

# Brand Sliders

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**I**magine for a moment that you are the CEO of a \$1 billion-plus, single-brand company that has a strong track record of growth, and a valuation driven by the expectation that growth will continue. The pressure is on.

Like many other CEOs who've faced this situation, you start taking a look at acquisitions to help keep the fires burning. The right opportunity comes along. It's a good fit for your organization. It takes advantage of some of your core manufacturing competencies. The price is right so you take the plunge. Great.

But now you have a branding dilemma. How best to brand this new acquisition? Your first thought may be to use your existing brand because it's the more efficient path. But there may be some important reasons not to. What if the acquired brand has a lot of equity, or your own brand doesn't have credibility in this new space versus its new competition? Maybe the better option would be to use the acquired brand?

## ONE BRAND OR MANY BRANDS?

The question of one brand or many brands is a battle between two important and competing advantages: focus (many brands) and efficiency (one brand).

P&G has long represented the "many brands" side of the spectrum with its large portfolio of consumer products brands, whereas GE uses its one brand to represent all the products and services it offers.

Most companies fall between these two ends of the spectrum. They have fewer distinct brands than P&G but more subbrands, endorsed brands, and exceptions than GE.

## An innovative tool offers sliding-scale answers to brand-strategy questions.

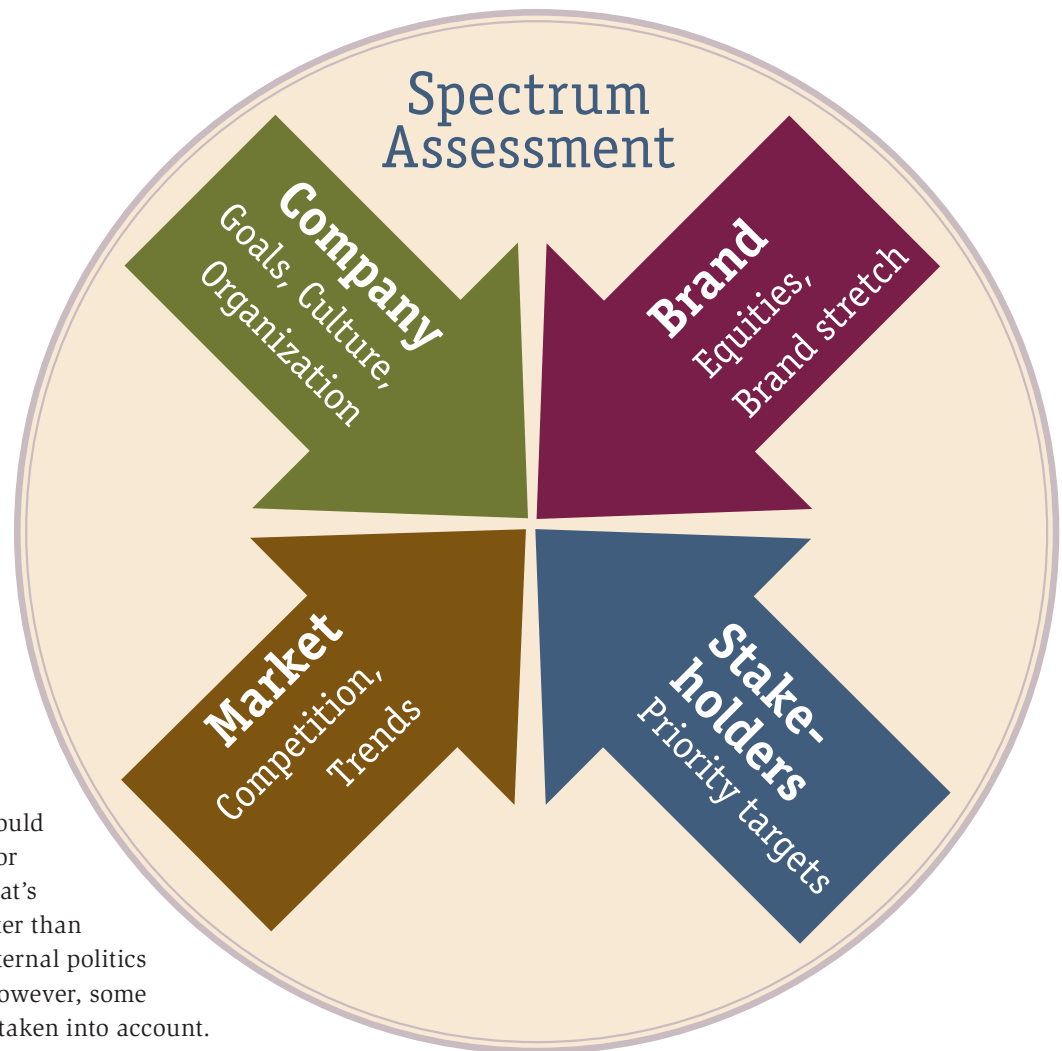
So what determines where a company should fall on this spectrum? The equity of brands in a portfolio is certainly one consideration. But business goals, financial constraints, the competitive set, market trends, and the needs of different stakeholders must also be considered.

## BRAND EQUITY AND STRETCH

These are two key brand questions: How much equity does a brand have? And how far can it stretch before losing its essence? Both factors came into play for The Home Depot when it was pursuing an aggressive diversification strategy and spent some \$7 billion acquiring a number of contractor-supply businesses, such as Hughes Supply.

That strategy was abandoned with the departure of former CEO Bob Nardelli, but at the time it raised questions about how far The Home Depot brand could stretch. The brand is very well known in the do-it-yourself space and has a name that reinforces this position. At the same time, the professional service companies it acquired also had strong reputations and equity with its customers.

For The Home Depot to put these acquired brands under its umbrella, it would have had to find a credible way to stretch its positioning to cover these new business areas—one that would continue to provide brand relevance and differentiation.



**COMPANY CULTURE**

As brand and customer advocates, we often say that brand architecture decisions should be made from the “outside-in,” meaning they should be made from the customers’ or stakeholders’ perspectives. That’s good advice and certainly better than making decisions based on internal politics or organizational structure. However, some internal factors do need to be taken into account.

One is quite straightforward: a company’s current and planned range of products and services (the broader and more dissimilar, the more difficult to define a single compelling brand positioning). But company culture is also important and more often overlooked.

We recently did some work for GMAC ResCap’s international finance group. It has succeeded in developing a global business in residential finance, a market that is fragmented and haunted by competitive and legislative rules that vary significantly by market. A driving factor for GMAC ResCap’s success has been its ability to find and recruit strong, independent leaders with plenty of experience in local markets, and then empower those leaders to work out the best market-entry strategy.

So, even though GMAC ResCap would like to bring more structure and coherence to its global portfolio, it has to balance that desire against its own decentralized and successful culture. It has to recognize that progress toward a single brand must take its corporate culture into account.

**STAKEHOLDER ISSUES**

The more homogenous a company’s customers, the more successful it will be going to market with a single brand. If its customer groups have distinct needs and attitudes, however, using a single brand could limit business growth.

This is a continuing area of debate within the financial services sector. Industry leaders generally want to operate as a single, global brand to take advantage of cross-selling opportunities and reinforce their stature.

However, the needs of wealthy individuals, institutional investors, commercial borrowers, and retail consumers are so different that they often can’t be addressed effectively under a single brand. So, financial institutions use brand architecture solutions to keep a comfortable distance among private banking, investment banking, and retail banking groups.

Companies should also consider the multiple stakeholders that their brands and brand portfolios

# The Sliders Tool



# The question of one brand or many is a battle between focus and efficiency.

speak to: retailers, distributors, employees and prospective employees, local communities and action groups, the media, investors, and the government. The makeup of these different stakeholders has implications for brand architecture.

For example, many companies are working in industries where suppliers and distributors are consolidating and becoming more global. Companies that offer global solutions represented by a single, global brand could build an advantage over those that continue to operate regionally.

## MARKETPLACE CONDITIONS

When companies grow by launching into new market segments, they have to consider their new competitors and customers. If the new market is specialized enough, companies may need to launch new brands if they want to compete effectively.

One example: What major food manufacturer would not like to sell its products in Whole Foods and benefit from the success of this rapidly growing retail chain? Most manufacturers can't do this with their existing brands, even if they are natural and organic. That's because Whole Foods has differentiated itself by selling nontraditional brands, and Whole Foods shoppers demand something more than what traditional supermarkets are selling.

Manufacturers that have adapted to the Whole Foods model have been amply rewarded. They've done this most often by acquiring brands already dedicated to the channel: Cascadian Farm was acquired by General Mills, Stonyfield Farm by Groupe Danone, Boca Burgers by Kraft Foods, and Odwalla by Coca-Cola.

In all these cases, the acquired brands have been kept at a distance from the acquiring company so that consumers rarely realize, for example, that the Odwalla juice they are buying is manufactured by Coca-Cola.

More or less, the same factors are in play when companies consider expanding into new geographic markets. The more they want to adapt their products and services to local market conditions, the more likely they are to use a flexible brand architecture.

## SLIDING-SCALE ANSWERS

What's just been described is difficult to evaluate systematically. Many leadership teams don't quite

get their heads around all the moving parts; they tend to make one-dimensional decisions about brand architecture. Not surprisingly, those who focus solely on cost choose a single brand solution; those who focus primarily on brand equity choose a multi-brand portfolio.

The "Sliders Tool" on the opposite page is designed to assist decision-making by opening up the process to a range of important factors. It's a visual aid that provides a sliding-scale answer to a list of discrete questions. Taken together, more answers on the left suggest a multi-brand solution; more on the right suggest a single brand approach.

The tool illustrates that brand architecture decisions involve trade-offs. Pros and cons of multiple factors are evaluated and companies decide where, on balance, they should operate.

The Sliders Tool works particularly well as a workshop exercise with senior executives. At a recent session with a technology company, we asked each executive to complete a Sliders form individually. We then transcribed their scores to a collective poster for discussion.

This exercise led to a transformative moment for the company. Before the exercise, the team wanted to go with a cost-driven approach, using a single brand to cover all its products. But their collective results clearly suggested they re-think this strategy because so many factors were pointing in the opposite direction.

The Sliders Tool does not by itself provide a definitive answer to brand architecture questions. But it is an effective and efficient way to evaluate the trade-offs among different approaches. And it enables executive teams to make well-considered decisions about the management and development of their brands. ■



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