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CRITICAL FACTORS

IN DEVELOPING A BRAND PORTFOLIO FRAMEWORK FOR LARGE-SCALE, COMPLEX ORGANIZATIONS

by Sheryl Kravitz | March 7th, 2012

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ARTICLE SYNOPSIS

It is not uncommon for large scale B2B companies operating across multiple vertical markets to grow by virtue of acquisition. While business growth by acquisition is a finely honed, well-established practice in terms of risk and rewards, organizational alignment, financial return and market expectations; often overlooked is the long-term implication(s) of acquiring multiple organizational brands, without consideration for the potential impact these brand assets may have on the acquiring brand over a long period of time.

This article briefly addresses a few of the critical factors in how complex organizations with multiple brands operating across markets can initiate and gain support to develop a brand portfolio framework, without disrupting core business processes and reporting structures.

Why Companies Overlook Development of a Strategic Brand Portfolio Framework

1. Deal Derailment

Many companies hedge from asking questions that could potentially derail a deal. Rather than examine brand issues head-on during the due diligence process, conducting a robust brand assessment that addresses equities, brand overlap, IP/ trademarks, along with organizational corporate brand attributes, visual identity, and positioning are typically handed off to the integration team to handle after the deal closes.

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One of the challenges with having an integration team make decisions on brand assets is that both parties are naturally biased toward their respective brand assets. Unless there is a clear charter and established framework from executive leadership on brand migration, this can lead to contentious internal wrangling between the two newly joined organizations as to claims around brand recognition, longevity, customer loyalty, and equity. In the absence of hard data to quantify such biases and claims, leadership is left up to assess individual brands based on internal perceptions, rather than on what is best suited for the business in the long-run.

One of consequences of this type of scenario is for the "acquirer" to diplomatically defer to its newly acquired entity and continue to support an organizational brand, which is technically no longer in existence as an independent entity and then opt to relegate the former organizational brand to a product-line brand, regardless of whether it is suitable candidate for retirement.

2. Disruption

Disruption is scary and very real for high performing publically traded companies with constant pressure to meet Wall Street expectations. From management's perspective disruption can mean many things – it can be about the internal organization, reporting lines structures, the impact on customers, or on operations. This is why "disruption" of any type that potentially hinders the revenue stream is rightly looked upon by management as to be avoided at all costs. Thus, a marketing team taking on development of a brand portfolio framework must tread carefully as to how implementation won't be disruptive or distracting to current operations and performance.

> ***Critical Factor:*** *Philosophical or theoretical agreement by management is insufficient for ensuring actionable development. Concrete benefits must outweigh management concerns and justifications pertaining to deal derailment and disruption. Otherwise brand framework development will likely be stalled.*

3. Limitations by Management to Understand How Brand Objectives & Business Objectives Require Mutual Alignment for Success

Many companies speak to the idea of alignment, few truly achieve it. In many organizations, brand and marketing don't reach into the bowels of operations or reporting structures and have limited influence to impact structure that could improve brand performance and resource allocation. By definition, marketing is heavily focused on external communications. Hence, marketers who are on the front line in dealing with messaging and customer satisfaction are often the first to raise the red flag to management in how a messy or overgrown portfolio is starting to create confusion or frustration among customer sets. However, if the businesses are performing and meeting financial expectations, having a messy brand portfolio won't outweigh managements' concerns surrounding derailment or disruption. Consequently, marketers must demonstrate how the rewards for brand alignment outweigh the risks for management.

Critical Factor: *One way to overcome the risk and reward associated with a messy or overgrown portfolio is to actively identify how and where there is significantly higher than normal "opportunity cost" associated with having an overgrown brand portfolio in concrete terms for management.*

Identify the Opportunity Cost of Misalignment

Marketers interested in establishing a framework that is actionable, must be able to put into context for management what the costs are for not pursuing alignment. Because every organization is unique, the approach and methodology for determining opportunity cost requires individual customization.

One initial starting point for marketers is to provide a high level context for management that is in line with their respective business objectives and financial realities. First and foremost, marketers must be armed with data to make their case and need to address the right questions before proceeding.

1. Start with the Right Questions

How many brands do we currently support that have distinguishable equity in the market place among customers? Do we have independent perceptions on awareness, equity and brand value? Or are these internally based?

Do we have a process in place for how we allocate financial and human capital for brands that are in various stages of their lifecycle (high growth, maturity, or decline)?

Which of our brands consistently exceed customer expectations? Do we have a concrete handle on which brands are leaders and laggards? Are these in line with our long-term business objectives?

How many legacy (acquired entity) business line brands do we currently support? Are these inhibiting or fostering our ability to bundle products/services or move up the value chain as a solutions provider?

To what degree are we making it more difficult for our customers to understand what we offer in the marketplace? For example, if a business objective is to sell xyz together does our brand structure, not our organizational structure, currently support this type of business objective? If not, what specifically is getting in our way?

2. Help Management See the Future

Develop a past, present and future context for management. Use your data and insights to develop a context that examines what's been done historically, how the organization handles it today and where the organization is headed will help to ensure actionable results. Ultimately, management and leadership must be engaged in order to succeed. The burden of proof is with CMOs and marketers who are required to make their case compelling enough for management to heed. ■

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