

Branded House a House of Cards? Maybe it's Time to Shuffle the Deck.

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If you're an experienced marketer, you know that a company's brand portfolio exists on a continuum between a "Branded House" and a "House of Brands." I say continuum because most (larger companies anyway) have adopted a hybrid model. Marketers love to parse where these models start and stop, but for our purposes let's agree it's somewhat arbitrary. Coca-Cola has recently made a drastic change to their architecture, moving from a branded house to a house of brands for their namesake product line.

A Brand Architecture Refresher

As a quick primer before we examine this further, let's review some basic brand architecture concepts.

The traditional "Branded House" consists of a single Master Brand with all equity residing in that brand and all products subordinate – think of Federal Express or the Virgin Group. The FedEx brand includes FedEx Ground, FedEx Freight, FedEx Express, etc. None of these products really have personalities of their own – they all possess the brand equity of the Federal Express master brand. Virgin also imbues its products with the attributes of its powerful master brand (Virgin Galactic, Virgin Radio, Virgin Hotels, etc.)

Organizations with a Branded House strategy may also include strategic sub-brands in their portfolio. These products (or product lines) carry the imprimatur of the master brand, but what sets them apart are their distinct personalities and unique value propositions, different but aligned with the master brand. These sub-brands usually have their own logo and visual identity to help create brand eq-

uity. A good example of this is Microsoft. Microsoft has a number of strategic sub-brands such as Microsoft Office, Microsoft Azure, Microsoft Dynamics, and so on. Each of these has a unique logo and visual identity.

Many companies, as they grow, expand into new areas either through innovation of acquisition. This path leads us to the Hybrid House model. Going back to our Microsoft example, as the company has expanded into areas like gaming it

has also created stand-alone brands such as Xbox. There was a strategic decision made to put some daylight between the Microsoft brand and the Xbox brand.

Most large companies, in fact, are a hybrid model. Think of Nestlé. They have a very strong brand in confections – Nestlé Crunch, Nestlé Butterfinger, Nestlé Toll House. They even had an umbrella campaign covering this category: "N-E-S-T-L-E-S, Nestlé makes the very best.. chocolate." Remember this from when you were a kid? I'll bet your dentist does.

But Nestlé also owns stand-alone brands. Lots of them. So many in fact that many consider Nestlé a "House of Brands." When you buy Purina dog food, Gerber baby for-

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mula, Stouffer's frozen dinners, or Garnier shampoo, you're buying a brand owned by Nestlé. Why Nestlé chose to keep these product lines separate from the master brand makes good marketing sense. The market, distribution channels, suppliers, and value propositions are all very different. There is no leverage or efficiency to be gained, and stretching the master brand to include such disparate products would put too much overhead on the Nestlé brand. It's not that elastic. The result is a company with a hybrid mix of sub-brands and individual brands.

On the other end of the brand architecture spectrum is the "House of Brands." In this model there's no real equity in the company brand for consumers. For example, Unilever is the world's third-largest consumer goods company measured by 2012 revenue, after Procter & Gamble and Nestlé. However, they prefer the Unilever name to stay in the background when going to market. Instead they have a portfolio of more than 400 distinct brands, from Axe men's care products to Zendium toothpaste.



FedEx provides a classic example of a Branded House. All brand equity resides with the Master Brand.

What type of brand architecture a company chooses is a strategic decision not to be approached lightly. Factors such as the relative strength of a parent brand versus a product brand, how a company is organized, the opportunity to leverage channel and technical expertise across similar products or market segments, and where the company wants brand equity to reside are all factors informing brand architecture choices.

Coca-Cola Changes their Architecture

These above factors are driving major changes in some well-known brands. Coca-Cola this year launched a new strategy for its Coke products. Gone are multiple soft drink brands with a tenuous association with Coca-Cola. Replacing these is the "one brand" approach. For those of you who haven't taken notice, Coca-Cola has unified its Coke product portfolio. No longer will Coca-Cola, Diet Coke, Coca-Cola Zero, and Coca-Cola Life be treated as sub-brands. Instead, the emphasis will be on "choice" within a single brand.

Why did the company choose to do this? Because Coca-Cola's stated goal is for 50% of Coca-Cola sales to come from zero and low-calorie versions by the year 2020. Here's the snag. According to research, only 5% of respondents in know that Coke Zero has no calories. Further, the vast majority of consumers were at a loss to understand the differences between the four products. As one can easily deduce, it will be difficult for Coca-Cola to make the company's sales goal for low calorie products if no one understands the low calorie products. To paraphrase the eponymous character in Stanley Kubrick's Dr. Strangelove regarding his Doomsday Device, "It only works if you tell people about it!"

Granted, this confusion is at least partly self-inflicted by Coca-Cola. They've obviously made a hash out of properly position-



There's no mistaking these are all one brand: Coca-Cola.

ing and differentiating each product through a unique value proposition. Now, according to a company spokesperson, "By extending the appeal of the original Coca-Cola product across our lower and no sugar variants we believe we can create sustainable growth for our business in Great Britain in the years ahead. We believe [these products] will benefit from this closer association with Coca-Cola."

Conclusion

The implications are broader than you might at first think. This move away from a house of separate Coca-Cola brands and toward a branded house changes the company's structure, packaging, messaging, advertising execution, and more. At the same time, it creates brand-building opportunities by eliminating the rivalry between brands. Now all these products can benefit from a unified messaging platform about "choice." No more conflicting messages in the marketplace! Television advertising signs off with a visual depicting all four varieties. Packaging has changed to a consistent logo treatment with color being used to quickly differentiate versions. Further, at least on cans, calorie count and sugar content are prominent on the front of the package beneath the product name. Hopefully these changes will make consumer choices more clear.

Will other companies follow suit? Keep an eye on Pepsi, Hershey, and other businesses with strong master brands and weak or competing sub-brands.



About the Author

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