Strategic Brand Management

Exeter MBA and MSc – Day 4
Lecture 1
Brand Management

Brand Management

- Brand Portfolios / architecture
- Corporate brands
- Brand extensions
- Sub-brands
- Brand alliances

Jack Buckner
Some definitions

- Most brands are part of a wider organization
- Brand architecture – the structure and organization of brands
- Brand hierarchy – the different organizational levels within a brand system
- Sub-brand – an identified division (other of products) within a brand

Brand Hierarchies

<table>
<thead>
<tr>
<th>CORPORATE BRAND</th>
<th>RANGE BRAND</th>
<th>PRODUCT LINE BRAND</th>
<th>SUBBRAND</th>
<th>BRANDED FEATURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Motors</td>
<td>Chevrolet</td>
<td>Chevrolet Lumina</td>
<td>Chevrolet Lumina Sports Coupe</td>
<td>Mr Goodwrench service system</td>
</tr>
<tr>
<td>Nestle</td>
<td>Carnation</td>
<td>Carnation Instant Breakfast</td>
<td>Carnation Instant Breakfast Swiss Chocolate</td>
<td>Nutrasweet</td>
</tr>
<tr>
<td>HP</td>
<td></td>
<td>HP Jet Brand</td>
<td>Laserjet IV SE</td>
<td>Resolution Enhancement</td>
</tr>
</tbody>
</table>

Aaker: Building Strong Brands

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Brand Architecture alternatives

- Product Range Brand
- Umbrella Brand
- Endorser Brand

Kapferer: Strategic Brand Management

Product Range Brand Strategy

Company

Brand A
  Product A
  Positioning A

Brand B
  Product B
  Positioning B

Brand N
  Product N
  Positioning N

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**Product Range Brand Strategy**

- Allows multiple market entry and flexibility
- Consumer oriented branding not corporate branding
- Encourages innovation and risk taking (failure will reflect less on corporate brand)
- Possible to control greater shelf space with strong brands
- BUT expensive and requires sophisticated organization
- Example – P & G (Ariel, Tide, Crest, Pampers, Pringle)

**Umbrella Brand Strategy**

![Diagram of Umbrella Brand Strategy]

- BRAND
  - Products or Services
  - Specific communications by product or service
**Umbrella Brand Strategy**

- Builds brand equity at the corporate level
- Corporate brand strength is critical
- Reduces marketing investment in new categories
- Allows fast-follower strategies in innovative companies
- Easier for horizontal rather than vertical extension (in some categories)
- Risk of over-stretching
- Examples – Sony, Canon, Schweppes

**Endorser Brand Strategy**

```
Endorsing Brand
Brand A
Product or range A
Promise A

Brand B
Product or range B
Promise B

Brand N
Product or range N
Promise N
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Endorser Brand Strategy

- Allows dual brand equity to develop
- Quality seal of approval
- Cheaper method of building brand equity in company name
- Use product brands to express different aspects of personality
- Requires comprehensive understanding of brand values
- Examples – GM, ICI, 3M, HSBC

Brand architecture debate – 3M

- In 1981 created 244 new brands
- Over 1500 trademarks
- Established branding committee
  - 3M to be sign off on all products (except cosmetics)
  - Ban the use of more than 2 names on one product
  - Clear guidelines for branding to all subsidiaries
  - Brand decision tree
Brand Architecture – the car industry

- Toyota / Lexus
- BMW / Mini
- Mercedes / Smart Car
- Ford
- Audi / Volkswagen
- GM
- Critical issue is clear structure and understanding

Brand Extension - Pros

- Facilitate new product acceptance
- Increase profits
- Avoid cost of developing a new brand
- Appeal to new consumers
- Revitalize the brand
- Prevent marketing myopia

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Brand Extension - Cons

- Hurt parent brand image
- Dilute brand image (diluted investment)
- Confuse consumers
- Alienate existing consumers
- Retailer resistance

Some brand extension research

- Successful brand extensions have a perceived fit (the basis for fit may vary)
- High quality brands stretch further than average quality brands
- A prototype brand can have difficulty extending
- Vertical extensions can be difficult
- Most effective advertising focuses on the extension (not the parent)
**Nike and the Skate market**

Skateboarding – fast expanding sport
New brands emerged – Etnies, DC
Traditional sports brands struggled – image, distribution
Nike – 4 attempts in 1990’s – ACG separate division
Orange County office – big brand approach
“We were hurt by the fact we were the number one sports company”
Recognised brand extension not possible
Savier – new brand
Hurley acquired - $50 million

**Extend profits, not product lines**

- Why do companies extend their brands?
  - Customer segmentation
  - Consumer desires
  - Pricing breadth
  - Excess capacity
  - Short-term gain
  - Competitive intensity
  - Trade pressure

- The pitfalls of proliferation
  - Weaker line logic
  - Lower brand loyalty
  - Under exploited ideas
  - Stagnant category demand
  - Poorer trade relations
  - Increased cost

Quelch and Kenny – HBR September 94
Extend profits, not product lines

- Recommendations
- Improve cost accounting
- Allocate resources to winners
- Research consumer behaviour
- Manage deletions
- Co-ordinate marketing
- Work with channel partners

- Findings debated
- Energizing a brand?
- Manage a dynamic environment?
- Consumers are forgiving
- Marketers as biologists

Sub-brands

- Vertical extension
  - Upwards (The silver bullet concept – Audi TT)
  - Downwards (Levis signature range)
Guess the Brand?

- “I believe there is no limit to what a brand can do. You can ignore those who go on about brand stretching.”
- “…attitude is, we’ll just get ….to do a personal appearance and it will help the brand.”
- “There are times a brand has to say ‘no’ to a brand extension.”

Jack Buckner
The Virgin Empire

- Richard Branson founded in 1972 – record shop
- Virgin airlines – 1984
- 1986 went public, 1988 private
- mid-1990’s – over 100 companies
- 1997 – railways
- Virgin.com and telecommunications late 1990’s
- 1999 – sold 49% airlines to Singapore Airlines
- 2000 – withdraws from clothing
- 2002 – appoints first Brand Marketing director

Virgin Brand Values

- Richard Branson
- “Have a go”
- Quality, fun, challenge, innovation, provocative
- Stylish, young, irreverent
Virgin

- Successes – music, travel, hotels
- Failures – clothing, computers
- “For every Virgin Atlantic or Virgin music group there have been numerous failures.”
- “For a company so diversified, it is vulnerably dependent on a single brand.”
- “I can do what I want.”
- Virgin Direct – “we are going to exist for 200 years and clearly Richard is not.”
- “Well, we would not launch a cigarette.”

Brandstretch (David Taylor)

- “Why 1 in 2 extensions fail, and how to beat the odds.”
- Virgin: the biggest ever brand ego trip?
- Strengthen the core
- Vision, ideas, focus, delivery
- Brand architecture
- Heroes – Gillette Mach 3, Bacardi Breezer, Blockbuster, Pampers
- Villains – Tango Tropical, Levi’s suits, easyGroup
Brand Alliances

- Sony – Siemens
- Star alliance
- McDonalds – Cadbury’s Crème Eggs
- Intel
- Movies / Video Games

adidas / Coca-Cola

- Strategic alliance proposal
- Global brands
- Collective marketing assets
- Similar target audiences

Jack Buckner
adidas / Coca-Cola

- A global adidas branded sports drink
- adidas provides
  - Sports credibility
  - Sports exposure and network
- Coca-Cola provides
  - Product expertise
  - Global distribution

Income potential for adidas
But risk of brand dilution greater for adidas
Coca-Cola brand equity and marketing capacity significantly greater than adidas
Budgets would dwarf adidas brand’s efforts
Distribution issues