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Brand Pruning-A Powerful Weapon for Corporate Success

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Abstract :
Brand Pruning can be defined as a process by which a company cuts off those brands, which have less contribution on its bottom-line or sometimes top line as well. This is almost a continuous process particularly for FMCG and white goods in India. The theoretical part of Brand Pruning is relatively new, although it has been practiced by many companies from ages and decades but non availability of a comprehensive literature is a major hindrance. The earliest records of advocating Brand Rationalization process can be traced in early 1930's; Neil McElroy was a manager who supervised the advertising for camay soap at Procter &Gamble. The consumer products giant ignored camay but spent money and paid attention on its flagship product, Ivory. Naturally, Ivory remained the leader while camay struggled for survival. Annoyed, McElroy drafted a three-page internal memo in May 1931.He argued that P7G should switch to a brand-based management system. Only then would each of its brands have a dedicated budget and managerial team and a fair shot at success in the marketplace. McElroy suggested that the company's brands would fight with each other for both resources and market share. Each "brand man's objective would be to ensure that his brand became a winner even if that happened at the expense of the business's other brands. However, McElroy did not carry the argument to its logical end." This paper shed a light on utility, process, rationalization and signs of brand pruning.

Keywords: **Rationalization, sings of Brand Pruning, Utility, Portfolio Analysis Sheet.**

INTRODUCTION

Brand Pruning can be defined as a process by which a company cuts off those brands, which have less contribution on its bottom-line or sometimes top line as well. This is almost a continuous process particularly for FMCG and white goods in India. The theoretical part of Brand Pruning is relatively new, although it has been practiced by many companies from ages and decades but non availability of a comprehensive literature is a major hindrance.

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Diageo, the world's largest spirits company, sold 35 brands of liquor in some 170 countries in 1999. Just eight of those brands-Baileys liqueur, Captain Morgan rum, Cuervo tequila, Smirnoff vodka, Tanqueray gin, Guinness stout, and J&B and Johnnie Walker whiskeys provided the company with more than 50 percent of its sales and 70 percent of its profits.

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Nestle marketed more than 8000 brands in 190 countries in 1996.Around 55 of them were global brands, 140-odd were regional brands, and the remaining 7,800 or so were local brands. The bulk of the company's profits came from around 200 brands, or 2.5 percent of the portfolio.

Procter& Gamble had a portfolio of over 250 brands it sold in more than 160 countries. Yet company's ten biggest brands-which include pampers diapers, Tide detergent, and Bounty paper products-accounted for 50 percent of the company's sales, more than 50 percent of its profits, and 66 percent of its sales growth between 1992 and 2002.

UTILITY OF BRAND PRUNING

The main utility of Brand pruning is enormous. It leads to the following:

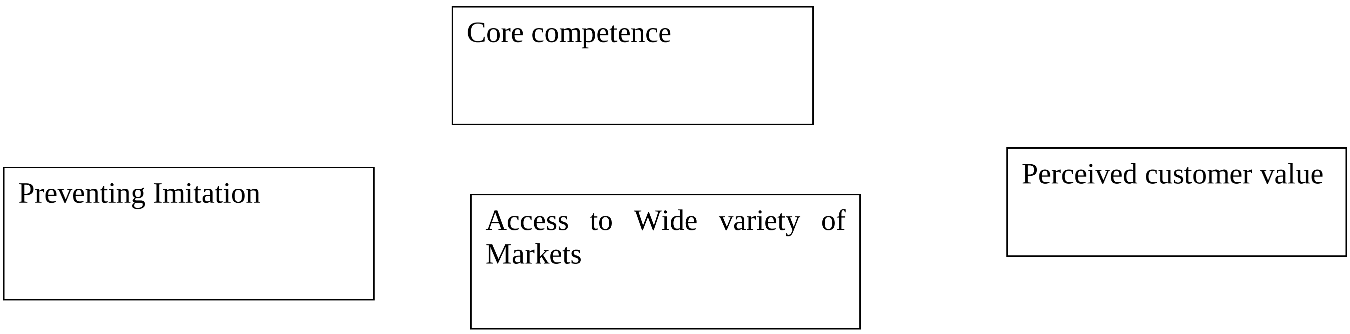
- Reduction of production, advertising and promotional cost.
- Brand Pruning enables a company to concentrate and focus on its core Brands which typically earns the company the most of the profits.
- Brand Pruning reduced the invaluable management time which was earlier focused with the not so profitable Brands.
- With help of Brand pruning, the company can identify its weak Brands; it may try to retrieve the weak brands with proper positioning or drop them from its portfolio.
- Without systematic and regular brand pruning, the company may lose its focus from its core brands.
- Brand Pruning helps the brand managers to identify the major loss making brands and marginal brands.
- This identification enables a company to formulate future strategy for more effective brand management.

PROCESS OF BRAND PRUNING

A) METHODOLOGY AS PROPOSED BY SINGH & LAMBA-2005:

ALIGNMENT WITH CORE COMPETENCE

The Brand Portfolio of a corporate should be in alignment with its core competence in order to reduce vulnerability of failure. This shall enable evolving brands (niche or mass) that define clear customer segments, positioning, end customer value, brand promise delivery and brand relevance, also minimizing the complexity and cost in managing a portfolio in the process. (Singh & Lamba-205)



Three aspects are relevant in this regard:

- It provides the brand portfolio potential access to a variety of markets.
- It enables significant contribution to the perceived customer benefits of the end product.
- It enables uniqueness for the brand, preventing imitation.

This feature should be the first question asked at all stages of brand killing and no adherence of the same creates a case for brand pruning.

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BRAND PORTFOLIO ANALYSIS SHEET

The next step in analyzing the dormant brands in a portfolio of brands is in examining them from the following 3 aspects:

Ratio of Profitability **:** $\dfrac{\textit{\% of Brand Revenues to Total Revenues}}{\textit{\% of brand Profits to Total Profits}}$

A ratio of less than 1 implies that although the brand contributes comparatively lower revenues than profits, the Economic Power of the brand is strong. However, a ratio considerably more than 1 is a cause of concern as the brand is consuming resources without adding to the bottom-line. As shown in the table below, Kimberly Clark is in a much better position than Colgate Palmolive in the same year as it defines the 80:20principle i.e. 20% brands contribute to 80% revenues.

Selling Cost Analysis **:** $\dfrac{\textit{\%of Selling Cost Expended on the Brand Out of Total Company Selling Cost}}{\textit{\% of the Brand Revenues to Total Revenues}}$

It is necessary for a firm to analyze whether there is enough justification for its expenditure on promoting a brand. A competitive comparison shall also support in qualifying the brand as a "cash generator" or a "cash user".

BRAND RATIONALIZATION PROCESS

After the company has realized that it needs to rationalize its brand portfolio, it can use a simple four-step process to achieve the above:

1. Brand Profitability Analysis

The rationalization process can be started by orchestrating groups of senior executives in joint audits of the brand portfolio. Such audits are useful because most executives do not know which brands make money or how many brands are unprofitable. To calculate the profitability of each brand, firms must allocate fixed and shared costs to them. That can prove to be a complicated task resulting in long and bitter debates between managers.

Executives view each brand from their own particular perspective and put forward arguments about the problems they will face if it is dropped. That collectively results in a justification for almost every brand in the portfolio. However, when executives look at the big picture together, they uncover the problems. They reluctantly extend a degree of support to the program despite their job-and turf-related concerns.

2. Pruning the portfolio

In the next stage, companies have to decide how many brands they want to retain. They can deploy two distinct but complementary models to do so:

MODEL 1

Under this model, companies can chose to keep only those brands that conform to certain broad parameters. A committee of senior executives and company directors can be set up to draw up these parameters. That's a good way to push ahead with the rationalization program in a large organization, since the appointment of the committee signals the top Management's committee to the task. A high –level committee is also necessary because the process inevitably becomes an opportunity to check if the company should exit some markets or countries where all its brands perform poorly.

Parameters which can be used to prune the portfolio can be:

- To retain only those brands that are number one or number two in their segments, as measured by market share, profits, or both.
- Companies in fast growth industries can chose to keep brands that display the potential to grow rapidly.
- Manufacturers that depend on retailers for sales can focus on brands that draw shoppers into stores.

- Individual parameters are not either-or criteria and can be combined to arrive at their filters.

MODEL 2

In this model, companies can identify the brands they need in order to cater to all the consumer segments in each market. By identifying distinct consumer segments and assuming only one brand will be sold in each segment, executives can infer the right size of the portfolio for a particular category. Companies can decide which brands to keep in each market in a number of ways:

General parameters can be considered akin to those that were applied to the entire portfolio, such as market share or growth potential, to select the brands to focus on in each market.

The market can be re-segmented and those brands can be identified that are needed to cater to the new segments.

For instance, firms can segment markets based on consumer needs rather than by price or product features. Companies can use both approaches also. For instance, they may start by rationalizing brand portfolios category by category and when they still find themselves with too many brands, they apply the portfolio approach to complete the task. And the process can easily be reversed.

3. Liquidating Brands

After companies have identified all the brands they plan to delete, executives need to reevaluate each of them before placing it on one of four internal lists: merge, sell, milk, or kill.

MERGING BRANDS

Companies can opt for merging brands when the brands targeted for elimination have more than a few customers or occupy niches that might grow in the future. Executives can transfer product features, attributes, the value proposition, or the image of the marked brand to the one they plan to retain. They can do this around the same time they drop the brand, not before or after. By advertising the change and using promotions to include consumers to try the replacement brand, marketers can get people to migrate from one to another. However, merging brands is tricky. During Unilever's brand re-organization process, Antony Burgmans, Unilever's vice chairman warned his marketers, "You are not migrating brands but migrating customers"

SELLING BRANDS

Companies can sell brands that are profitable when they don't fit in with corporate strategy. They might be profitable but in categories that company does not want to focus on. In such cases, the brand's market value is often greater than the value the company places on it, making it a good candidate to put up for sale.

MILKING BRANDS

Some of the brands that companies want to delete may still be popular with consumers. If selling them is not possible because of either strategic or sentimental reasons, companies can make milk the brands by sacrificing sales growth for profits. They can stop all marketing and advertising support for such brands, apart from a bare minimum to keep products moving off the shelves. They can also try to save on distribution costs and reduce retailer margins by selling only on the Net. Finally, the organization should move most managers off the teams that handle these brands. As sales slowly wind down, companies maximize profits from these brands until they are ready to be dropped entirely.

ELIMINATING BRANDS

Companies can drop most brands right away without fearing retailer or consumer backlash. These are the brands for which they have had trouble getting shelf space and buyers in the first place. To retain what customers they do have, companies can offer samples of their other brands, discount coupons or debates on the replacement brands, and trade-ins.

4. Growing the Core Brands

The fourth and final step in the brand portfolio rationalization process is not destructive, but creative. At the same time that corporation deletes brands, they should invest in the growth of the remaining brands. There

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may be hesitation in doing this because profits would soar as they drop brands. But they should not forget that the business is also shrinking in terms of sales and people, which can cause as much trouble as the proliferation of brands did.

Stagnation could set in, and demoralized managers might leave the organization. Sensing that the firm has lost its appetite for innovation and risk, rivals can also move I aggressively. Companies can reap the benefits of brand deletion only if they reinvest the funds and management time they have freed either into the surviving brands or into discerningly launching new ones and taking over the brands. Establishing a brand portfolio rationalization program shouldn't be a priority solely for marketers. It has to be a top management mandate, especially since companies' contract when they delete brands. While the profit payoffs come early I the program, it takes firms anywhere from three to five years to recoup revenues, depending on the number of brands they delete. So clearly, the top management team needs to agree to the financial objectives as well as to the timetable for their achievement. The team also has to buy time from share holders, who usually prefer measures that deliver earnings per share increases in the next quarter. Done right, however, a brand portfolio rationalization project will result in a company with profitable brands that is poised for growth.

SIGNS OF BRAND PRUNING

There are some telltale signs left behind by the brand killing managers. This would help identify whether a company is on its way to destroying a brand. Under no circumstances should one conclude that if one clue is present, "pruning" is happening there.

Sign 1: Constant cuts in ad budgets year after year.

Sign 2: More sales promotions than advertisements.

Sign 3: More emphasis on "push" than on "pull".

Sign 4: Little or no emphasis on consumer research and contact.

Sign 5: Non-marketing people in charge of marketing

EXAMPLES OF COMPANIES PRUNING THEIR BRANDS EFFECTIVELY

Electrolux: Take, for example, the manner in which Electrolux rationalized its portfolio of brands in the professional foodservice equipment in Western Europe. In the late 1990's, the consumer durables manufacturer offered a range of equipment that included ovens, chillers, freezers, refrigerators, and stoves for professional kitchens in hospitals, airports, cafeterias, hotels, and restaurants.

Before it attempted a turnaround, Electrolux conducted market research in 1996 and found that many customers were willing to pay premiums for leading brands. At almost the same time, CEO Micael Treschow announced a rationalization of the company's portfolio of 70-plus brands. That's when Electrolux executives realized that if they replaced the 15 small brands in the professional market with a few big brands, they might just be able to make money. That shall begged the question: How many brads did Electrolux need to cater to customers in this market?

Having four European brands, instead of 15 local brands allowed Electrolux to manage the brand portfolio more effectively. The company developed international marketing and communication tools, such as new advertising and showroom concepts, Web sites, newsletters, road shows, and exhibitions to ensure that customers perceived each brand as the best in its segment. Electrolux was also able to design more appropriate products for the brands because it better understood the needs of the customers. The resulting economies of scale and scope helped turn around the fortunes of the business. Although Electrolux deleted 12 brands, the division's sales never fell.

Indian Example: The following is an illustration of how Electrolux changed the consumer mind from Kelvinator towards its core Brand in a phased but very effective manner.

"Electrolux came into India through acquisitions and thereafter merges. Through the above strategy Electrolux had with it the Kelvinator, Allwyn, Voltas and Maxclean brands, apart from Electrolux. From January 1, 2004, all the brands were brought under the Electrolux umbrella. At the same time, to retain the customers that had a greater recall for the "Kelvinator" brand, it was not totally vanished at the dealer level. In order to keep the potential Kelvinator consumer informed, the company besides instructing the selling points to educate the customers about the amalgamation of the "Kelvinator" brand, had stuck stickers inside its direct cool refrigerators, which explained that Kelvinator is now Electrolux."(Singh, Lamba-2005)

DISADVANTAGES OF BRAND PRUNING-A NOTE OF CAUTION

- **KILL THE BRAND, NOT THE PRODUCT:**

A pruned brand might posses' qualities that are core behind consumer loyalty. Incorporating these qualities in the mother brand in case of merging brands, advertising the change and including the customers to buy the replacement brand, the marketers should try to migrate these customers. Sales promotions like sampling and discount coupons could be carried out in this regard. (Singh, Lamba-2005)

- **LOCALIZED BRANDS:**

Certain brands that are added to the portfolio, although are low contributors to total Revenues serve as entry barriers for competitors to enter certain regions. Phasing out these brands could mean customer anger. So, advertising enough for regional sustenance should be carried out, reducing emphasis on a national scale. (Singh, Lamba-2005)

- **LEGAL SAFEGUARDS:**

While selling a brand, the marketer should create legal safeguards preventing use of the brand name for a limited period of time, thus ensuring that these brands don't return as rivals. (Singh, Lamba-2005)

- **HERITAGE BRANDS**

These are outdated brands, but enjoy a sense of loyalty and emotional involvement amongst the marketers who initiated them. These need to be eliminated, in a gradual manner, keeping the people's issue in mind. (Singh, Lamba-2005)

- **COMPETITOR IMPACT:**

In a belief that the organization has lost its urge for innovation in its process of killing brands, competitors speed their activity. Rational reinvestment of funds at this stage should be undertaken by the company in its core brands thus retaining competitiveness.(Singh, Lamba-2005)

- **ERISON OF BUFFER BRANDS:**

Many FMCG companies simply retain the prunable Brands only to engage the self space of the retailers so that the competitors' Brands cannot get any space on the shelf. (Example HLL's Breeze is a buffer Brand to Nirma's Nima Rose)

- **ERISION OF CONFIDANCE:**

If a company starts Brand Pruning in a regular manner, then the psychological impact may be negative to a consumer who used to see that Brand in a regular manner on the retailer's shelf.

CONCLUSION

In today's cluttered scenario, a consumer is exposed to more than 1500 advertising messages a day, encounters more than 200 edible oils, 150 soaps and 90 Toothpastes on the shelves of grocery stores to chose from, and thus is constantly evolving, the term focus seems to get lost.

This makes Brand Pruning not just a marketing issue, in which a suboptimal portfolio dilutes marketing messages and confuses customers; it also directly affects corporate profitability.

Brand Pruning to be used as an effective tool in the Marketer's arsenal, the first priority will be to get managers at all levels of the organization to back the decision maker because Brand Pruning is a traumatic process. Brand and country managers, whose careers are wrapped up in their brands never, take easily to the idea. Customers and channel partners defend even inconsequential and loss- making brands. Indeed, brand rationalization programs have often become so bogged down by politics and turf battles that many companies are paralyzed by the mere prospect.

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