

# Decline of the MASTERBRAND

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by **Tim Munoz**

In the marketing firmament, no star shines brighter than the corporate master brand. General Electric, IBM, Disney, Coca-Cola, FedEx, Starbucks and Wal-Mart are all among the master brands that seem to have it all: reputational capital, a track record of high performance, respected management teams, a unique culture, and the essential element of all successful brands, a clear and distinct promise to the marketplace. But what more and more marketers are wondering is whether the corporate master brand in decline, more of a shooting star, perhaps a victim of overexposure and unrealistic expectations?

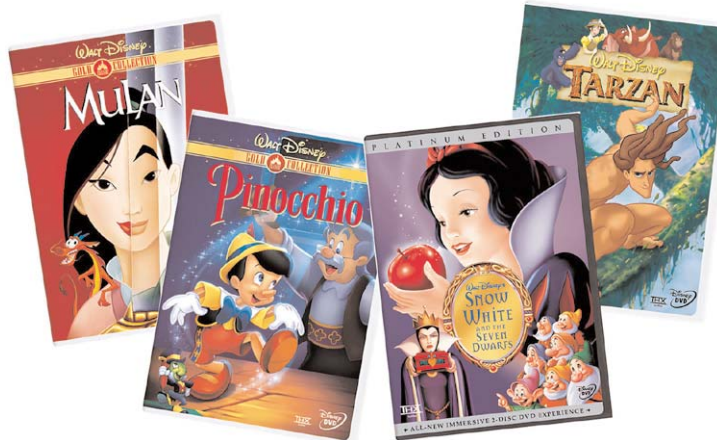
First, let's define our terms. A corporate master brand is a brand used across multiple lines of business and a range of products and services, and synonymous with the company behind these offerings. The master brand designation is also used by marketers to define single category brands that have multiple extensions, such as Tide or Snapple. But it's the corporate master brands from which trouble signs are emanating - brands stretched across wide portfolios that are more vulnerable to competitive inroads and the hard knocks of the marketplace.

It is precisely this brand stretch that is proving so daunting to many of the most successful corporate master brands. Consider the current plight of GE. Long the darling of Wall Street, GE has lost 30% of its market capitalization in the past 12 months and is in danger of being reclassified from an industrial to a financial services company, with a significantly lower multiple. GE no longer "brings good things to life" across a range of categories

and markets. Instead, it is overexposed in numerous low growth categories, heavily dependent on further acquisitions to shore up its industrial businesses while GE Capital delivers 50% of the profit and keeps the enterprise afloat.

The GE corporate master brand is losing its elasticity, or the ability to maintain credibility, relevance and differentiation across a broad portfolio of offerings. When Power Systems, Lighting, Medical Systems, and Aerospace all start to hemorrhage, the GE master brand doesn't stretch very far. The GE problem is credibility. Customers and investors alike start to doubt the credibility of a diversified company to deliver superior value in multiple, competitively intense markets. The previous strengths of the company - its business strategy of aggressive growth, its management practices and style, its clout in the capital markets, with customers and suppliers - now seem seriously misaligned. And the brand promise of GE, the common benefit of "imagination at work" across these diverse businesses, seems like an act of hubris rather than a credible assurance of delivery.

Brand elasticity is also creating some tensions for IBM as a master brand. As the inventor of the mainframe, the long-time IT leader for enterprise business and government and a resilient company that rose from the ashes after a series of corporate blunders in the 1980s, IBM is a very strong corporate master brand. Yet, much like GE, IBM stretches across a wide range of businesses, from hardware to software to services. Each has its own discreet set of competitors, all with IBM in their sights. IBM has been very successful at evolving its image away from "big iron" and towards services, and is now even perceived as a faster, more nimble company through the eBusiness strategy. But IBM has yet to overcome the perception



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that it is heavily focused on big business and is widely viewed as neither organized nor oriented towards small and mid-size business. When so much of the growth in IT is coming from these underserved segments, that's a problem.

The issue at IBM is lack of relevance to small and mid-size business. In the server market, Dell is viewed as significantly more relevant because of its innovative business model and its focus on customer service. In software, any number of brands such as SAP and Oracle are more relevant because of their own upward mobility and their customer-centricity. In the crowded services market, many brands of IT consulting are more relevant than IBM because of smaller size, greater ability to customize, vertical focus and better pricing. Ironically, IBM is doing some remarkable things, such as pioneering open source software through Linux and building a strong network of business partners of all sizes. But the corporate master brand stretches so broadly that key market segments perceive it as lacking relevance for them.

Brand elasticity is also causing some disruptions at Disney. Its universally admired corporate master brand's consistent promise of "family magic" has enabled countless line extensions, from theme parks to merchandise to cruises to vacation homes to schools and even planned communities. Though a set of Disney attributes is valued and sought after by many loyal customers, there is also a threshold beyond which the brand stretches perhaps too far.

Disney's problem is maintaining differentiation across a wide portfolio of offerings. On first blush, Disney seems to be, and truly is, a differentiated brand, with very specific capabilities and values. But when the corporate master brand is asked to stretch across so many new categories, where the drivers of demand are different for each and where performance requirements crowd out self-expressive benefits, then Disney suffers. The much-reported lag in business performance across Disney's new businesses is in part caused by the brand's reach exceeding its grasp, and the resulting constraints on differentiation. The Disney value proposition is limited to the least common denominator and is left functionally ill equipped to fend off the competition.

So GE, IBM and Disney, all among the most widely admired companies and the most highly valued brands, are feeling some pain around the inelasticity of their corporate master brands. The marketing imperatives of credibility, relevance and differentiation are all strained to the breaking point through overexposure. Each company continues to invest in corporate reputation at the expense of the business units, when the problem of brand stretch would indicate that the business units need the greater support and greater separation. Undoubtedly, these companies are reluctant to curtail what has worked so well for them in the past, but the competitive intensity will force change sooner or later.

Several high profile corporate master brands have changed their approach recently to address the problem of brand inelasticity.

Philip Morris realized that the shadow of tobacco and the corresponding threat of continued anti-smoking litigation was depressing the value of Kraft and its other portfolio companies, so it spun off part of Kraft in an IPO and rechristened the corporation Altria,



to create distance with the negative publicity.

Time Warner dropped the AOL designation from its corporate unit in recognition of the failure of content and distribution convergence to take hold and the specter of negative publicity emanating from AOL over its accounting practices.

Coca-Cola had to scramble in 1999 when an adulterated product scandal in Belgium threatened not brand Coke, but the corporate master brand. In that instance, consumers were more loyal and forgiving to the product than they were to the company, which was seen as responsible for quality control and crisis management.

Apart from issue-driven, public policy rationales for reining in the corporate master brand, other companies are seeking to reinforce credibility, relevance and differentiation in other ways. FedEx undertook a rebranding of its portfolio (Ground, Air, Solutions, etc.) to speed the evolution of the company from a focus on expedited letter and package delivery to a solutions provider of logistics and supply chain management. UPS did virtually the same.

Microsoft continues to manage its corporate master brand through a flexible model where Microsoft sometimes plays a driver role (Microsoft XP, Microsoft Office) in which the Microsoft brand is driving the purchase decision, and sometimes an endorser role (Windows, MSN, TechNet), in which Microsoft simply provides additional context or credibility for the product. BP acquired the Amoco, ARCO and Aral fuel brands and Castrol lubricants and adopted a model of "soft" endorsement to maximize the corporate master brand (where the line of business or product brand is dominant and corporate master brand is a secondary identifier) but also to enable the acquired brands to fight their own category battles. Marriott has similarly maintained a flexible and adaptive model that gives balanced and category-appropriate weight to the corporate and product brands (e.g., Marriott, Courtyard by Marriott).

Such flexible brand models seem to work best, for they allow the master brands to represent all the important qualities of the companies that stand behind them, yet are elastic enough to allow other product brands an important role in the value proposition and the investment allocations.

The luster is, in fact, dimming on the traditional corporate master brand model as almost a necessary function of increasingly complex and diverse business and product lines that limit the master brand's ability to adequately stretch. And the new shining star in the marketing firmament may well be the more flexible model that optimizes the corporate master brand's credibility, relevance and differentiation while also providing the desire lift to the business and products in the portfolio.