intel, a company that makes a product (microprocessors) that few of us ever see.

All the more remarkable, then, that Intel has established itself as an important

ingredient brand (Intel Inside) in personal computers made by others, while developing a portfolio of sub-brands (Celeron, Pentium, Xeon, Itanium, Centrino) and branded features (Xscale, Hyperthreading) of its own.

Prof Aaker says: "Intel is really good at working the branding strategy with the business strategy. "They have created brands to help [the company] go after new markets and counter competitive threats."

But doesn't this kind of approach imply imposing another layer of bureaucracy – category management or portfolio management – on the marketing process?

"It's a dilemma, no question," says Prof Aaker. "There are so many advantages to decentralisation. The drawback is that you leave a lot of synergy on the table and create a lot of waste. You can't create global brands without some kind of centralisation."

There is a parallel here

with the development of investment management in the 1950s and 1960s. Just as investors for the first time started to analyse investments in terms of overall portfolio risk, so marketers are now learning how to analyse brands in portfolio terms.

By analogy, this makes Prof Aaker the marketing equivalent of Harry Markowitz, the Nobel Prize-winning godfather of financial portfolio theory.

The mild-mannered marketing professor is far too self-effacing – and well-versed in financial economics – to accept the comparison.

Besides, he points out with a smile, there is no Nobel Prize in marketing.

True enough. But if there were one, Dave Aaker would surely have won it.

** Brand Portfolio Strategy by David A. Aaker. Published by Free Press, \$28*