BRAND ARCHITECTURE:
DESIGNING YOUR BRAND PORTFOLIO FOR SUCCESS

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QUESTIONS WE ANSWER HERE

- What is brand architecture and why is it important?
- What are the various roles brands play, how are they determined and why are they useful?
- What is the range of brand architecture solutions, what are their implications and what determines which is the best option?
- How do marketers go about developing architecture solutions for their brands?
- How does this work in the real world?
BRAND ARCHITECTURE OVERVIEW

Brand architecture is part organization...  ...and part military strategy
BRAND ARCHITECTURE DEFINED

Architecture is about optimizing the hierarchy, linkages, and roles of brands within the portfolio in support of the business strategy.

Products, business units, specific services, marketing programs, features, line extensions, apps, web sites, etc. all need monikers.

How these names relate is the difference between brand coherence and brand confusion.
BENEFITS OF A CLEAR ARCHITECTURE

Brand architecture helps organizations structure their brands and products to drive value and growth by enhancing:

- **Clarity:** Clarifies what the organization can do for customers by providing a coherent face to the offering and the business strategy.

- **Efficiency:** Increases marketing efficiency by ensuring brand leverage without overstretching.

- **Focus:** Provides direction for where to focus innovation and marketing investments by distinguishing strategic brands from others in the portfolio.

- **Growth:** Opens up new opportunities for growth by lending credibility from existing, successful brands.

- **Equity:** Enables equity to flow through the portfolio by defining the relationships between portfolio brands.
BRAND ARCHITECTURE TAKES AN OUTSIDE-IN VIEW

The optimal architecture usually does not line up neatly with internal organizational structures – and that’s okay!

Brand Architecture Is Externally Facing

- Masterbrand A
  - Brand B
  - Sub-Brand C
  - Sub-Brand D

Organizational Structure is Internally Facing

- Corporate
  - Business Unit
    - Products
  - Business Unit
    - Products

Business units are not brands.
ARCHITECTURE DEFINES BRAND ROLES

Each brand asset needs a clear role in the portfolio.

<table>
<thead>
<tr>
<th>Brand Roles</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Brand</td>
<td>Company name and legal entity. Often used as endorser but may not be customer facing at all.</td>
</tr>
<tr>
<td>Master Brand (Driver)</td>
<td>Drives purchase decision and defines user experience. Most strongly represents the differentiation inherent in the offer.</td>
</tr>
<tr>
<td>Endorser Brand</td>
<td>Provides approval, credibility or guarantee to a range of products, but is usually not the driver.</td>
</tr>
<tr>
<td>Sub-Brand</td>
<td>Derives equity from another brand, usually the Master.</td>
</tr>
<tr>
<td>Ingredient Brand</td>
<td>Features, materials, components or parts that are contained within other branded products. Not an equity driver, often an equity energizer.</td>
</tr>
</tbody>
</table>

Clear roles simplify decisions about brand expression
Sony plays multiple roles in its portfolio due to the needs of the business. Some offerings have stand-alone brands that do not feature the Sony name at all.

**Master Brand:** Allows equity to be shared among brand assets when used in either driver or endorser role.

**Sub-Brand:** Leverages the strength of the master brand while helping to separate and organize the offerings.

**Ingredient Brand:** Brings energy and news to an offering. Always used in conjunction with another portfolio brand.

**Stand-Alone Brand:** Separates offerings, creates new sources of equity or targets new audiences.
WHAT’S INCLUDED IN ARCHITECTURE?

Only offerings are included in the architecture. Trademarked or licensed branded elements live outside the architecture and enhance equity by providing uniqueness and memorability.

<table>
<thead>
<tr>
<th>Celebrities lend meaning</th>
<th>Characters create likeability</th>
<th>Sponsorships build affinity</th>
</tr>
</thead>
<tbody>
<tr>
<td>jcp</td>
<td>McDonald’s character</td>
<td>P&amp;G Olympic Partner</td>
</tr>
<tr>
<td>Celebrities</td>
<td>Characters</td>
<td>Sponsorships</td>
</tr>
<tr>
<td>Dodger</td>
<td>Characters</td>
<td>NASCAR</td>
</tr>
</tbody>
</table>

Branded Elements Are Not Included in Architecture
There is a broad spectrum of brand architecture solutions.

**House of Brands**
- Builds individual strong brands for category dominance
- Limits risk by containing brand reputations (good for high risk industries)

**Hybrid**
- Maximizes marketing spending efficiency
- Maximizes awareness among all stakeholders (i.e., investors, employees)

**Branded House**
- Single parent brand spans a set of offerings.

Independent brands, each maximizing its impact on the market.
MOST SOLUTIONS ARE A HYBRID

Brand architecture solutions fall on a spectrum. Most solutions fall somewhere between branded house and house of brands.

**House of Brands**

Builds equity in strong stand-alone brands across a wide range of categories

Requires significant marketing investment

**Hybrid**

Leverages strong master brand while allowing flexibility.

**Branded House**

Results in strong master brand.

Can be difficult to extend beyond the expertise of the master brand.
Architecture decisions have investment implications, and the optimal solution is determined in large part by the business strategy.

Do the brands address the same or different customer segments?

How important is it to represent the brand the same way in different geographies?

Are there synergies that can be leveraged between different brands or business units?

<table>
<thead>
<tr>
<th>House of Brands</th>
<th>Branded House</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target multiple segments</td>
<td>Target single or few segments</td>
</tr>
<tr>
<td>Address individual geographies</td>
<td>Reinforce a global organization mindset</td>
</tr>
<tr>
<td>Few synergies to be leveraged</td>
<td>Many synergies to be leveraged</td>
</tr>
</tbody>
</table>
EXAMPLE: DISNEY BRAND ARCHITECTURE SOLUTION

Disney uses a mix of brand architecture solutions to build and protect its diverse businesses.

Independent brands, each maximizing its impact on the market.

House of Brands

Branded House

Single parent brand spans a set of offerings.
# Brand Hierarchy Example: Disney

Architecture defines clear hierarchies...

<table>
<thead>
<tr>
<th>Brand Type</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate Brand</strong></td>
<td>A single brand targeted at multiple stakeholders that unites the portfolio of brands under a common strategy</td>
<td><img src="image" alt="The Walt Disney Company" /></td>
</tr>
<tr>
<td><strong>Master Brand</strong></td>
<td>A broad brand that is the primary frame of reference for the customer. It is used as an umbrella across a wide range of product categories, services and geographies that can exist without the support of another brand.</td>
<td><img src="image" alt="Walt Disney" /></td>
</tr>
<tr>
<td><strong>Category Brand</strong></td>
<td>Broad groupings of product and service offerings that reflect multiple customer segments that use similar technologies.</td>
<td><img src="image" alt="Walt Disney Animation Studios" /></td>
</tr>
<tr>
<td><strong>Sub-Category Brand</strong></td>
<td>Groups of products and services within a Category that help customer find relevant offerings. They can be organized around products, applications or customer segments.</td>
<td>Disney Princess Collection <img src="image" alt="Disney Princess" /></td>
</tr>
</tbody>
</table>
| **Product / Service Line Brand** | A collection of like offerings that helps simplify the buying process for the customer by signaling a unique value proposition relative to competitive offerings. | ![Elsa](image) }

**BRAND HIERARCHY EXAMPLE:**

Architecture defines clear hierarchies....
BRAND RELATIONSHIPS EXAMPLE: DISNEY

...and relationships among brands in a portfolio.

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Best used when...</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>Brands are entirely consistent with core values and positioning of master brand</td>
<td>Walt Disney Television</td>
</tr>
<tr>
<td>Shared</td>
<td>Core values of the brand are quite consistent with the master brand, but augmentation is needed</td>
<td>Disney * abc Domestic Television</td>
</tr>
<tr>
<td>Endorsed</td>
<td>Master brand equity limits the brand’s image and thus necessitates some independence; endorsement adds credibility or meaning</td>
<td>Adventures Disney</td>
</tr>
<tr>
<td>Invisible</td>
<td>Brand is inconsistent with core values of master brand; risks diluting/eroding parent brand</td>
<td>Touchstone Pictures</td>
</tr>
</tbody>
</table>
HOW TO DECIDE WHICH SOLUTION IS RIGHT?

Three guiding principles help to ensure the brand architecture has the optimal business impact:

**Right Number**
Sufficiently cover the market and target customer segments with the fewest brands possible.

**Clear Separation**
Make it easy for customers to find the solution they seek by ensuring “daylight” between brand offerings.

**Marketing Efficiency**
Fulfill customer needs (and generate revenue) while minimizing brand development and management costs.
Not all brands are equally important. Architecture guides decisions about innovation and investment as portfolio brands compete for resources.

<table>
<thead>
<tr>
<th>Brand Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Brand</strong></td>
<td>Significant contributor to company’s future sales, perceptions or market position.</td>
</tr>
<tr>
<td><strong>Distinguisher Brand</strong></td>
<td>Enhances the differentiation of another brand. Also referred to as ‘branded energizer’ or silver bullet.</td>
</tr>
<tr>
<td><strong>Cash Cow</strong></td>
<td>Money making brand that does not represent future significant growth.</td>
</tr>
<tr>
<td><strong>Corporate Brand</strong></td>
<td>May have low visibility to customers, but important to regulatory bodies, investors, employees, trade groups, partners.</td>
</tr>
<tr>
<td><strong>Fighter/Flanker Brand</strong></td>
<td>Addresses competitive threat. Protects share of other brands in the portfolio.</td>
</tr>
</tbody>
</table>
EXAMPLE: AMAZON

Amazon keeps its strategic businesses separate through stand-alone brands, and uses an endorsed approach for its other brands.
EXAMPLE: STARBUCKS

Starbucks is thoughtfully expanding its portfolio to separate its high growth and premium businesses from its mainline coffeehouses and Starbucks Express stores.

[Diagram showing Starbucks portfolio with sections for Cash Cows, Strategic Brands, and Flanker/fighter Brand, including Starbucks coffeehouses, Express format stores (2015), Starbucks Reserve Roastery and Tasting Room (Seattle), and Starbucks Reserve stores (2015).]

WHEN TO REVISIT ARCHITECTURE?

It’s time to revisit brand architecture when an organization changes strategic direction or adds important new capabilities.

**Triggers for Revisiting Architecture**

- Significant merger or acquisition
- Too many brands and offerings are competing for attention and investment dollars
- Corporate brand and product brands have the same name and are hard to distinguish
- Brands are losing relevance with customers
- Brand meaning has been diluted or stretched beyond credibility and effectiveness
- Programs, elements, features or sponsorships are asking to be treated as brands
EXAMPLE: KELLOGG’S BRAND PORTFOLIO RE-EVALUATION

In 2012, Kellogg’s restructured its brand portfolio to better leverage its master brand, acquired stand-alone brands and Olympics sponsorship.

**Stated Reasons For Revisiting Architecture**

- Acquired new brands
- Needed to elevate Kellogg’s corporate brand above its cereal master brand
- Needed to strengthen the meaning of the Kellogg’s brand beyond cereal to breakfast
- Wanted to leverage investment in 2012 Olympics to benefit all Kellogg’s sub-brands

“We had to start separating out the Kellogg’s brand from the Kellogg company ...Kellogg’s is a truly iconic brand ...
We felt that having a stronger brand, driving a stronger point of view, a more powerful identity and have at the center an umbrella to talk about our portfolio more holistically, to talk about the power of breakfast, to talk about the value of cereal.”

http://www.forbes.com/sites/jenniferrooney/2012/05/10/kelloggs-embarks-on-major-brand-overhaul/
In general, we evaluate brand architecture from a handful of perspectives. For example, having more answers to the left in the assessment tool suggests leaning toward a House of Brands approach is best.

<table>
<thead>
<tr>
<th>Organization</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/service brand equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing spend</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate brand equity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competition</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive set</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer needs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-selling opportunities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Architecture Assessment

<table>
<thead>
<tr>
<th>House of Brands</th>
<th>Branded House</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong equity</td>
<td>Low/no equity</td>
</tr>
<tr>
<td>Supports multiple brands</td>
<td>Supports few brands</td>
</tr>
<tr>
<td>Low/negative equity</td>
<td>Strong equity</td>
</tr>
<tr>
<td>Fragmented</td>
<td>Consolidated</td>
</tr>
<tr>
<td>Many</td>
<td>Fewer</td>
</tr>
<tr>
<td>Diverse</td>
<td>Singular</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>
We use a four-step process to identify the optimal architecture solution.

**Overview of Recommended Four-Step Approach**

1. **Strategic Business Analysis**
   - How closely aligned are the brand and business strategies?

2. **Brand Architecture Mapping**
   - How aligned are external and internal perceptions of brands and their roles?

3. **Alternatives Development**
   - What are the various ways the portfolio could be configured going forward?

4. **Evaluation of Alternatives**
   - Which alternative best fits the short and long-term business objectives?
REAL WORLD EXAMPLE: McDONALD’S CASE STUDY

Using the arches, color palette and “Mc” to identify and link most of its offerings to the master brand, it is a prime example of a Branded House architecture.

The Branded House McDonald’s Built

“[McDonald’s] gave millions of Americans their first jobs while changing the way a nation ate.” Bloomberg Businessweek, 3/2/03

Tightly associated with burgers, fries and soft drinks, the brand thrived in the ’80s and early ’90s. Through consistency and careful brand-building, McDonald’s became an American icon.

McDONALD’S CASE STUDY: TIMELINE

There were signs of trouble starting in the late 1990’s, as business lagged and new products failed.

1995

- Sales stagnated while costs increased as the product offering expanded/became more complex

2000

- In an effort to regain relevance, McDonald’s acquired Chipotle Mexican Grill and Boston Market in 1999

2005

- In 2004, “Supersize Me” brought attention to what too much McDonald’s does to your body and how it makes you feel.

2010

- Spun off Chipotle in 2006 to refocus on core hamburger business

2015

- U.S. comp store sales slipped 1.7% in Q1 and 1.5% in Q2 of 2014

- Record number of franchisees left the system in 2002

- The low-fat McLean Deluxe and Arch Deluxe burgers, meant to appeal to adults, bombed

- Salads represent only 2-3% of McDonald’s sales in the United States. CEO Don Thompson admitted “I don’t see salads as being a major growth driver in the near future.” (5/13)
McDONALD’S CASE STUDY: STEP 1

Brand Architecture Development Process

1. Strategic Business Analysis
   How closely aligned are the brand and business strategies?

2. Brand Architecture Mapping
   How aligned are external and internal perceptions of brands and their roles?

3. Alternatives Development
   What are the various ways the portfolio could be configured going forward?

4. Evaluation of Alternatives
   Which architecture alternative best fits the short and long-term business objectives?

Focused on health-centric global initiatives, putting food quality first.

Marketing now organized by consumer groups such as millennials, families and adults rather than by product.

Stepping up digital, including e-commerce, fast-tracking testing of mobile payments and ordering. In June it set up a "learning lab" at a restaurant in Laguna Niguel, Calif., to better understand what people want and to experiment with customizable burgers.
Executives worry the master brand has lost relevance. Millennials have defected to fast casual chains like Chipotle and Five Guys and Moms no longer see McDonald’s as a good place for kids. Consumer Reports more than 32,000 subscribers rated McDonald’s burgers the worst-tasting of 20 rival burger chains.
McDONALD’S CASE STUDY: STEP 3

Brand Architecture Development Process

1. Strategic Business Analysis
   - How closely aligned are the brand and business strategies?

2. Brand Architecture Mapping
   - How aligned are external and internal perceptions of brands and their roles?

3. Alternatives Development
   - What are the various ways the portfolio could be configured going forward?

4. Evaluation of Alternatives
   - Which architecture alternative best fits the short and long-term business and brand objectives?

Branded House approach makes it difficult to change perceptions. Consider reserving McDonalds as corporate brand and build equity in new stand-alone brands and sub-brands.

- Sub-brands or stand-alone brands for Kids or Millennials or other priority targets may help separate new initiatives from current offerings.

- New digital initiatives provide a platform for a new, more relevant brand.

McDonald’s applied for a new trademark for a McBrunch brand in September 2014

Key evaluation criteria relate to ability to support the business, build new sources of equity and better address the needs of Millennials and kids/Moms. The assessment illustrates the case for more brand separation to enhance appeal among Millennials and kids/Moms.
KEY TAKEAWAYS

- Architecture aligns business and brand goals by defining clear roles, relationships and investment priorities among portfolio brands.

- A coherent brand architecture makes marketing more efficient and effective by ensuring customers and other stakeholders understand what the business can do for them.

- House of Brands and Branded House are just two of many possible architecture solutions. Most companies used a hybrid approach.

- Brand architecture should be revisited periodically to ensure business requirements are being addressed and the structure is optimal for supporting the business strategy.

- Identifying the optimal architecture is a 4-step process.
HOW WE CAN HELP

✓ Audit your brand to identify gaps and opportunities
✓ Generate ideas for closing the gaps
✓ Evaluate your brand architecture and recommend ways to increase clarity, efficiency and equity.
✓ Develop a compelling, energizing brand identity and audience-specific positionings that align with the identity
✓ Measure and track your brand’s health over time

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