Aligning Brand Portfolio Strategy with Business Strategy

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This paper discusses the importance of aligning the brand portfolio strategy with the business strategy so as to make the best use of available market opportunities. Further, it highlights and elucidates through numerous examples, four approaches for doing the same, i.e., (1) aligning brand portfolio objectives with business objectives; (2) business development through brand extensions; (3) business expansion through brand acquisition; and (4) using brand alliances as energizers of business strategy. In effect, the paper suggests that a brand portfolio strategy which is in alignment with the business strategy would go a long way in meeting both brand marketing and business objectives in a harmonious manner.

Introduction

Although many business owners claim that the brand is the company's most important asset, very few companies have actually integrated the brand strategy with their business strategy, the company's vision with the brand vision, the business development process with the brand extension process, and their company's values with their brand values (Urde, 2003). This paper outlines the opportunity for developing dynamic brand portfolio strategies, aimed at expanding and nurturing the firm's business strategy.

It is suggested that a brand building perspective should be gradually replaced by a leverage-focused brand portfolio framework, with a more inclusive approach to brand management, where brands outside the corporation's legal border are also treated as an intrinsic part of the brand portfolio (Hill and Lederer, 2001).

Further, insight regarding the intersection of business strategy and brand portfolio strategy is strongly emphasized because a brand strategy is driven by an overarching business strategy. According to Aaker (2014, p. 156), the dynamic nature of the business strategy will require continual modifications to the brand strategy in order to make it more relevant for the business strategy: "because the brand portfolio strategy is driven by a business strategy that is dynamic, there is an ongoing necessity to modify, augment and change the portfolio and its strategy."

While it is important to align the brand strategy with the business strategy, living out the brand promise in relation to the business promise can in reality require very careful thought. One important point of departure can be to conceptually demarcate this area as

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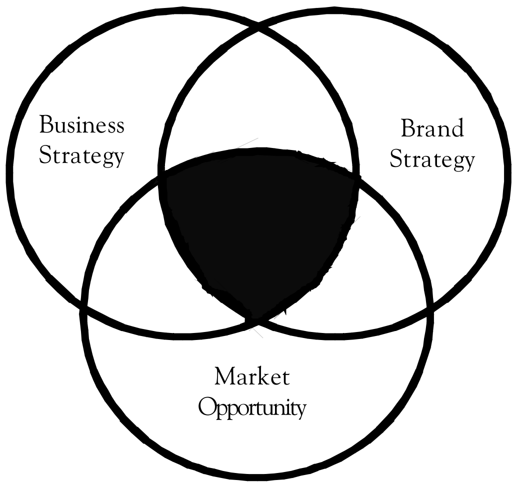
an intersection between business strategy, brand strategy and market opportunity, as described in Figure 1. For instance, a company can have a vision, mission and an effective business strategy and might want to address a new market opportunity. This could however, in some instances, necessitate the creation of a new brand.

Figure 1: The Crucial Intersection Between Business Strategy, Brand Strategy and Market Opportunity



Consider Toyota Motor Company, which sells a wide range of motor cars under various sub-brands (brand strategy) to meet different needs, but with families as the broad target segment (business strategy). However, when identifying a new market opportunity in the super-premium segment in the same strategic group as BMW, Mercedes and Maserati (revised business strategy), because this had an entirely different market segment, brand promise, value proposition and distribution channel, the solution was the creation of a new brand—Lexus (revised brand strategy), thus leading to a house-of-brand form of brand architecture. Here, the brand portfolio framework was modified to be in harmony with the new business strategy.

In this paper, four key approaches to a more progressive and dynamic brand portfolio strategy are introduced:

1. Aligning brand portfolio objectives with business objectives;
2. Business development through brand extensions;
3. Business expansion through brand acquisition; and
4. Brand alliances as energizers of business strategy.

Aligning Brand Portfolio Objectives with Business Objectives

A business vision should articulate core ideas of the business and its overarching purpose. According to Richard Branson, there should be reciprocity between the business vision, the business units and the brand strategy: "You do need to develop an overall vision for your company – one that is strongly supported by a more targeted strategy at each business that falls under your umbrella. The two things are not mutually exclusive, but complementary. One should not override the other" (Branson, 2014).

In the case of Virgin, a corporate branded house strategy energizes new business units based on global recognition of the corporate brand. From a brand management perspective, Virgin creates strategic fit with other units in the business portfolio through descriptors aligned with the corporate brand. For example, Virgin Atlantic, Virgin Money, Virgin Active and Virgin Mobile (Aaker and Joachimsthaler, 2000; and Petromilli *et al.*, 2002). By further aligning brand portfolio objectives with business vision and business objectives, the reciprocity factor in brand to business strategy intersections can be further enhanced. Three fundamental questions will aid business managers in this subtle process:

1. Is our business vision elastic enough to become an umbrella for our future business and brand portfolio?
2. Do the brand portfolio objectives help in achieving and supporting strategic business priorities?
3. Is our brand architecture coherent with our vision and business strategy?

Let us consider the screening questions above with respect to Virgin Cola. The widely extended Virgin brand proved of little value in the cola business, where variety in line extensions (Coca-Cola, Coca-Cola Zero, Coca-Cola Life and Cherry Coke) and diversified house-of-brand strategies (Coca-Cola, Fanta and Sprite) was a key criterion for success (Kapferer, 2008). In other words, the answer to all screening questions was 'no'. The Virgin brand promise could not be extended to the cola business. The brand objective of leverage had a history and powerful track record within Virgin, but leverage in terms of extensions only created a brand identity trap and a business trap. The Virgin brand could not be successfully extended to the soft drinks industry, as this was an entirely different market segment, with a different business strategy and customer value proposition. Potential brand portfolio objectives revolve around synergy, leveraging strong brands, clarity and relevance (Aaker, 2004).

However, a brand like Ferrari, heavily involved in licensing, co-branding and ingredient branding through Scuderia Ferrari, will be more suited to emphasizing the brand portfolio objectives of synergy and leveraging its brand-driven business strategy as compared to a more traditional car brands like Volvo, where the leverage process is limited to traditional vertical line extension and brand building through celebrity endorsers (For example, XC90 line extension endorsed by Swedish soccer icon, Zlatan Ibrahimovic).

Aligning brand portfolio structures in this way will be extremely helpful for entrepreneurial brand builders with a focus on strategic brand venturing, such as collateral licensing, franchising, ingredient branding and co-branding (Blackett and Russell, 1999; van Rensburg, 2012 and 2014; and Aaker, 2014).

The three business-to-brand-strategy screening questions above will be helpful in the outlining of how brands will be built or capitalized in a business strategy. In short, the three screening questions can create and enhance reciprocity in the relationship between brand and business strategy.

Business Development Through Brand Extensions

Brand extensions can represent an attractive business development process at the intersection of market opportunities, business strategy and brand strategy. A brand extension can allow the brand to move into a value market with the attraction of a larger customer base or a premium market, with the benefit of higher margins and a lasting association with a premium image (Keller and Aaker, 1992; and Aaker, 2014). In addition, brand extension can add to the core brand and also broaden the business strategy.

The Burberry brand was expanded in this way through value and premium extensions achieved by segment-sensitive sub-branding into Burberry Prorsum, Thomas Burberry, Burberry Accessories and Burberry London for the UK market. A geographical extension into the Japanese market was made through Burberry Black (Editorial, 2005).

Likewise, the German super premium car brand BMW expanded its business through extension into BMW Lifestyle, featuring clothing, bikes and many other categories. Through this brand-based business development process, BMW not only created new and important sources of revenue, but also presented its corporate brand personality in an attractive way (BMW, 2013).

In order to be a candidate for brand extension, the brand must have both fit and leverage. Fit in brand extension refers essentially to the consumers' perception of a logical category fit between the brand and its new category. The potential for leverage exists if the brand conveys some benefit that is desired in the new category. Dimensions of fit include brand personality, complementarity and transfer of production technology.

For example, in order to create leverage in the category of luxury hotels, the luxury jewelry brand BVLGARI needed to transfer its most desirable attributes into the hotel industry. Through endorsement by Marriott Hotels, BVLGARI established points of parity and quality associations in the new category (Figure 2). Also, brand extension can be successful only if the business model in the new category allows extension.

As the Virgin Cola case clearly illustrates, brand elasticity (i.e., the extent to which a brand can be extended beyond its original product category) is complex, and three situations limit the space for successful brand extension, based on the intrinsic attributes of the extension candidate:

1. Some brands are tied so closely to a product or product class that the consumer rejects the brand in any other product category. Coca-Cola is an example of a brand that is strongly focused on a particular product class.

Figure 2: The BVLGARI Hotel in Istanbul, Set Up in Partnership with Marriott International

Source: *http://ftnnews.com/news-from-turkey/21813-marriott-opens-bulgari-hotel-in-istanbul.html*

2. Some brands convey a special expertise from the company that created them. Sony capitalizes heavily on miniaturization technology and digitalization. Therefore, all brand extensions are within the boundaries of this special expertise.

3. Some brands own attributes or benefits that are tied to the parent product, and the associations of the parent product establish a limit for what can be done. For example, McDonalds has a strong association with hamburgers and fast food, which limits brand extensions. A core value-based extension to theme park consequently becomes untenable (Keller and Aaker, 1992).

Business Expansion Through Brand Acquisition

A make or buy approach to brand management eventually allows for an improved integration of brand strategy with business strategy as compared to more traditional approaches (Uggla, 2014). However, research shows that creating and developing the brand in terms of building a strong and sustainable brand identity, a meaningful brand personality, strong and clear product association and deep and abstract organizational association takes tremendous amount of time, and can be an extremely expensive effort (Aaker, 1996 and 2014; and Kapferer, 2008).

Brand acquisition can be a comparatively attractive (though expensive) method for expanding the business portfolio, with a high degree of control over the brand asset and instant brand relevance in a market segment (Riezebos *et al.*, 2003). In comparison, brands such as McDonalds and BMW have been built through patience and consistency over a period of 50 years, while Luxottica Group in eyewear and Volkswagen in cars built their house-of-brands at a very fast pace through a combination of licensing and brand acquisition.

Brand Alliances as Energizers of Business Strategy

Brand alliances can create concrete leveraging opportunities for a manager concerned with business-driven brand portfolio management strategies and brand growth strategies (Van, 2012 and 2014). Brand alliances can also be a versatile tool for accelerating the brand-building process on the Internet (Delgado and Hernández, 2008).

Reach Awareness Co-Branding

For instance, reach-awareness co-branding can increase the cash flow in a business through touch-points with another brand's customer base. For example, a co-branded Amex-card with Lufthansa (Blackett and Russell, 1999).

Value Endorsement Co-Branding

Value Endorsement co-branding can enhance, clarify and emphasize certain facets of a business strategy where the brands can mirror the core values and value proposition of business through reinforcement of each brand's value, personality and identity (Uggla, 2004).

Complementary Competence Co-Branding

Brands can also be involved in complementary competence co-branding, where each brand contributes with functional, emotional and self-expressive brand associations. The Maserati Quattroporte – Zegna Limited Edition car is a clear example of this logic. The limited edition luxury car with an all-Italian brand origin, interior design by Ermenegildo Zegna (Zegna, incidentally is an apparel brand), is a symmetrical brand alliance, where each brand contributes with its unique competence and creates energy, and simultaneously creates further business opportunities through category extensions. For instance, Zegna sells a collection of apparel items, which becomes an additional business opportunity. All brand alliances should be build on an articulated brand purpose and be defined by the brand role of the partner brand (Uggla, 2004; and Aaker, 2014). For example, the partner brand may be a strategic brand, a cash-cow brand or a distinguisher brand (Osler, 2007).

A brand alliance can enable and potentially accelerate a business strategy in four concrete ways:

1. A partner brand can provide a faster path of entering a new category. Puma enables BMW to fulfill its business objectives and broaden its value proposition with BMW Lifestyle in co-branded shoes and apparel.

2. The partner brand can establish instant category relevance. For example, the GORE-TEX ingredient brand, with its waterproof and breathable textiles

technology, creates instant category relevance and offers extended business opportunities for globally recognized consumer brands in diverse categories such as BOSS, ECCO and Adidas. The Brand Promise "Guaranteed to Keep You Dry" can simply not be fulfilled without the presence of the ingredient brand. In addition, the consumer brands aligned with GORE-TEX become a brand and business portfolio reference for GORE-TEX in relation to emerging business opportunities.

3. The partner brand can deliver instant brand awareness and a reachable customer base. Lufthansa and Scandinavian Airlines extend the reach of Diners Club through their credit card co-branding.
4. The partner brand can offer attractive brand associations and desirable or aspirational brand values that incrementally upgrade the involved brand. Swarovski crystals have this effect on OEMs in the cellular phone category. Likewise, luxury designers such as Karl Lagerfeld, Roberto Cavalli and Alexander Wang enable a reaching-up effect for H&M's business through limited edition co-branding that stretches H&M's value-proposition upwards on a temporal basis from a typical price/value position to a premium brand positioning. In addition, the H&M co-branding enables energized differentiation for the H&M business that creates consumer pull and interest in its collections (Aaker, 2014).

Premature co-branding or co-promotion can however be extremely dangerous for the long-term business strategy. For example, in 1993, EMI Records in the US damaged their relationship with major US music stores such as Sam Goody and Cue Outlets, through aggressive co-branding with 9,000 McDonalds outlets across the country: "More problematic is Roxette's 10-song sampler, taken from a 15-song album, 'Crash! Boom! Burn!', that record stores received last week. Just think: For another $6, you'll be getting an extra five Roxette songs! All the CDs and cassettes (for $3.99) are available with the purchase of a meal" (Harrington, 1994). By over-leveraging and capitalizing on major artist brands in this way, major sales opportunities at real musical retail stores were lost in favor of a short-term channel leverage through co-branding with McDonalds.

Guidelines for Business Managers

Some specific guidelines for business managers in aligning business strategy with brand strategy are provided. A business manager should consider these guidelines to harmonize business strategy with brand strategy:

- Consciously reframe the brand portfolio strategy in terms of the business strategy, and a much broader palette of market opportunities will eventually emerge.
- Check the psychological fit between the business vision and the brand vision before expanding the business and brand portfolio through licensing, franchising or brand acquisition.

- Before internalizing a new brand in the business portfolio, consider the most relevant emerging brand structure in relation to the current brand structure. Use the toolbox of masterbrand (BMW), descriptors (x5), sub-brands (Porsche Cayenne) and endorsed brands (X-Box from Microsoft).
- Ensure a specific business purpose before considering a brand alliance, i.e., reaching in deeper in a current segment, reaching up to a higher segment, reaching beyond the current market or reaching out to a new market.
- Use both financial and brand equity criteria before removing any brand from the portfolio in a brand consolidation effort. Consider sales, growth prognostication, market share and Return on Investment (ROI) together with brand awareness, positive/negative associations of the brand, perceived quality and expected cash flow from active future brand loyalty.
- Upgrade the business to brand issues internally through a business-to-brand council, featuring CEO, CMO, the corporate brand management team and representatives from human resource management.
- Develop a quantitative control system for continuous assessment of the results of brand and business management efforts. For example, measure change in brand awareness and brand preference over time, and the correlation between increased preference and sales development.

Conclusion

This paper has argued for a creative and divergent reframing of business strategy in terms of brand strategy, and brand portfolio strategy in particular. More specifically, it has been suggested that brand portfolio strategy can drive business strategy and can be an important element in the progress and planning of a sustainable business strategy (Davis, 2002; Carlotti *et al.*, 2004; and Aaker, 2014).

For example, Christiano Ronaldo is not only the most prominent star in Real Madrid in terms of his functional value proposition with an unmatched number of goals in domestic La Liga and Inter-European Champions League, but also an essential strategic brand and an important driver for Real Madrid's business strategy through global revenues from merchandize.

It has been argued that a more expansive corporate brand vision allows for a perspective that is focused on brand extensions based on psychological fit, and also into collateral brand extensions to more distant product categories. Put differently, the business vision and corporate brand vision enable or limit the possibilities of line extension, brand extension and strategic brand alliances. A broad enough vision can stimulate new brand equity structures to emerge.

Further, it was argued that a make or buy perspective on the brand equity issue could strongly enable a more flexible brand-to-business portfolio perspective, where brand portfolio expansion can enable business expansion at a more rapid pace.

Finally, using brand portfolio as the frame of reference may help business strategists to develop both their brand strategy and business strategy in a far more objective way than previously possible. By changing their brand management process from a traditional brand building perspective into a brand portfolio perspective, a substantially more holistic business strategy would gradually emerge.

It is obvious that the key business strategy enhancer is a brand portfolio strategy, not a brand building strategy that is centered around building the brand identity. From the Porter paradigm to business, we learn that brands can act as barriers to entry. However, brands have also become the means to market entry and expanded opportunity space for the whole business (Tauber, 1988; Keller and Aaker, 1992; and Davis, 2002).

Future Research: Future research could focus on several issues at the intersection of brand strategy, business strategy and market opportunity. For instance, will a business with a broader, more elastic vision allow for a more elastic brand extension strategy? What are the ideal brand architectures in post-mergers, which would be in harmony with the business strategy? What is the ultimate balance between brand extension and co-branding in a brand portfolio strategy focused on building the business and value-proposition of the firm? Finally, what would be the ultimate composition of a business-to-brand team? Should it include the CEO and the CMO and even trademark lawyers? Should there be external representatives, besides the traditional members of the brand team?

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