



HYBRIDS, THE HEAVENLY BED AND PURPLE KETCHUP

How to re-energise and build true relevance and differentiation for your brand





'There is no Nobel Prize in marketing. If there were one, David Aaker would surely have won it' (*Financial Times*, April 2004).

David Aaker is one of the world's most respected thought leaders on brand marketing. He has published numerous articles and eleven books on the subject, most recently *Brand Leadership* (of which Tom Peters said "*this is it on branding; read it – or else*") and *Brand Portfolio Strategy*.

David is Professor Emeritus at the Haas School of Business, University of California, Berkeley, and is vice chairman of Prophet, the strategic marketing consultancy. He is an active speaker and has given keynote addresses at the Davos World Economic Forum (twice), the Forbes CEO retreat and the Tokyo 21st Century CEO Conference.



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The Brands Lecture

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Prophet

If your company changes its business strategy, the brand strategy has to follow.

It is a pleasure to be with the British Brands Group and a pleasure to be in the UK. It is humbling to be in this country. I played golf at Sunningdale last weekend, on the New Course. This 'new' course was designed the best part of a century before my Californian country club existed!

This evening I am talking about Brand Portfolio Strategy because I have come to believe that, even though the concept has been around for a while, most companies do not manage their brands very well, and a lot of them do not do it all. This is often driven by the number of silos in organisations and the lack of concepts and processes to overcome these. Whatever the reason, there is much room for improvement and there are significant pay-offs in getting it right.

Let me just try to give you a flavour of the main objectives that we have for brand portfolio strategy one by one. They are:

- Clarity and focus
- Leverage
- Energy
- Differentiation and
- Relevance

Clarity and focus

There are two common pitfalls that reduce the clarity of the brand portfolio. One is lack of clarity surrounding the brand mission. The other is the presence of too many brands.

If your company changes its business strategy, the brand strategy has to follow. Often that involves a change in image, and a change in image that might be quite ingrained. It is a prime opportunity to ensure that the brand mission is clear.

UPS is a glowing success story of how clarifying the mission and product offering can deliver business results. In the mid-1990s, UPS was perceived as the small package delivery company with the brown trucks. This was despite their investments throughout the 1980s in building sophisticated global logistics and delivery capabilities, making it every bit as capable as Fedex and DHL. UPS's image was a barrier to success. To close this gap, UPS introduced a host of new product brands, services and programmes to provide substance behind the new UPS. The centrepiece of this strategy was UPS Supply Chain Solutions – an umbrella product brand that included a portfolio of branded services such as UPS Logistics and UPS Capital designed to address customers' supply chain problems globally. To communicate its position as a global business, UPS created another two sub-brands: UPS Sonic Air, the next-plane-out delivery service, anywhere in the world; and UPS Global Advisor, a place you can go to find any kind of information you want about shipping and receiving to a country, the regulations, the forms, the cultures and so forth. Together UPS Sonic Air, UPS Global Advisor and UPS Supply Chain Solutions fuelled the repositioning of UPS. The challenge for UPS is to manage these brands as part of its portfolio.

Brand portfolio rationalisation is a well-known yet under-leveraged concept. There is a host of firms that

create too many brands, usually because there is no organisational mechanism to stop a new brand from coming into being. One day these companies wake up with simply too many brands, and sometimes with organisational paralysis. They have a new offering but have no idea how to brand it or how it will fit into the overall portfolio. Next, they realise that their brand-building activities are randomly budgeted and decided upon because nobody knows which are the major strategic brands of the future that will deliver against business objectives.

Unilever and Procter & Gamble have both experienced what it is like to be in this danger zone. Unilever's response was an internally branded programme called Path to Growth, part of which involved them reducing the number of brands from 1,600 to 400. But much more importantly, they provided a focus within those remaining 400 brands as to which were going to be the truly strategic brands for the future. Procter & Gamble went through a similar exercise which has been given the credit for improving the company's performance that only three years ago was struggling.

You just cannot support an unlimited number of brands, and without focus your business will not be healthy. The oil well service company Schlumberger is a marvellous company. It is very diverse, extremely confident and gets the job done 24/7. Schlumberger's challenge is that the company consists of a range of acquired companies, all of which have retained their name and their culture. Schlumberger's portfolio includes Anadrill, Dowell and GeoQuest. This 'house of brands' strategy made sense for Schlumberger in the past. But going forward its strategy is to become more of a system solution for its customers, which means it needs to be perceived as offering an integrated solution. After a strategic review of the roles and responsibilities of its brands, Schlumberger decided to re-brand everything Schlumberger using industry descriptors to communicate its different competencies:

Schlumberger Well Completion.
Schlumberger Wire Line Services
Schlumberger Oilfield Software.

By making the single brand Schlumberger carry the weight of the whole brand portfolio, it was able to focus its brand building resources behind that brand. This not only helped the oil services businesses, but also the other businesses that were branded Schlumberger. Importantly, the new portfolio strategy supported and sent a signal both internally and externally that there was a new business strategy and a new culture of integration at Schlumberger, a company that had historically struggled to co-ordinate its customer service across different business units.

Leverage

How can a brand asset be leveraged to create larger and stronger business entities? I think that there are many, many brands in the UK that are under-leveraged. Let me tell you an inspiring story about Unilever's Dove brand.

In 1955, Dove started as a soap. Actually, Unilever called it a beauty bar with moisturiser in it. That bar was a stable business for many years. In the early 1990s Dove was extended into body wash, where it captured market leadership with a product priced 50% higher than its competitors. Having proven the strength of the Dove brand, Unilever extended it into body refreshers and deodorants and were equally successful. In fact, in 2001 Dove deodorant was one of the top 10 new non-food products in the US. With that success behind them, they went into shampoos.

There is a lot we can learn from this. First of all, if you have a strong brand platform with a leveragable, strong attribute (in this case, moisturising), you have the opportunity to build a big business. Dove sales went from \$200,000,000 to \$200,000,000,000.

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Customer insight should be the primary source to identify an opportunity to leverage the brand beyond its core.

Second, it is critical to extend the brand gradually and attack each marketplace separately. Each successful market entry will further strengthen the brand and enable it to enter more markets. A brand like GE is very strong, despite the fact that they have done almost no conventional brand building. The GE brand is built through the continuous successes of GE's multiple businesses. The key is realising that brand strength is built through business success but that you need to manage the brand to ensure that it reaps the benefits of the success of the business.

Third, extending the brand into new categories may fuel growth in the original business. In the Dove example, after establishing the brand in bodywash and body refreshers in 2001, the soap business rose by 30%. The soap category (and Dove within it) had been flat forever, but went up 30% because of this extension activity.

Fourth, branded ingredients can be important means to drive new associations with the core brand but they have to live up to their promise. Dove's nutrient ingredients were crucial to getting the bodywash right just as the weightless moisturiser was essential for the shampoo. Both ingredients were patiently developed until they were good enough to make a difference for both the brand and the products.

However, the Dove story does not imply that you can just put a successful brand on any new innovation that seems to fit.

If we know anything in marketing, we know one thing and that is that most new products fail. And not only that, but we know why they fail: it is because most of them are not differentiated. Most new products provide no new customer benefits to permit them to succeed, even if they are strongly branded. Such products will fail and possibly damage the core brand in the fall. Each new product is a chance to reinforce the core brand, and thus each failure is a lost opportunity, which means it will take longer for the core brand to reach its potential.

It is important to be concerned with, and manage, the damaged associations that may arise from a product failure. Specifically, new products must be consistent with the brand's credibility. Understanding the boundaries of a brand's credibility can be critical. An eyeglass maker that makes mouthwash is moving beyond its brand credibility. Similarly, if you have a prestige image and put out a value brand, you risk that brand asset. To manage this risk, you can explore leveraging the brand through an endorsed strategy.

Marriott understands the confinement of its brand. When the chain moved into mid-range business hotels, it recognised that it could not use the Marriott brand – it would confuse the lower price promise of the new offering and risk tarnishing the Marriott brand. Instead it created a new brand, Courtyard, which it endorsed with the Marriott brand. The endorsement asserts the Marriott organisation's guarantee that Courtyard will live up to the Courtyard promise.

Marriott Brand Portfolio

▶ Ritz Carlton



▶ Marriott Hotels



▶ Courtyard by Marriott



▶ Fairfield Inn by Marriott



Customer insight should be the primary source to identify an opportunity to leverage the brand beyond its core. Centrica is a case in point. After its marketers radically improved its customer insight capability, the company expanded its scope of business. Centrica discovered that it had a lot of credibility with its customer, the homeowner. It used this insight to expand into adjacent homeowner services. Today, Centrica is in the plumbing business and the largest installer of home security systems in the U.K.

Energy

It is a rare brand that doesn't need a little energy. One product category after another is maturing and becoming boring and lifeless. Even leading brands seem tired – think of Nokia and Volvo; they are all struggling to remain interesting. The concept of the branded energiser, which I define as a sub-brand or brand that energises and enhances a parent brand, addresses this issue. It can take many forms; among them are products, promotions, and endorsers.

Prophet, the strategic marketing consultancy with which I am associated, has done a number of studies relating brand equity to stock return. We know without question, incidentally, that on average brand equity explains about 70% of a company's stock value. In one of our studies we worked with Prophet's friends at IBM and analysed the IBM ThinkPad brand. IBM's brand equity metrics moved up, across the board, with the penetration of ThinkPad, despite the fact that ThinkPad is only a tiny percentage of IBM's business. This makes it a branded energiser.

Heinz Ketchup is a boring product with a venerable brand. In 2000, the people at Heinz discovered that the ketchup category was seen as tired. They decided to conduct research among kids who consume over half of the ketchup sold. Kids said they couldn't get ketchup out of the bottle (well, *adults* can't get ketchup out of the bottle), that they liked colourful foods and that they liked to play with food. These revelations may not seem startling but, to Heinz's credit, they knew what to do with them. They launched EZ Squirt in a container that allowed ketchup to be dispensed in a small smooth stream. In addition to boring red, EZ Squirt ketchup comes in colours like Funky Purple and Blastin' Green. It's absolutely disgusting. But the kids loved it, and that energised Heinz. Its sales went up 15% in the first year and, on top of that, the whole category rose 5%.

Branded Energizers

Colored Ketchup for Kids



The Oscar Mayer Wiener story illustrates how a promotional programme can be used as a branded energiser. To energise its sausage, Oscar Mayer created the 'Oscar Mayer Wiener Mobile' and the 'Oscar Mayer Talent Search'. Since 1936, eight Oscar Mayer Wiener Mobiles have toured fairs and events across the United States playing the Oscar Mayer Wiener Song. And every year Oscar Mayer supports a contest where a kid is selected to sing the song: 'I wish I was an Oscar Mayer Wiener'. Today, everybody in the US knows that song.

You may find the Oscar Mayer story peculiar, but consider how hard it is to create energy behind a sausage, then consider the energy Oscar Mayer achieved with the Wiener Mobile and Song. The point is, if you have a boring product line and a boring category, you want to create something with energy that is branded and attach it to your brand. It might be a lot easier than creating that smashing new product that everyone is talking about, and have a stronger effect. Nike with Niketown has achieved much the same effect as Oscar Mayer. The Goodyear blimp is another example.

Now, it is not easy to create such energy from scratch. Fortunately there are plenty of personalities who are contemporary, on-brand, energetic and interesting who you can 'lease' for your brand. Buick is a tired automobile brand in the United States. It has the oldest user base of any brand, but has been charged by General Motors to compete with Lexus and BMW. Its challenge is to make

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driving a Buick acceptable. It doesn't have to make it the coolest option for young professionals – just acceptable would be a start. To do this, Buick looked outside for a brand that could provide the energy it needed, and it chose Tiger Woods. Buick's commitment to Tiger is long-term. He has already endorsed Buick for five years, is up for five years more and is likely to be with it for decades. Buick is already feeling the benefits. Not only has its sales increased, but its users are getting younger.

Branded Energizers



Tiger Woods



Creating a branded energiser is not without implications. It is a strategic long-term relationship that immediately becomes part of your portfolio and needs to be managed as such. Niketown, Goodyear blimp, Wiener Mobile, Tiger Woods with Buick, these are all long-term commitments, strategic, and part of the portfolio. If your company has relationships with brands outside its portfolio that have the characteristics of a branded energiser, you would benefit from integrating these brands in the brand portfolio. That is the only way to reap the benefits.

A branded energiser needs to be managed and built upon. Buick has been excellent at managing its Tiger Wood asset and creating a fully integrated programme to support it. It sponsors four golf tournaments plus an Amateur Buick Scramble, and Tiger Woods comes to all of them. It has a website with Tiger Woods in Buick gear for sale. Furthermore, it created a marvellous video

with Tiger Woods. The video is filmed on a golf course with hidden cameras. These four guys come by and see a pitching wedge left on the grass. Next, Tiger Woods comes out of the woods and says, 'have you seen my pitching wedge?' The guys, jaws gaping, manage to hand it to him, and Tiger says, 'how about a little fun. Let's have a closest to the hole contest from here!' So these guys get to play a few holes with Tiger Woods and a chance to win a Buick 4x4. Can you imagine the excitement and the enthusiasm that was in that video? Can you imagine if you were some hacker playing golf and Tiger Woods comes out and said, 'have you seen my iron?' and 'let's have a little fun'? Wow. The reason I am telling you this is that when you have something like Tiger Woods, you want to surround it with programmes. You just don't take Tiger Woods and put him in an ad and forget about it and then next year go on to somebody else.

One more thing about energising. The branded energiser should be tailored for your company. Buick needed youth and Heinz needed fun but what if you are a financial services company? Currently, your key issue may be that you need trust. The process is the same, you either identify an internal programme, a product or service or an innovation that conveys trust or you look outside for appropriate role models. The beauty of the branded energiser is that it can be reformulated as a 'branded trust creator' or maybe something else on the top of your agenda.

Differentiation

Differentiation is the most important aspect to achieve in branding. If you have differentiation, a new offering is likely to succeed, if you lose it, you are likely to fade. That is not news to people in this room, but how do you get differentiation? As soon as you have launched a new product, you've got all these bad guys copying you right out of the box and before you know it everybody has the same product as you. I believe one innovative way of achieving differentiation is to use a branded differentiator. A branded differentiator is an actively managed branded feature, service, programme or ingredient that provides meaningful differentiation to the parent brand.

Let's look at a couple of examples. Westin, the hotel chain, competes in a space that is about as homogenous as it gets. When you walk through the hotel room door of a Hilton, Marriott or Hyatt, they all look and feel the same. What Westin did was to focus on core functional differentiation – they invented a better bed. They've got double the number of springs, it's smoother and softer, they've got five pillows, a better duvet: it's a better bed. Can you imagine walking out of a hotel and saying 'I really like that bed, where can I buy one?' And what if they responded 'You can buy this one, but it costs three times more than other beds', and you said, 'Done'?

Last year Westin sold thousands of these beds, \$5,000,000 worth, which is an incredible endorsement of the bed as a branded differentiator. Every hotel chain in the world is trying to figure out what to do with this bed. Because Westin didn't just create a better bed, but successfully branded it 'The Heavenly Bed! They own it – they own the benefit in customers' eyes. Furthermore they are actively managing this brand asset. They extended the brand into the bathroom, creating the Heavenly Shower. Picture Hilton's frustration when they found out that not only have they missed out on the bed, but now they were also behind on the shower. The Heavenly Shower has got two nozzles, Heavenly Towels,

Heavenly Soap, Heavenly Shampoo... Westin has gone further and created the Heavenly Website, where Heavenly products are for sale – including a Heavenly Dog Bed. Passionate dog owners had found someone who thinks enough of their dog to invent a bed for them, and you can't buy the loyalty you get from that.



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Westin's marketing team didn't just get the insight one day that beds actually matter, and proceed to brand their bed. Westin went through a rigorous customer analysis, including purchase cycle drivers and key needs. Then they invented a bed that actually was better and that was crucial for the success of the brand and its ability to create sustainable competitive advantage for Westin.

Westin's success is difficult to copy and requires time, rigour, resources and excellent innovation and marketing capabilities. Another way of creating a branded differentiator is to look outside for inspiration and use a co-brand. Ford has done just that with its Eddie Bauer Edition of Ford Explorer 4x4s. Eddie Bauer is a stylish US clothing manufacturer and retailer associated with outdoor living. When Ford put the Eddie Bauer brand with Ford Explorer, consumers immediately knew what kind of car to expect: it is going to be stylish and comfortable. The success was immediate. The Ford and Eddie Bauer co-brand has been going for 20 years and Ford has sold over one million of these cars.

I think we spend too much time on brand preference – trying to make sure that customers buy our brand instead of the competitors' brand – while we spend far too little time on ensuring brand relevance.

Philips used similar tactics to differentiate its CoolSkin electric razor from other electric razors through co-branding with Nivea. The Nivea association allowed Philips to attract people who normally wet shave. In this way they not only gained market share from competitors but also grew the entire market for electric razors. In Europe, the electric razor market has increased 8% since the launch of CoolSkin and Philips' market share is up 2%. Furthermore, research showed that Philips' market share of its other electric shaving products was not eroded, as CoolSkin had a sufficiently differentiated proposition. Again, Philips invested in developing the insight that there was an unmet market of people who wanted a wet shave from an electric shaver and in creating a product that would meet this need. The association with Nivea was critical to give them the credibility to provide that offering, just as Eddie Bauer gave Ford relevant credibility.

Branded Differentiator



Branded Differentiator



Relevance

To succeed in today's fast-moving environment, executives must pay attention to the new – and for the most part unfamiliar – attribute of your company's products, services and brands: their relevance. Relevance is fundamentally different from the characteristics conventionally associated with a brand's potency. All too often a brand seems strong because tracking studies show that it pertains a high level of trust, esteem and perceived quality. Customers seem satisfied and loyal. But market share is slipping – perhaps significantly – and fewer customers are considering it. Why? In many cases, the brand is in trouble because the product category or sub-category with which it is associated is fading, often being replaced or augmented by another. The brand has become irrelevant to one or more important segments.

You can make the best people carrier in the world. Customers will love your people carrier, they will never buy any other people carrier, and they tell their neighbours about your people carrier. But if they want a 4x4, it doesn't matter how much they love your people carrier. Even if you then offer a good 4x4, it may make no difference if your brand isn't (or is only weakly) renowned for it. If you are primarily known for your people carriers, and see sub-markets like 4x4s and Hybrids emerge, you have to wonder, am I still relevant?

I think we spend too much time on brand preference – trying to make sure that customers buy our brand instead of the competitors' brand – while we spend far too little time on ensuring brand relevance. But without relevance, preference may not be worthwhile. The ultimate futility is to achieve brilliance in creating preference and differentiation and expending precious resources behind the brand only to have that effort wasted because of a relevance problem.

We have to spend more time and resources on identifying and making what customers want to buy,

especially given the dynamic, shifting and elusive nature of customer segments and their needs. We have to understand their purchase triggers so that we can influence their perception of what they should buy and make sure that we are considered relevant. This requires a sense-and-respond approach to trends, and the insight and analysis capability to enable that approach. Firms deal with trends differently: some firms neglect them, some drive them and some respond to them. The important thing is to recognise which category you are in and create the systems and processes to manage it.

Trend neglecters

There are three kinds of trend neglecters. There are the ones that would like to identify, evaluate and respond to trends, but are just not good at it. Such a firm may lack an adequate external sensing system; its executives might not be customer-obsessed; and it may have an inflexible organisation. Whatever, they are just not good at it. Many corporate disaster stories can be traced to these limitations.

The second type of trend neglecter takes trends for fads. In 1977, Ken Olsen, founder and CEO of the Digital Equipment Corporation and the maker of minicomputers, said famously that there is no way that people would ever want a computer in their home. Olsen was on the cover of *Fortune* and *Forbes*, known as the best CEO of his day. Two years later he was toast. The minicomputer surge fell off a cliff and people wanted computers in their homes after all.

The third kind is the 'stick-to-your-knitting' companies – firms that are not motivated to stay informed about market trends. These firms are believers in the Japanese *kaizen* – the recipe for success is to keep on doing things better and better at lower and lower cost. They are committed to their own model and believe that operational excellence will overcome market dynamics. I think that is a little risky. All too many people are going to wake up one day akin to Henry Ford in 1922,

when the 'any colour so long as it's black' strategy was overtaken by General Motors – he had to shut down his firm for a whole year to re-tool to make relevant cars.

Trend responders

Trend responders closely track the emergence of trends and the evolution of sub-categories, and take responsive action to keep their offerings current and relevant. Because neglecting a trend is risky and driving a trend is only an option if you have a superb sense-and-respond mechanism, trend responding is a sound strategy. A lot of people do it well. Take Madonna, who has re-invented herself five times.

Learning to be a trend responder is feasible for most firms but it is not easy. It requires two capabilities. The first is to recognise and evaluate trends effectively. The second is the ability to modify, reposition and/or re-brand the organisation's offerings so they remain relevant to the market. Any repositioning or re-branding needs to be respectful of the brand's heritage and compatible with the ability of the brand and the organisation to deliver on the promise, while aggressive enough to allow the company to capitalise on the market opportunity. The aim should be to use the opportunity to increase relevance and loyalty among existing customers and capture new ones.

The fast-food industry today is a good example of trend response and relevance. The industry is in a frenzied identity crisis as their customers increasingly opt for healthy foods. A new sub-category of healthy fast foods has emerged which is rapidly making traditional fast foods irrelevant to a large number of customers.

For McDonald's, it's not a case of becoming the number one destination for vegans, but to be acceptable and minimise the veto effect. The 'veto effect' means that if you have four people looking for food and one says, 'I'm not going to McDonald's', the other three won't go there either.

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The fast-food chains have adopted multiple strategies to address this challenge. One is to use new products or ingredient brands to alter the current brand image and make it more appealing to customers who have switched to healthy fast foods. Taco Bell, a Mexican fast-food chain, now offers their products 'fresco' style, which implies much lower fat content. Burger King introduced the BK Veggie Burger. However, such a strategy alone is like turning an ocean liner; there is a lot of inertia to overcome.

A second trend-response option is to go beyond mere acceptance and, through the creation of strong sub-brands characterised by exceptional products, become a 'destination brand' for the health-conscious fast-food consumer. Wendy's has created the Garden Sensations™ salads, which have become a very successful sub-brand. Garden Sensations™ provides something that is right around the sweet spot of the trend and yet is within the Wendy's family.

A third option is to partner or co-brand with firms that have credibility in the category they aim to get into, sharing some of the upside in order to save the time, cost and risks involved in creating a new brand. McDonald's finally came out with a successful salad, after trying a lot that didn't work, with one co-branded with Newman's Own™ salad dressing. Newman's Own™ is part of the product line endorsed by actor Paul Newman, all of his profits go to charity, and the company has a very good reputation. The co-brand has made McDonald's more credible and acceptable.

Being a responder requires you to have the capability to understand and evaluate trends. At any given moment, there will be multiple trends vying for your attention. You need the systems and processes to identify which one you want to focus on. In fast foods for example, there is the roast chicken trend, the ethnic foods trend and the salad bars trend. It is never simple. As a trend responder you need to develop multiple brand platforms to manage the market. McDonald's has done just that.

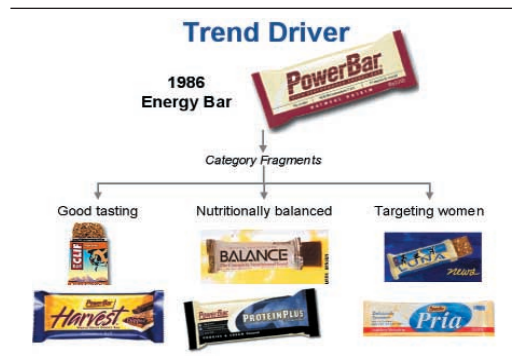
Its brand platforms include Boston Market and Pret, which provide a starting point for McDonald's to become relevant in these new spaces.

Trend drivers

Finally there are the trend drivers. Do this well, and it's a home run. These companies drive the creation of new product categories – a terrific capability that very few firms have. IBM was a trend driver during the latter part of the 1990s. In 1996 IBM created a new business category with the launch of 'e-Business'. As with other success stories, IBM invested heavily in getting it right from the beginning. It created a lot of products and services around e-business to ensure delivery and spent more than \$1.5 billion communicating the repositioning of the product class. Now it is trying to do the same thing with On-Demand.

PowerBar is another example. The company was a trend driver in 1986 when it created the Energy Bar category. The PowerBar supplies carbohydrates in a sticky, gooey bar intended for people who do long distance running, hiking and other intensive sports. PowerBar created the category, brought it into the mainstream and developed a very substantial business. In the early 1990s, competitors emerged. Another trend driver, Cliff Bar, created a tasty bar; Balance came out with a nutritionally balanced bar; while Luna came out with a bar for women. It turns out women are different from men. They have different preferences for taste and texture. All of these products were capturing customers from PowerBar. If PowerBar had just stuck to its knitting, they would probably be defunct today as they would have lost relevance. But PowerBar transformed itself into a trend responder. In response to the Cliff Bar they launched Harvest which tasted even better. In response to Balance, they came out with Protein Plus which had more protein and more relevance to the emerging protein trend. In response to Luna, they came out with Pria, a better tasting bar with lower calories – 130 calories instead of 180. All these three products

had their own unique brands endorsed by PowerBar. This meant that they got the benefit of having the credibility in the category of PowerBar without being associated with the gooey bar. Nestlé has since bought PowerBar and it is the leader in its category.



Sometimes your category fragments and sometimes it aggregates. The latter was the situation facing Siebel in the mid 1990s. Siebel recognised where the industry was heading and took the lead in creating an Internet-based CRM system by pulling together a host of previously discreet application areas, including customer loyalty programmes, customer acquisition, customer service, call centres and sales force automation. In doing so, they rendered irrelevant for some customers the makers of specialised application programmes, regardless of their functional superiority in what had previously been the whole universe of their market as they saw it.

Taking today home

The objectives of brand portfolio strategy are different from the objectives of brand strategy.

When you look at your portfolio, look for clarity. You want clarity not only in the marketplace but also inside your organisation.

You want focus so you can prioritise your brand building and make brands work in the businesses of the future. You want to identify the brands that will deliver your business objectives.

You want leverage. You want to build brand platforms that can travel across countries and markets with something worth putting into the marketplace.

You want to use your portfolio to gain energy and differentiation, and that means you have to take a broad look at your portfolio and think of it as including branded programmes, branded features, co-brands, and branded energisers like sponsorships and endorsers.

You have to be concerned with relevance. You want to do things that will make you maintain your relevance and make your competitors less relevant. A branded differentiator can affect your relevance. The Heavenly Bed of Westin can change customers' definition of a hotel. If you do not have the Heavenly Bed then you are not comparable, you are not relevant anymore. You don't have to create a whole new thing like an Asahi dry beer, or some completely new technology. If you can have a branded differentiator that is strong enough, that actually changes what people want to buy, then you can affect relevance.

Finally, none of the successes mentioned today were created on a whim. They all entailed significant investment in understanding customers' needs and purchase cycles, in creating the systems and processes to turn insight into compelling products, and in cultivating the marketing excellence necessary to turn these opportunities into sustainable competitive advantage.

This is the fourth in the Brands Lecture series.

Previous lectures include:

The inaugural Brands Lecture

Are Brands Good for Britain?

Delivered by Tim Ambler – Senior Fellow, London Business School

The second Brands Lecture

Posh Spice and Persil

Delivered by Jeremy Bullmore – WPP Group

The third Brands Lecture

100% Marketing

Delivered by Rob Malcolm –

President of global marketing, sales and innovation, Diageo

Copies of each Brands lecture are available from the British Brands Group.



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