

# Brand Portfolio and Brand Architecture in Single Brand Companies

Top marketers are increasingly concerned with brand architecture and brand portfolio strategy due to increasing: M&A activity creating vast, complex and overlapping portfolios; technology convergence blurring the lines between product types and changing the way customers think about and shop the category; and cost pressures making it increasingly difficult for companies to support large numbers of products and brands.

## What is the difference between brand portfolio and brand architecture?

The two terms are often misunderstood and so clarification can often help demystify the meaning and importance of each concept. Brand portfolio strategy aims to maximise market coverage and minimise brand overlap through the effective creation, deployment, and management of multiple brands within a company. It serves as an inward-facing tool for the organisation to ensure that the company's brands are effectively targeting all key segments within the marketplace, working together to maximise sales rather than competing against one another for customers' attention.

In contrast, brand architecture serves as an outward-facing navigation tool for customers. It helps minimise customer confusion by laying out the product structure in a way that makes it easy for customers to find what they are looking for and to understand what the company has to offer.

## How can single-brand companies utilise brand portfolio and architecture to maximise business results?

While many multi-brand companies such as Unilever or RBS have traditionally been more aware of the benefits that come from optimising their brand portfolio and architecture strategies, we believe that these concepts and practices are just as important for single-branded companies like AT&T and IBM. Single-brand companies can apply the same theories and techniques to strategically develop and present a product and sub-brand portfolio in which offers can be bundled and presented in a way that is more relevant and clear for customers. This approach ultimately maximises business results.

### Case Study: AT&T

In 2001, AT&T's flagship "Managed Services" division was facing falling sales. It had over 12,000 offerings, the majority of which were sold to customers under the AT&T "Managed Services" brand. At this time, two major problem areas became apparent: (i) both customers and the sales force were confused by AT&T's vast and complex offering, and (ii) customers perceived AT&T as a "ports & pipes" product company rather than a company capable of providing value-added services as the "Managed Services" name implied.

In order for AT&T to optimise their product architecture, they had to first understand what their target customers wanted from a telecommunication solutions provider. AT&T uncovered two distinct customer segments, each having fundamentally different needs and ways of thinking about telecoms solutions.

- "Product Buyers" look for specific product sets and sophisticated components and thus require a wide variety of distinct products.

- “Solutions buyers” are less expert and seek holistic business solutions that are all-inclusive and off-the-shelf.

Armed with this insight, AT&T developed a dual brand architecture model that presented the same products in two different ways enabling each segment to find what they were looking for. This new, restructured architecture allowed “Product Buyers” to navigate offerings by product category and type, while “Solutions Buyers” could choose between different groupings of offers that met their overall needs.

As a result, customers could more easily access AT&T’s entire product portfolio based on their specific purchasing mentality and the sales force could more easily speak about and explain what AT&T could offer. Additionally, AT&T renamed the division “AT&T Enterprise” in order to reflect the broader focus on strategic business functions.

### Case Study: IBM

In the mid 1990s, like most technology companies, IBM was organised internally around product types (i.e., personal computing, software, and servers divisions) resulting in them presenting their offer in a product-led rather than customer needs-driven way. Sales with the B2B sector were lagging, as many B2B customers wanted solutions rather than separate products and services. Additionally, IBM’s “stodgy, mainframe” associations prevented the brand from resonating with B2B customers who wanted a more flexible, dynamic, services-oriented provider.

In order to become a customer-centric company, IBM rearranged their offering to be more solutions-based. They arranged their portfolio into categories that made sense to the customer, anchored around solutions by industry or functional area. Additionally, they created the “e-business” brand, which helped to address customer needs, simplify purchase decisions and improve relevance for customers. This new sub-brand

also helped reposition IBM as a leading, agile, cutting-edge IT service company.

As a result, IBM grew its services business significantly—from 29% to 41% in 5 years as part of global IBM revenues.

### Key Takeaways

- *Become more customer centric.* Organise your portfolio in a customer-centric way—for instance, ensure that the portfolio strategy drives your R&D strategy rather than allowing R&D to determine how your company goes to market. Both AT&T and IBM saw strong business growth as a result of this shift in mentality.
- *Create clarity of offerings through architecture.* Make sure that your product/service offering is clear to both your customers and your employees. If they are not able to understand what you are offering, it is a signal that the current architecture is not working. As the example of AT&T shows, arranging the offer in more than one way may be a viable way forward.
- *Simplify product navigation.* Product portfolios that are targeted at multiple customer segments need multiple navigation possibilities—IBM has four ways of navigating through their product portfolio online to match the way different customers think about the category and purchase their products.
- *Keep your portfolio up to date.* Portfolio strategy should not be static. Remember that customer needs change over time, particularly in technology categories, and new entrants change the way customers think about the marketplace.

Companies with customer-centric brand architectures and portfolios, offering clear solutions and easy product navigation and selection, will ultimately be more successful than those companies with an inside-out approach.

## How can Prophet help you?

Prophet has worked with global brands on product portfolio and architecture projects helping clients to become more customer centric and thus achieve greater strategic focus and growth.

Our creativity and analytical capabilities coupled with customer insight expertise enables us to help our clients realise great business results.

For example, Prophet helped UBS translate their corporate objective into a single brand strategy, and then migrate to the new single brand worldwide, using the now well-known “You&Us” campaign. Since the announcement of the single brand strategy, UBS’s share price has risen by 70% and UBS is one of the top 50 global brands.

Prophet helped Philips build a strong co-branding strategy. After analyzing different possibilities, a partnership with Nike was recommended. Philips have subsequently gone on to develop and successfully market a range of innovative sports technology products. This helped Philips develop desired brand associations of “stylish”, “youthful” and “leading technology”.

BP has become one of the worldwide largest energy corporations through a number of acquisitions (e.g. Aral, Amaco, Costal). In “Bringing the global brand to life”, Prophet conducted comprehensive brand portfolio work (including market-, competition- and customer-needs analyses within the respective business areas) and developed customized sub-brands for each of these. Today, these sub-brands live under the master brand BP in a market portfolio that efficiently covers the market. Between 2000 and 2003, after launching the optimised brand portfolio, BP was able to increase its profit by 32%.

## About Prophet

Prophet is a leading global consulting firm with a strong focus on brand strategy and brand implementation. The company was founded in 1992 and today has 130 employees in offices across USA, Japan, and Europe.

Many of our consulting approaches are based on methodologies developed by Prophet’s Vice-Chairman, Professor David Aaker. David Aaker is a recognized pioneer and thought leader in the area of brand strategy and brand management and has published numerous books and articles.

Our clients are global corporations who are aware of their brands’ strategic importance and understand that each contact with the customer represents a potential positive brand experience. Examples of our clientele include:

Adidas · Allstate · AT&T · Audi · Bayer · BP · Boeing · Cargill · Carlson Companies · DaimlerChrysler · Dupont · eBay · GE · Jaguar · Kellogg’s · LG Electronics · Maidenform · Mars · Nationwide · Philips · Radisson Hotels · Sara Lee · Schering · Schlumberger · Siemens · Staples · Teradata · T. Rowe Price · UBS · Universal · Williams-Sonoma · Wyeth · Zeiss · and others.

We would welcome the opportunity to discuss with you how Prophet could support your company in achieving its strategic and financial goals through brand architecture and brand portfolio optimisation. We look forward to receiving your phone call in order to arrange a meeting.

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