



Brand housing: Best practice for brand architecture

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House of brands and branded house are the best known options, but there is no one-size-fits-all model for brand architecture. It is important to build a framework based on flexibility.

Brands that build strong relationships with their customers are rewarded with higher sales, profits and value over time. The value of the strongest brands continues to rise, according to Interbrand's 2010 best Global brands report – Coca-Cola is worth \$70.5bn. Brands that demonstrate their transparency, integrity and authenticity will continue to build successful long-term relationships with their customers.

The economic downturn has changed spending behaviour and customers are increasingly more opinionated, savvy and connected. As a result, it has become more important to get your brand architecture and portfolio management spot-on. Brand architecture can typically be described as the branding framework that organises and explains the nature and strategic relationships of each of your brands, working hand-in-hand with your portfolio management. Ultimately, both your architecture and portfolio influence how stakeholders relate and interact with your company's products and services. Getting it right or wrong affects the financial value of customer relationships. Therefore, we can all benefit, on a number of levels, by fully understanding brand architecture, identifying the best and most valuable arrangement for products and services, and making demonstrable progress towards it.

This article touches on the traditional models of brand architecture, but goes on to explore the idea that, with the shifts in the market, a more flexible, transparent approach, tuned to the needs of your different stakeholder groups is the way forward. We go on to outline some discussion points and tools to consider when tackling this topic.

TRADITIONAL MODELS

Traditional thinking about architecture is based on four well-documented models. These outline the way different stakeholders experience and interact with the brand. The immediate question and the starting point for these models is still relevant today: 'Who is my Audience?' 'How does it differ across the breadth and depth of my portfolio?'

The most straightforward, cost-effective way to manage your brand architecture is the monolithic model. This can be applied when the portfolio of products and services are broadly in line with the overall brand proposition. HSBC, for example,

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leverages its strong trust and equity across different stakeholders with its 'global/local' proposition.

But what would happen if a strong brand created another strong brand, such as Apple and iPod? this would be described as a sub-brand. Apple remains as the parent brand, with its innovative and pioneering values, while iPod contributes coolness and mobility to Apple's equities, and both brands benefit from the relationship. In addition, a halo effect exists across all the sub-brands that belong to Apple. The third option is presented by Unilever endorsing the Dove brand. Dove has a distinct and unique personality on its own that simply has a reassuring 'seal' from its parent brand. by stating its relationship with Unilever, a worldwide trusted brand, Dove builds on its quality and source expectations, strengthening its position in the market.

Lastly, some companies, such as P&G, choose a 'house of brands' approach. In this case, a number of independent brands are used, which all have a set of equities that are relevant for their chosen customer segments. Most customers will not necessarily be aware that the products they interact with, such as Pringles and Pampers, belong to the same company. Managing a wide number of brands is no simple task and needs a sophisticated marketing function to make it successful.

Brand architecture goes beyond the visual/graphic naming relationship of brands and sub-brands. It is about the overall experience created for your customer segments. Let's revisit Apple. The simple sub-brand naming with the 'i' prefix, the unmistakably beautiful product design, linking the product use together and the in-store experience, creates a consistent experience driven from the customer perspective. In this case, the Apple brand plays a very strong role in driving all activity based around the proposition of 'humanising technology'.

NO 'ONE SIZE FITS ALL'

Some brands, such as HSBC and P&G, can apply one brand architecture model, but increasingly complex brand portfolios and diverse Audiences mean this is becoming more difficult. Many brands need to adopt 'hybrid' models to remain relevant. Presence in different categories, channels (eg the internet) or countries will require a different approach to brand architecture. Nestlé uses a range of approaches, from a Nestlé named product through to Nespresso and the endorsed KitKat brand.

In addition, customers today are more informed than ever. This means that any approach has to be carefully considered. If you don't signal a connection overtly between brands in your portfolio, customers can make that link by themselves. All a customer has to do is look a little more closely at the small print on-pack or look it up on the internet. Take Good Earth tea as an example. It is sold in major retailers and presented as an ethical, healthy and fuller-flavoured alternative to mainstream teas. Its wholesome positioning sets it apart on the supermarket shelves and enables it to enter a premium consideration among top-flight store brands and other speciality teas. On inspection, however, when the consumer gets home and comes to break the tea out of its neat packaging, the consumer finds that Good Earth is a subsidiary of Tetley – a mainstream tea manufacturer. Turning the box a few more times, the consumer discovers that Tetley is owned by Tata – one of the largest Indian heavy manufacturers.

So here, the relationships between these brands come to influence value-for-money perceptions, and also come to defeat the initial ambition of creating a product serving the need for small-scale, gentle values. Is the Tata corporate brand relevant in this instance? How can we balance the requirement for transparency with information that is relevant for our customers?



Good Earth tea (top) gives the impression of being a small, independent brand, but closer inspection reveals it to be a subsidiary of Tetley (above) – which is owned by Indian manufacturing giant Tata.

Unilever has started to deal with this issue by building meaning into its core brand and aligning its portfolio with its overall values. It has communicated this by endorsing products in its advertising, with brands that support its masterbrand positioning of 'Vitality'. Here, Unilever is using its brand to prioritise and drive its brand architecture to build equity into its masterbrand. It chose not to endorse products that don't build into the Vitality positioning. This wasn't something Unilever did on a whim. It found out from research that customers would see the endorsement as a sign of honesty and be more open to other brands in the portfolio.

DESIGNING FROM THE OUTSIDE IN

Today, many companies have a huge amount of information on their customer segments, needs and motivations. The ability to gather information is becoming easier through the use of online and loyalty schemes. Therefore, the company's brand architecture can start to reflect this information by becoming even more fine-tuned to the relevant needs and groups. The Audi proposition is very carefully signposted for customers, using disciplined and effective brand architecture throughout the range.

Take the Audi Q5 S line and consider the face-on view of the top-of-the-range version of the off-road model, the Q5. The grille, using the main logo, signals the car is from Audi – which stands for high quality German engineering. The second element, '5m', indicates that it is part of a range, which – if you know the range – enables you to pitch the vehicle's seniority between 1 and 8. Third, the Q aspect indicates it's an off-road model through Audi's 'Quattro' heritage. Finally, Audi has a series of powerful micro endorsements that give the vehicle a final performance spike, these are 'S line' (Sport), and 'R line' (Racing), which are added to demonstrate differentiation from the other cars in the range and the competition.

So, the bonnet of the Audi Q5 S line contains a great deal of information that enables not just the potential customer to understand what the vehicle is, but also allows kerbside onlookers to find out something about the person behind the wheel.

The brand architecture within the range connects to the portfolio management. Audi uses hero brands to drive the total portfolio. For example, the Audi R8 builds brand equity value through the image it creates around inspirational design mixed with racing pedigree. The Audi A3 helps to build business value through high turnover. This creates a balanced portfolio. There are a number of reasons why you would start to consider brand architecture or reconsider your existing approach. These can be internal or external reasons. Here are some examples:

- When the goals of the business strategy change. This may require greater flexibility from your existing product portfolio than is currently available.
- Following business reorganisation or merger, when areas of business (and products) overlap and must be rationalised. brand architecture can help to focus on the brands that have the most equity with customers.
- When you have multiple brands or branded products/services that are not easy to navigate or understand. Brand architecture will determine how brand offerings are related to and differentiated from one another.
- The desire to improve efficiencies and profitability. brand architecture can identify the strongest offers within a company, as well as products with the strongest potential, to allocate resources, improve bottom line efficiencies and profitability.
- Where an opportunity in new categories arises. brand architecture can help define where the brand's core strengths are to understand how far it can stretch with existing equity.
- Planning for future growth. The right brand architecture can set a road map for the focus of future innovations, building on the current brand equities and consumer perceptions.
- External shifts within the market, such as competitor launches, trends and technology will also have an impact.

MANAGING THE PROCESS

Ultimately, brand architecture is about organising the relationships with your brands and customers to reach your business objectives. Here are some tried-and-tested approaches to help manage the direction of your portfolio:

- Brand valuation scenario planning. brand valuation is an assessment of the future profitability a company will enjoy due to its brand's performance. Appraising architecture options through their impact on brand value enables managers to not only recommend a strategy based on a clear metric, but also to pinpoint the key risks and opportunities each option contains, driving investment and action planning and KPI monitoring.
- Brand strength mapping. Interbrand measures brand strength using a proprietary 10-point model. This assesses brand strength across a complete set of dimensions: from internal clarity, commitment and responsiveness, to external consumer understanding and affinity, through to perceived authenticity, relevance, differentiation, presence and auditable facts, such as touchpoint consistency, and whether or not trademarks are legally protected. Each factor is scored and set against industry benchmarks to assess performance. By using this scoring, you can create a more holistic and accurate way of understanding and evaluating your brand and portfolio.
- Customer segmentation and tracking. This will help to clarify who your customers are, the most valuable segments and what needs they have. Regular customer tracking reports can measure perceptions of a range of company brands. This enables statistical modelling of perceived relationships between brands and the value various combinations add to propositions.

Portfolio optimisation. As with the example of Audi, this could be based on brand equity versus turnover dimensions, or mapped on to your most valuable customers to recognise the company's vision of growth.

- Customer journey Audit. Interact with your brands from the eyes of your customers, the relationships they see with other brands, intended or unintended.
- Product stretch. Understand the equities that exist in your current brand and see what is required in the new category to see if the brand can stretch.

SUMMARY

Brands build value by creating strong bonds with their customers. In today's changing market, those brands that demonstrate transparency, integrity and authenticity are most likely to succeed in building these relationships. Brand architecture is increasingly important because it is the external representation of how your brands interrelate. Customers are able to make connections to other areas of your portfolio without you necessarily telling them, so it is important to consider how you want this to be perceived. Is there anything to hide or something you want to educate your customers about? Will it damage a brand that is being positioned as one thing in the marketplace, while customers could see it as something else?

We, as brand managers and as customers, have a huge amount of information at our fingertips that requires a more selective definition of the relationship between the brands in our portfolios, and a more meticulous fine-tuning of the way we structure brands more efficiently and effectively.

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