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Relevance

A business needs to stay relevant in a dynamic market in which new categories and sub-categories are emerging. Too often a brand finds its market share declining despite retaining strong awareness, image, and even loyalty. Customers are simply no longer buying. You can make the best mini-van in the world but if customers are looking for a Range Rover, it does not matter – your brand will not be relevant.

A portfolio strategy can help address relevance. Consider the fast-food firms adapting to the healthy eating trend. The response could be to alter their base menu using a branded variant (Taco Bell fresco style, using healthy sauces and omitting cheese); add a sub-brand (Wendy's sensational salads); or use a co-brand (McDonald's salads with Newman's dressing) or a new brand (McDonald's ownership of the Boston Market chain).

The relevance challenge represents opportunities as well as threats. Brands that have developed or influenced a new category or sub-category such as Toyota Prius hybrid cars (with Hybrid Synergy Drive), Starbucks, Asahi Super Dry Beer and online auctioneers ebay, have created an enviable market position. If that position is supported with the competencies, resources and programmes to exploit their early advantage, there is the potential, over time, to own the dominant position in a growth sub-market.

Rise to the brand challenge

IN ORDER TO THRIVE, AND IN SOME CASES TO SURVIVE, MOST COMPANIES FACE FIVE BRAND HURDLES. DAVID AAKER EXPLAINS WHAT THESE ARE AND HOW TO COPE WITH THEM

Differentiation

Facing overcapacity and product proliferation, a business has basically become or is drifting towards being a commodity with very few points of differentiation and a growing emphasis on price. Creating differentiation – the only alternative to price-dominated competition – becomes an imperative. However, achieving a sustainable point of differentiation is difficult. Offering base points of differentiation that are effective is generally short-lived as competitors copy them quickly.

A portfolio solution is to create branded differentiators, branded features, ingredients, services or programmes that provide a sustainable point of differentiation. Hotel chain Westin's Heavenly Bed, for example, features a custom-designed mattress and accessories that provide a superior sleeping experience. Westin hotels that featured the bed enjoyed a 5% increase in customer satisfaction, a noticeable improvement in perceptions of cleanliness, décor and maintenance, and increased room occupancy.

Energy

Most brands can use more energy. It is a rare brand that has too much. The energy gap problem is particularly troublesome, ironically, for market-leader firms in mature categories that often have an enviable reputation of high quality, trustworthiness and innovation. Such brands nearly always tend to be viewed as boring.

The portfolio solution is to create a branded energiser, a branded product, promotion, sponsorship programme or other entity that will enhance and energise a target brand. The target brand, which may be boring, can be linked to a brand that has substantial energy. Thus,

Samsung Electronics went from a value-entry to a premium-priced product leader in part by placing its advanced mobile phones in the Matrix film series. This helped Samsung become energised, contemporary and interesting. A key insight is that a branded energiser should be managed as part of the brand portfolio and should not be considered a separate entity.

Leverage

Most companies desire growth in order to create organisational vitality and to realise the objectives of investors. Achieving growth, however, is not easy. Even if a growth sub-market is discovered for which competition is modest and an attractive offering is available, a brand asset will be needed to enable the growth option. A portfolio solution is to create and leverage brand assets.

A brand extension strategy leverages brands into adjacent product classes. Two observations: first, in doing so it is useful to build brand platforms that will eventually span many products, perhaps using sub-brands rather than looking to incremental extensions. Dove soap, for example, leveraged its moisturising properties to create successful offerings in body washes, shampoos and deodorants. The successful momentum of each extension helped subsequent ones and, in addition, gave a boost to the original soap product.

Second, a concern in any extension decision is the impact that the extension has on the brand – in addition to the help the brand will give to the extension. An ill-conceived or badly implemented extension can damage the brand.

Brands can also be used to extend vertically. The super-premium market is attractive as it contains most of the product vitality and attractive margins.

A value market may also be enticing because it may represent substantial and growing sales. Vertical brand extensions are often compelling but they represent delicate brand portfolio issues because moving up involves brand credibility and moving a brand down involves risk.

Clarity

Over the years a firm prides itself on being entrepreneurial. One result is a proliferation of brands, which creates confusion. Consumers and employees become frustrated in trying to determine what the firm stands for in the various product-market settings. There is also a lack of brand-building focus, resulting in ineffective use of brand-building budgets.

A portfolio strategy can enhance focus and clarity. One route is simply to reduce the number of brands, especially those that are strategic. Nestlé, for example, identified Nescafé, Nestea, Buitoni, Maggi and Purina as the top priority brands with respect to resources.

Another route is to clarify the roles that the various brands would play, develop them for success in those roles and make sure they are used consistently. Still another is to leverage the corporate brand within the portfolio. This usually represents the people, values and culture of an organisation and it is often ideally suited to being an endorser brand.

The active strategy

An active, forward-looking brand portfolio strategy will enable and support the business strategy and provide brand assets that are relevant, differentiated, energised, leveragable and clear. It should replace drift with relevance, price-orientation with points of differentiation, missed opportunities with leveraged assets, and confusion with clarity. tm

NEXT STEPS

Studying marketer	Courses: 'Brand marketing – creating and exploiting brand power' is a two-day course looking at the influence of brands and explaining how to harness this power for competitive advantage. Books: <i>Branding</i> (2nd edition) by Geoffrey Randall
Professional marketer	Courses: 'An introduction to brand management'. This one-day workshop is ideally suited to new product/brand managers and assistant product/brand managers. Books: <i>Brand Gym</i> by David Taylor
Senior marketer	Courses: 'Profitable brand marketing – creating and exploiting competitive advantage'. A one-day workshop on the use of state-of-the-art planning tools. Books: <i>Brand Leadership</i> by David Aaker, <i>From Brand Vision to Brand Evaluation</i> by Leslie de Chernatony

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ATTEND AN EVENING WITH DAVID AAKER ON 17 MAY IN CENTRAL LONDON. FOR MORE INFORMATION VISIT: WWW.GREATERLONDON-CIM.CO.UK, EMAIL: EVENTS@CIM-CENTRAL-LONDON.ORG OR CALL: +44 (0) 1438 365 581

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