

Building a Better Foundation for Brand, Business, and Success

Businesses generate up to 90% of their profits from fewer than 20% of their brands, various studies have shown. This suggests that many companies are missing an opportunity to gain both more efficiency and effectiveness from their brand portfolios.

What's required goes beyond the de rigueur brand architecture restructurings or brand rationalization. A better solution is to look more comprehensively and strategically at the portfolio of brands in the aggregate and to set up an ongoing system for managing the brand assets as a true portfolio. A cohesive brand portfolio strategy will help guide the processes by which brand assets are most effectively created, deployed, and managed—at the same time, supporting both top- and bottom-line business growth.

The idea is to create value by optimizing brand assets to meet marketplace needs while recognizing internal operating realities. Value is created when relationships among brands are better managed to avoid conflicts and overlaps, and by striking a better balance between category and product brands and extensions. It's created when waste and inefficiencies are reduced, so brand building is more cost-effective, with fewer and stronger brands getting the support they merit. Most critically, a well-orchestrated brand portfolio strategy needs to be fully integrated with the company's business model, tying in with such economic factors as pricing policies, manufacturing scale, and distribution policies.

Getting there requires marketers to adopt a more banker-like mindset in managing their brand assets. Like bankers, they must first build the asset base, then protect it, and finally seek to further leverage these assets for growth. To safeguard them requires balancing the dual tensions of near-term profit-and-loss demands with the creation of long-term asset value. Too many fail at these responsibilities, allowing their brands to be overextended (damaging their equity) or overprotecting them (stifling equity growth). And the complexities only increase when it's a portfolio of brands that comprises the asset pool.

Three Considerations for Success

Prioritize your brands. Resources must be allocated to the strongest and highest performing assets. This

entails detailed analysis of customer targets, brand relevance, and the brands' impact on business results to identify which are stars and which should be pruned. By identifying and nurturing the stars and eliminating underperformers, companies will ensure their investments are helping to drive top- and bottom-line growth.

Build, protect, and leverage brand assets. Once the portfolio is tightened, the remaining brands should be assessed for short-term and long-term growth opportunities. Brand managers must proactively manage their brands and determine the extent to which the brands can be extended organically or "lent out" to grow new products or services. Overprotection is just as dangerous as overextension; left underleveraged, brands will underperform as a driver of organizational growth. Striking the appropriate balance is critical.

Establish and empower a portfolio manager. Most businesses lack the management structures, systems, or processes to effectively manage a brand portfolio strategy. What's needed is a dedicated brand portfolio manager—a role that may nominally fall to the most senior-level marketing officer to juggle amongst myriad other responsibilities. At the very least, a brand steward can help address the marketing effectiveness conundrum. This individual can manage and monitor the portfolio's performance (including individual brands' contributions to the business), better understand what the company is actually spending in aggregate on brand and marketing support, and offer knowledgeable insights to guide resource allocation decisions.

Effectively managed, the brand portfolio has the potential to wield significant power as a vehicle for driving business growth. Combining a sound strategy with best practices in brand management will help ensure that the value of the portfolio, rather than simply the number of brands within it, grows over time.

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