The Relationship Between The Brand Strategy And Business Strategy

AHMED KARAÖMER

Master of Science Thesis
Stockholm, Sweden 2013
The Relationship Between The Brand Strategy And Business Strategy

By
Ahmed Karaömer

Master of Science Thesis INDEK 2013:21
KTH Industrial Engineering and Management
Industrial Management
SE-100 44 STOCKHOLM
# Master of Science Thesis INDEK 2013:21

## The Relationship Between The Brand Strategy And Business Strategy

<table>
<thead>
<tr>
<th>Approved</th>
<th>Examiner</th>
<th>Supervisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-05-20</td>
<td>Henrik Uggla</td>
<td>Henrik Uggla</td>
</tr>
<tr>
<td></td>
<td>Commissioner</td>
<td></td>
</tr>
</tbody>
</table>
Abstract

In this study the relationship between three companies brand strategies and business
strategies were investigated based on Aaker’s view on brand architecture. The concept and
its strategies are characterized by the driving roles brands possess. At the top of the
spectrum, “House of Brands” allows the brands to have the entire driver role which
decreases moving downwards on the spectrum, first comes “Endorsed Brands” where the
master brand has a little driver role, followed by “Subbrands” where the master brand and
the subbrand share the driver roles. At the bottom “Branded House” strategy can be found,
it is characterized by allowing the master brand to have the entire driver role. Considering
(Porter, 1998) and his three generic strategies, three companies: Colgate-Palmolive
Company, Kellogg’s, BMW Group and their relationship between brand and business
strategy was investigated. All of these three companies are characterized by possessing
leading roles within their industries where they operate.

All three companies, BMW Group, Kellogg’s and Colgate-Palmolive Company differentiate
themselves with help of the brand strategies. In the Kellogg’s case, except the “House of
Brands” strategy, they also use “Endorsed Brands” and “Subbrands”. The BMW Group
applies “House of Brands” and “Branded House” to achieve differentiation. When it comes
to Colgate-Palmolive Company, the main difference is that, both BMW Group and Kellogg’s
achieve differentiation through applying several brand strategies. Colgate-Palmolive
Company’s differentiation efforts is limited to the “House of Brands” strategy.

Despite their different choices of brand strategies the study shows that each company
achieves differentiation. Furthermore, the study shows that one differentiation can also be
achieved by implementing a single brand strategy, as in the case with Colgate-Palmolive
Company. However, the study shows that each of the investigated companies succeeds to
target the desired segments and position their offerings on specific attributes.

Key words: Brand architecture; Porters generic strategies; Market Segmentation
Contents

1. Introduction ..................................................................................................................................... 1
   1.1 Background.............................................................................................................................. 1
   1.2 The aim.................................................................................................................................... 2
   1.3 Theoretical delimitation .......................................................................................................... 3
   1.4 Empirical delimitations ............................................................................................................ 3

2. Methods .......................................................................................................................................... 3
   2.1 Interpretivism versus positivism ............................................................................................. 3
   2.2 Inductive research versus deductive research ........................................................................ 4
   2.3 Primary data versus secondary data ....................................................................................... 4
   2.4 Qualitative research versus quantitative research ................................................................. 5

3. Theory .............................................................................................................................................. 5
   3.1 “Market Opportunity, Business Strategy, Brand Strategy” ..................................................... 5
   3.2 Business theories..................................................................................................................... 6
      3.2.1 Porters generic strategies ................................................................................................ 6
      3.2.2 Market segmentation ...................................................................................................... 9
   3.3 Brand theories....................................................................................................................... 16
      3.3.1 Brand architecture......................................................................................................... 16
      3.3.2 “House of brands” ........................................................................................................ 20
      3.3.3 “Endorsed brands” ......................................................................................................... 21
      3.3.4 “Subbrands” .................................................................................................................. 22
      3.3.5 “Branded house” ........................................................................................................... 23
      3.3.6 Brand relationship mapping .......................................................................................... 24

4. Empirical ........................................................................................................................................ 26
   4.1 CASE 1: Colgate-Palmolive Company .................................................................................... 26
      4.1.1 Company background.................................................................................................... 26
      4.1.2 Products and brands...................................................................................................... 27
   4.2 CASE 2: Kellogg’s .................................................................................................................... 28
      4.2.1 The company background ............................................................................................. 28
      4.2.2 Products and brands...................................................................................................... 29
   4.3 CASE 3: BMW Group .............................................................................................................. 31
      4.3.1 The company background ............................................................................................. 32
      4.3.2 Products and brands...................................................................................................... 32
1. Introduction

This chapter starts with a background part where some examples considering brand architecture and the arising problems are described. The problems can occur when the concept is performed poorly and the car industry has suffered from this many times. The next subchapters present the aim, the theoretical and empirical delimitations of this study.

1.1 Background

During the 1990s, many companies experienced remarkable growths in the businesses. They expanded their businesses and started to operate in new markets. This happened either by introducing new products or by procuring firms which possessed a brand portfolio with attractive products.

Nowadays, those companies experience difficulties when it comes to managing their brand portfolios and businesses. They realize how challenging it is to handle with all the commodities, brands and businesses they possess. The problem is that, they overlay each other and require same financial funds, and compete against each other for same consumers. Companies are struggling to find appropriate solutions in order to solve these sorts of problems, how to distribute resources in order to achieve the desired brand portfolio and at the same time create value for the stockholders of the company. These sorts of problems highlight the strategic importance of brand management related issues, and should be managed at corporate level in companies (Petromilli, Morrison, & Million, 2002). A noticed example of an industry which failed to manage their brand portfolios is the car industry. In the 1990s car companies like GM and Ford transferred several brands to their portfolios. During the 2000 decade, both GM and Ford experienced brand problems because of arising financial costs due to the irresponsible mistakes they made earlier in the 1990s, when they added those brands to their portfolios. On the one hand, companies are aiming for increased market shares, which can be achieved by acquisitions, on the other hand increased amount of brands can result in poor brand management (Pierce & Moukanas, 2002).

Companies can add or remove brands from their brand portfolios when they are striving for
the desired brand portfolio. The process, when companies are dealing with these issues is called: “brand architecture”. Strategically performed, “brand architecture” have a tendency to consolidate a firm’s ability when it comes to influence, clearness, interaction and extension. One of the useful tools for companies, when they are involved in the process, is the so called: “The brand relationship spectrum”. The theory provides the necessary basis for companies to position themselves on it by giving an insight into the complexity when it comes to connections and “structures” among the brands. The challenge is to find the right strategy in order to create the desired brand portfolio with respect to their business strategy (Aaker & Joachimsthaler, 2000). A business strategy that is aligned with brand strategy has a tendency to result in increased profits. Companies which achieve the greatest expansions in brand equity, receive also increased revenues in the long term while those who pay less attention to brand equity, experience a negative impact on their revenues (Dunn & Davis, 2004). Companies face with an increasing pressure from external stakeholders which constantly demand increased revenues from existing brands. This creates a situation that forces companies to review their current brand portfolios regularly and adjust these. The problem is that these stakeholders are mainly interested of the financial part and do not have the necessary knowledge about practicing brand architecture. A company that adds new brands to the existing portfolio through procurements needs to identify the upcoming links and interactions between brands in the portfolio. In this way, they may get an insight into how to organize them in order to maximize the power of the portfolio. Adding new brands by procuring firms is considered to be the ultimate choice among companies when it comes to expansion and value creation. However, such an approach to practicing brand architecture has its pitfalls and these can result in devastating consequences for a company. Decreasing sales volumes among the existing commodities tend to be one of these consequences since the added commodities have a tendency to destroy value for the company by struggling for same clients. In these situations practicing brand architecture requires additional attention (Uggla, 2001).

1.2 The aim
The aim with my Master thesis is to highlight the relationship between companies’ choice of brand strategy and their business strategy.

1.3 Theoretical delimitation

I will use a blend of brand architecture theory, brand portfolio theory and business strategy in my thesis. The main focus will rely on Aaker’s definition of brand architecture but also established strategies within the field of business management will be used.

1.4 Empirical delimitations

The goal is to focus only on large multinational companies and investigate their approach to the problem by studying three randomly chosen companies.

2. Methods

*In this chapter the methods used in this study are presented and discussed. The first subchapter describes the two main paradigms within research. Next subchapter explains the different types of research and why deductive research is the preferred choice in this study. The third subchapter describes the differences between primary and secondary data and the type used in this study. The final subchapter describes the differences between qualitative and quantitative research and explains why qualitative approach is the preferred choice for this study.*

2.1 Interpretivism versus positivism

There are two types of paradigms in research: positivism and interpretivism. Paradigm is a guideline that explains how a study must be performed. It is highly depended on persons’ viewpoints and expectations about the type of knowledge and the world. Positivism evolves from “natural science” and is based on a premise, which means that “social reality” is unique and neutral. Moreover, the “social reality” cannot be changed by studying it. Interpretivism is based on a premise that “social reality” is in peoples mind and is personal and can be changed by studying it (Collis & Hussey, 2009).
This study adopts the interpretivist approach. The paradigm is associated with collection of qualitative data. Furthermore, this study focuses on investigating a problem instead of quantifying a phenomenon which can also be considered as an essential reason to implement the interpretivist paradigm.

2.2 Inductive research versus deductive research

Inductive research is a study where the theory part is established by the researcher’s investigations of the reality. The conclusions in this type of a study are generated from empirical observations. Deductive research is the opposite of the inductive research. A deductive research starts with existing theories about the topic. When the theory part of the study has been established, the researcher moves on and tests it against the empirical findings, (Collis and Hussey, 2009).

In this study the deductive research will be used. The aim of this study is to highlight the relationship between companies’ choice of brand strategy and their business strategy. That means established theories about brand and business strategies will be used to conduct the study. More exactly they will be applied in order to investigate a specific topic about three large firms.

2.3 Primary data versus secondary data

Data are identified information which can be used as a source for conclusions and analysis in a study.

Primary data are those which are obtained from a source and include: consultations, investigations, experimentations or relevant group of objects participating in a study. Secondary data are those which are gathered from an existent source and include: published articles, journals, books and other similar sources where relevant data is gathered and is available for research purposes (Collis and Hussey, 2009).
This study is narrowed to secondary data that means the collected data will be obtained from published articles, books and web pages which include relevant information regarding the theoretical part and the chosen companies in this study.

2.4 Qualitative research versus quantitative research

There are two more types of research except those mentioned above. These are called: qualitative and quantitative. The main difference between these arises when it comes to the nature of the required data for the study. Quantitative research requests collection of quantitative data. These types of data are used for statistical purposes and are generally gathered in positivist studies. Qualitative research is more appropriate for collection of qualitative data. These sorts of data are considered to be data in nominal form and are the most common type of data associated with interpretivist studies (Collis and Hussey, 2009).

In this study, a qualitative approach will be applied and therefore the obtained data will be of qualitative sort. Furthermore, in order to understand the problem and create a satisfactory platform for further analysis of it requires this type of an approach.

3. Theory

In this chapter the theories this study is based on are presented. The chapter consists of two parts, the first one describes the business theories and the next part provides the necessary brand theories for this study. The business theories start with a model by Uggla continues with Porter and his generic strategies and ends with the concept market segmentation. Brand theories focus on Aaker’s brand strategies but also the concept brand relationship mapping is described.


One model that illustrates the strategic importance of the relations between performed businesses, brand strategies and their impact on new market opportunities is provided by (Uggla), Figure 4. The desired situation is to find the balance between the strategies and implement these on the market in order to capture the required opportunities. As the figure
shows, the marked blue area indicates that a merger between these three areas must pay attention to the roles of each factor while companies aiming to achieve competitive advantage on the market.

3.2 Business theories

3.2.1 Porters generic strategies (Porter, 1998), presents three generic strategies which are useful when a company wants to become the major player in a specific business area. These are: “Overall cost leadership”, “Differentiation” and “Focus”, (See Figure 3).
Overall cost leadership states that cutting costs down in a firm becomes an essential weapon in a competitive environment. The strategy puts a lot of pressure on companies’ ability to detect and perform cost reductions. This happens when a firm is focusing on building effective factories, aims for a well-organized cost leadership, and terminates the contracts with non-profitable clients. Furthermore, cost reductions within all departments under the firms’ umbrella have to be conducted in order to achieve success.

Significant cost reductions within the firm leads to higher profits for a firm that has taken these actions. Even though, the rivals are in a better competitive position, the carried out cost reductions will continue to generate money for a firm. This happens since the rivals are forced to spend their earnings on neutralizing the increased competition. A low cost philosophy helps firms also to protect them against dominant purchasers and contractors within the supply chain where the firm operates.

Cutting down costs requires substantial investments in the beginning of the process. Firms have to invest in efficient equipment in order to decrease manufacturing costs. Moreover, firms will face with extraordinary costs due to the initial improvement costs. All these actions will pay off at the end since a firm increases its market share significantly. The incomes from these taken actions allow firms to purchase more efficient equipment which
cuts down the manufacturing costs further. These investments are a necessary action because they allow firms to keep their cost efficient efforts in the long term, (Porter, 1998).

In the long term the *Overall cost leadership* strategy can be a risky option. It is easy for the rivals to come up with a similar business idea and compete for same clients. However, the strategy is successfully implemented among many retailers like: Wal-Mart in United States of America, Lidl in Europe and PrisExtra in Sweden, (Uggla, 2006b).

*Differentiation* is the next strategy provided by Porter. It requires a differentiation of the goods and services. That means a firm should find a way of producing goods and services which are regarded as exclusive and superior than competitors’ offerings.

Differentiation can appear in many shapes, it can involve superior exclusive brands, high technology products, unique products, high level of the services provided to the clients etc. However, this strategy may require some extraordinary costs which have to be taken into account, but their importance in the differentiation strategy is less important than in the previous strategy. One of the major advantages of the strategy is its contribution to the competitiveness of a firm since the clients show their loyalty to the offered brands and don’t care so much about the product prices. The customers are also more or less dependent on the uniqueness and superiority of the offered products due to lack of similar products on the market. That means they are ready to purchase the products even if they are too expensive. This results in higher profits due to the higher margins and helps firms to sustain the differentiation strategy in the long term. One disadvantage with the strategy is that it is not appropriate to implement if a firm wants to increase its market share. Differentiation usually demands a superior and expensive approach to products that prevents getting large market shares. Moreover, differentiation requires substantial capital investments and it is a difficult task to combine the strategy with the previous strategy. In some cases even if a firm creates a reputation of offering superior products some clients still will not have afford to purchase the products, (Porter, 1998).

One example of company implementing the strategy is the clothing company Boomerang. Their products are recognized by a unique combination of high quality materials and superior design. This allows Boomerang to charge a price that is much higher for the products due to their superiority, (Uggla, 2006b).
Focus is the last strategy of Porters generic strategies. It refers to paying attention to a specific cluster of customers or targeting a specific section on the market. While the previous strategies are focusing on the entire industry in order to fulfill its goals, the focus strategy is concentrated on a singular market section. The thought is that a firm can perform better by focusing on its chosen target than the competitors which are operating more widely. Doing so, a firm will be more comfortable with achieving differentiation or low costs since they are more capable to recognize the requirements of its clients. In some cases firms can even achieve both.

Porter argues that firms implementing the focus strategy tend to increase their profits compared with the competitors which are targeting the entire industry, (Porter, 1998).

One company which is applying the Focus strategy is the hotel company Ritz-Carlton. They are focusing on the most luxury segment in the industry which covers only few percent of clients belonging to the segment, (Uggla, 2006b). Another company is the Italian Boffi, known for manufacturing luxury kitchens and bathrooms. The company is focusing on the luxury segment and manufactures products after clients’ demands. Boffi collaborates with well-known creators which helps the company to establish a reputation of being superior which facilitates its businesses, (Jobber & Fahy, 2009).

However, the strategy is not just implemented in the upper segments. Some firms may apply the strategy in order to target specific client groups. They don’t require the best product quality and don’t have time to find such a product. It can be pens with simple design or razors intended for single use, (Uggla, 2006b).

3.2.2 Market segmentation

Market segmentation is a procedure which consists by three main parts: Segmentation, Targeting, Positioning, (Dibb & Simkin, 2001). According to (Uggla, 2006b) segmentation, targeting and positioning can be described as the sides in a triangle, (See Figure 3) where each side represents one of the parts. A successful marketing segmentation requires that these sides can cooperate in order to succeed with the process. (Kotler & Armstrong, 2010), give their view of market segmentation is with the following definition:
“Dividing a market into smaller groups with distinct needs, characteristics, or behavior that might require separate marketing strategies or mixes”.

(Kotler and Armstrong, 2010, p.215).

Segmentation has always been a popular topic in the literature especially the segmenting process of consumer markets, (Verhallen, Frambach, & Prabhu, 1998). Firms spend large amounts of money to manage the segmentation challenges. However, many firms testify that they still have difficulties to carry out the necessary strategies. A common misunderstanding is that firms’ expectation of “homogenous” segments as an outcome from a segmentation procedure is often not correct. This approach leads to the failure of marketing activities designed to deal with segmentation problems, (Dibb & Simkin, 2001). Furthermore, (Ugglia, 2001) means that it is an important task to identify the differences between segments. Today, one of the greatest challenges is to fulfill the demands of different segments successfully. That means these segments require more attention from the companies possessing the brands.

(Figure 3: “Segmenting, Targeting, Positioning”; Source: Ugglia, 2006)

The aim with segmentation is to cluster consumers in groups by pre-determined characteristics. The demand from consumers can result in a range of goods and brands which a firm offers on the market. The goal with these actions is to satisfy the needs of consumers regarding the goods and brands. However, this type of an approach is considered to be quite ineffective by firms and therefore has been replaced by a more logical one. The main reason for the replacement depends on the lack of effectiveness and the disadvantages
it brings to a firm when it comes to serving the consumers. Instead, companies are implementing a more rational approach to serve the markets. By dividing consumers into clusters, with same type of requests and purchasing features, they can serve these more effectively. The process is known as the segmentation of the market, (Dibb & Simkin, 1991).

A segmentation process requires significant attention. Firms which are conducting the process in a superior manner can achieve the advantages of a well conducted segmentation process. That means new openings on the marketplace for the products and brands of a specific company, (Dibb & Simkin, 1991).

(Kotler & Armstrong, 2010), mean that there is no perfect way to deal with the segmentation of markets. People involved in marketing decisions should find their own way when they choose which variables should be relevant. Furthermore, they claim that marketing people often use several variables when they are segmenting consumer markets. Doing so, they can ensure that all groups of clients, regardless size are covered by the process. According to (Jobber & Fahy, 2009), the segmentation process of consumer markets consists by three primary parts: “Behavioral”, “Psychographic” and “Profile”.

“Behavioral” segmentation considers variables such as buying decisions, expectations, buying reasons, degree of usage and “perceptions and beliefs”. Buying decisions means clients relation to the brands and their degree of clients brand loyalty. Expectations try to clarify why clients choose to purchase in a specific market. It is considered to be an important way of the segmentation procedure since companies gets an opportunity to identify which attributes clients are looking for. Buying reasons clarify if a client purchase the product for own usage or as a present. The degree of usage plays a significant role in the segmentation process. Those clients, who are regarded as regularly purchasers of a specific product category, tend to gain most responsiveness from firms’ marketing departments. The thought from companies’ perspective is that satisfying these clients’ demands is the key to higher profits. “Perceptions and beliefs” refers to the clients thoughts regarding the products which can be either positive or negative.

“Psychographic” covers variables such as life styles and characters. Different people have different life styles and characters. Mapping these variables is an effective way of segmenting consumer markets. For instance, some persons like watersports, then
marketers may assume that these groups also like reading about such activities or watching TV channels dealing with similar topics. Identifications like these, allows marketing people to target these groups effectively, for example by advertising in magazines these people read.

“Profile” is concerned with age, sex, socio-economic class, salary, “geodemographic”, etc. Here, marketers evaluate the segments according to age by dividing consumers in different age groups. Men and women may have different shopping behaviors and require different approaches from marketers. Belonging to a specific social class is also a crucial segmentation variable. This can be observed among newspaper readers where the tabloids are popular among lower class people while daily newspapers are preferred by mid and high classes. Income levels are an important variable since it decides the purchasing abilities these may differ in regions, countries, cities. “Geodemographics” has received significant attention among marketers since it combines variables such as geographic and demographic. Customers are divided into geographic groups based on certain demographic variables, such as: size of families, ethnical background, occupation, etc. Marketers may have a great usage of the gathered “geodemographic” data, for example when they want to decide the most appropriate place for a shop or to target the desired groups with “direct mail campaigns”.

One example of a successful segmenting is provided by (Uggla, 2011), where he describes how Boxer a cable TV company managed to segment the market in a successful way. Being the major player on the market, the company offered only one product to customers. The increased competition during the last decade forced Boxer to review its marketing strategy in order to stay competitive. A new segmentation strategy was implemented consisting by three products, where each was aimed to different market segments. Boxer Mix was aimed to target customers who were interested only of the standard offering for a standard price. Boxer Mini offered a limited number of channels with the lowest price. Finally Boxer Max, the best offering for the highest price. The new strategy allowed Boxer both to target new segments and charge different prices for each product, (Uggla, 2011).

Targeting is the next step in the segmentation procedure. (Kotler & Armstrong, 2010), define targeting as:
"The process of evaluating each market segment’s attractiveness and selecting one or more segments to enter."

(Kotler and Armstrong, 2010, p.215).

At this stage a company which is involved in the segmentation process must have decided which segments they are aiming to operate in, before they move on. More exactly, to decide the number of these segments but also the consumer groups the company is willing to target, (Dibb and Simkin, 1991). The latter requires sufficient information and knowledge about the consumers in the chosen segments. Furthermore, they claim that entering a new segment can be risky, from a company’s perspective. Before targeting a specific segment, a company should be aware of the advantages and disadvantages that may arise from this type of a decision. Therefore, they should assess the segments with respect to the following four standards: scope, profitability, competition intensity and abilities to respond to the requirements of the chosen segments, (Dibb and Simkin, 1991).

An assessment of the sales amounts in the segments where a company is aiming to operate in is a crucial task. Doing so, they can create a picture of the size of each segment. Traditionally, people involved in the marketing get this picture by approximating procurement sizes. Typically is also that segments with fewer customers are characterized by greater acquisitions, the phenomenon can be clarified by the so called: “80/20 rule”. This means 80 percent of the purchases in a specific class of products or services are made by 20 percent of the consumers in that product or service class, (Mohr, Sengupta, & Slater, 2010).

However, nowadays marketing people are realizing that customer quantity also is a factor that has the ability to influence the importance of a segment when it comes to estimating the size of it. Approximation of the profitability levels of the targeted segments is also an essential factor in the segmentation process. Those segments, which show signs of potential profitability, are regarded as appropriate candidates to target. They offer firms to exploit the potential profits in the segments either by targeting new consumers or through gaining the benefits of a profitable market. Next criteria, that decides whether a segment should be targeted or not is the competition intensity within that segment. This allows firms to assess the capital required to operate in the segments they are aiming to target. Too many rivals within a segment can result in devastating effects for a firm since they may compete to serve
same customer group. The last element that should be considered before a target decision is made is a company’s abilities to respond to the requirements of the chosen segments. Companies have to be sure that the required abilities are in the house (Mohr, Sengupta, & Slater, 2010).

(Jobber & Fahy, 2009), identify four generic strategies when it comes to targeting the markets: “undifferentiated marketing”, “differentiated marketing”, “focused marketing” and “customized marketing”.

“Undifferentiated marketing” is basically one product offered to the market without paying attention to segmenting. “Differentiated marketing” refers to serving the targeted markets with the demanded products or services. One benefit with the strategy is its potential to serve each targeted segment by offering the desired products and services. The weakness of the strategy is that serving several targeted sections requires significant costs. “Focused marketing” consider firms which decide to serve only a single market segment. This approach is mostly preferred and implemented among small firms due to the lack of resource capacities. “Customized marketing” refers to fulfilling the demands of each client due to their unique requirements. Firms cannot neglect these clients because their buying power has a significant impact on a single firm’s profit, (Jobber & Fahy, 2009).

Positioning is considered to be the most strategic part in the segmentation procedure since it represents the image of the goods in customers mind compared to the firms’ rivals. Firms’ major task here is to transfer the requirements of the consumers into the goods they offer in the market, when it comes to price, delivery, advertising, etc. (Dibb & Simkin, 1991).

According to (Uggla, 2006b), the aim with a positioning strategy is to find a way to differentiate the product. This can be carried out through establishing a clear distance to the product category. (Ries & Trout, 2001), give their view of the concept and mean that:

“Positioning starts with a product. A piece of merchandise, a service, a company, an institution, or even a person. Perhaps yourself. But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect.”
(Ries and Trout, 2001, p.2)

(Jobber & Fahy, 2009), claim that when a firm develops a positioning strategy, it must take into consideration three stakeholders: clients, rivals and the firm. Firstly, the clients may benefit some requirements more than others and firms positioning strategy must pay attention to these. Secondly, the rivals must be studied carefully in order to find the gaps and take into consideration these in the positioning strategy. This facilitates the work with the positioning strategy when it comes to differentiation. Finally, the firm should develop a position that takes into account the “unique attributes” of the firm. Doing so, the firm enhances its chance to maintain the differentiation opportunity in the long term.

According to (Myers, 1996), a successful positioning puts a pressure on companies to identify the gaps in the clients’ minds regarding the products and brands. Establishing a beneficial position strategy, should be evaluated against three criteria: superiority, significance and credibility. Superiority refers to the features of the brands and products a company offers which distinguish them from rivals in the eyes of the clients. Significance takes into account the arising misunderstandings among companies when it comes to differentiation from customers’ perspective. Schenley’s Distilleries suffered from this problem. The company tried to increase their market share through launching a new product, a “colorless” whisky, a product that was completely different from the existing products on the market. Instead of listening to their customers’ requirements and fulfilling these, the company decided to find a way of differentiating themselves against their rivals. The product became a flop and the company took it away from the market. Credibility refers to the statement companies make regarding the positioning choice. To promise too much about the product or brand can result in confusion in customers mind.

(Jobber & Fahy, 2009), mean that powerful positioning can be observed among many companies across different industries. The car company Volvo has a reputation of manufacturing the safest cars in the world. Customers belonging to segments where car safety is highly prioritized are convinced that Volvo is the best manufacturer the safest cars in the world. However, tests have showed that Volvo was not safer than other brands.

When the Coca-Cola Company launched Diet Cola, the major part of the consumers were women. Market studies revealed that even men were attracted of soft-drinks with fewer
calories. The company responded to the demand by launching Coca-Cola Diet. The product was promoted towards male consumers. The interesting thing here is that both products are containing almost similar ingredients but the target and positioning of the product differs, (Jobber & Fahy, 2009):

3.3 Brand theories

3.3.1 Brand architecture

Brand architecture is a strategy that guides firms on the marketplace by helping them to deal with brand related problems, (Petromilli, Morrison and Million, 2002). Brand architecture is involved in the strategic process brands play in a company and should not be mixed up with the term brand structure. The latter, refers to number of brands a company has in their brand portfolio. The pragmatic view of Aaker and Joachimsthaler, regarding brand architecture is considered to be the most famous and appropriate approach to the phenomenon, (Uggla, 2001). (Aaker & Joachimsthaler, 2009), evaluate the concept brand architecture from five dimensions: “Brand Portfolio”, “Portfolio Roles”, “Product-Market Context Roles”, Brand Portfolio Structure” and “Portfolio Graphics”, (See Figure 4).
“Brand Portfolio” covers all brands a firm possesses even those brands, so called: “co-brands” which arise when a firm collaborates with other firms.

“Portfolio Roles” and their aim are to provide a more organized approach to the brands in a portfolio of a specific firm. Doing so, firms get the opportunity to spend their resources more effectively on brands and also identify the connections between brands in a portfolio. (Aaker & Joachimsthaler, 2009) provide four types of brands: “Strategic Brand” is a brand that is considered to have a significant influence on firm’s incomes in the long term. “Linchpin brand” is a brand that has the potential to contribute on a firm’s success by dominating a strategic market section. “Silver Bullet” can be a usual brand or a subbrand that has the ability to benefit a specific brand by contributing to its image. “Cash Cow Brands” are those brands which have great customer loyalty. The main difference between “Cash Cow Brands and the others is that these don’t need any financial resources stay competitive in the long run.
“Portfolio Graphics” can be defined either by “Logos” or “Visual Presentations”. The role of a logo is to support a brand in different markets, by acting as the external face of the brand. A firm can distinguish the logos for a specific brand by using different colors, layouts, etc. “Visual Presentations” considers the impact of wrapping on a specific brand, the symbols used to represent a brand or how the design of a product represents a brand, etc.

“Brand Portfolio Structure” can be evaluated by three parts: “Brand Groupings” is a rational grouping of brands based on similar feature that these share. “Brand Hierarchy Trees” and their aim are to describe the “brand structure” of a firm by taking into consideration the range of brands and with how many brands a specific market can be targeted with. “Brand Range” exploits the possibilities of brands to extend to new markets and products. One of the main problems to solve is to identify the current extension of a brand and if there is a possibility for further extension.

“Product-Market Context Roles” are described by four groups. “Endorser and Subbrand Roles”, where endorser’s mission is to provide trustworthiness to a specific brand while a sub brand’s main task is to provide the desired features to a master brand in a given market. “Benefit Brands” refers to specific detail a brand includes that benefits the offering. For example, Compaq uses Intel Inside as a component, where Intel Inside is the “benefit brand” since it benefits the offering. “Co-Brands” are brands which arise when firms use their brands to develop a common offering, where each of the involved brands has an impact on customers’ purchasing decision. “Driver Role” means the ability of a brand to influence a customer’s buying decision of a specific brand.

The “Brand Relationship spectrum” provided by (Aaker & Joachimsthaler, 2000) describes the different “product-market context role” alternatives. It consists of four main strategies and nine subgroup strategies. These strategies and their connections are illustrated in “Brand relationship spectrum”, (See Figure 1). At the top of the spectrum, “House of Brands” strategy allows the brands to have the entire driver role which decreases moving downwards on the spectrum, first comes “Endorsed Brands” strategy, where the master brand has a little driver role, then comes “Subbrands” where the master brand and the subbrand shares the driver roles. At the bottom “Branded House” strategy can be found, it is characterized by allowing the master brand to have the entire driver role. Below, each of
these strategies will be described in details.

(Figure 5: Brand relationship spectrum; Source: Aaker and Joachimsthaler, 2000)
3.3.2 “House of brands”

This strategy allows the all brands to have their own “driver role”, characterized by a major self-determining opportunity and a slight connection to the “master brand”, and the other brands in the brand portfolio. That means every single brand adopts a position based on “functional benefits” and helps the brands become the major players on specific market sections.

The strategy consists of two subgroups: “Not connected” and “Shadow endorser”. “Not connected” refers to brands, where each operates autonomously on the market. Their connection to the corporate brand is almost invisible. The company P&G is successfully implementing this type strategy. Doing so, the company gets the opportunity to target and control small but profitable sections on the market. P&G: s hair shampoo brands are an excellent example of how powerful and profitable the “Not connected” strategy is. Instead of putting the master brand on their shampoo tubs, they allow each product in the range, to benefit from their own brand names. In this way the company controls entire market sections where the products are offered. Other identified advantages associated with the strategy are eluding uncomfortable connections when a company decides to launch or add a new brand to its portfolio. VW will influence the reputation of brands like Porsche or Audi among customers in case of a clear, visible association to it. Another advantage is the announcement of radical benefits of a new product. This is what Toyota did when they launched the Lexus brand where a clear distinction to the master brand gives the Lexus brand a sense of luxury.

However, the strategy has it weaknesses also. For instance, P&G misses the opportunity to extend the master brand to other business areas by implementing the “House of Brand” strategy. Acting in this way, P&G jeopardizes potential profits and interactions that brand extension can result in. Moreover, the brands under the P&G umbrella, which don’t have the ability to back up investments with necessary financial resources, risk facing diminution in their profits. Finally, independent brands belonging to the company have a tendency to offer a limited number of offerings. That means without any possibility to an extension, the independent brands loses out their abilities to launch more products.
“Shadow endorser” is the second type subgroup belonging to the “House of Brand” strategy and is characterized by brands with an invisible link to the supported brands. Despite this invisible link, the main parts of the consumers are aware of it. The major benefit of practicing the subgroup strategy is the recognition of belongingness to a famous company. From the perspective of the “shadow endorser” reducing the connection to the supported brand is the desired goal. Doing so, the “shadow endorser” points out, that the supported brand, stands for a completely new product with focus on its market section. Additionally, the supported brand has the freedom to establish its own image, character and reputation. Among companies applying the strategy, most known are Lexus supported brand by Toyota, Dockers by Levi-Strauss and DeWalt supported by Black&Decker, (Aaker & Joachimsthaler, 2000).

3.3.3 “Endorsed brands”

In this strategy, the brands still have a large self-determining ability. Compared to the previous strategy, the only difference is that, brands are in most cases supported by an organizational brand. Doing so, the supported brand obtains reliability, (Aaker & Joachimsthaler, 2000). (Laforet & Saunders, 2005), carried out a study where they investigated the popularity of different brand strategies among companies. The study shows that “Endorsed brands” as a strategy is a very common and popular strategy and its usage has increased among the investigated companies.

According to (Aaker & Joachimsthaler, 2000) within “Endorsed brands” two separate subgroup strategies can be identified: “Token endorser” and “Linked name”.

“Token endorser” means that a supported brand receives the necessary reliability through endorsement by a master brand. As in the case with the “shadow endorser”, the supported brand still keeps its independence to build its own links. Some common criteria which strengthen the effects of the “token endorser” strategy are; the popularity of the endorser, the company Nestlé fulfills this requirement. Another one arises when an endorser is belonging to a respected and well known product category, this will be of great help due to its capacity to develop and launch new products. Despite the benefits a “token endorser” provides, there are some misunderstandings regarding the ability of the strategy. In
situations, when the ability of a “Token endorser” is overestimated and if the supported brand has a poor reputation, the strategy becomes weak. There are also cases when the supported brand has the desired reputation and popularity that means the necessity of a “Token endorser” is not of any help for a brand to progress.

“Linked name” is concerned with categories of brands which share a name with similar features. These brands are supported by an inexplicit endorser. The fast food Company McDonalds implements this type of strategy. Several meals offered by its restaurants are characterized by using the term “Mc” which signals the connection to the McDonalds company that in this case acts as an endorser. The strategy allows McDonalds to offer a wide range of products and also to avoid building new brands which is a more expensive alternative.

“Strong endorsement” is characterized by an established difference between the corporate brand and product brands. Marriot Hotels and Suits is a corporation brand and Marriot Hotels is considered to be the product offered by the corporation. When Marriot Hotels and Suites decided to back up Courtyard and Fairfield Inc., the support was provided by the corporate brand, Marriot Hotels and Suites. Doing so, the product brand Marriot retains its characteristics due to the discrete between the product brand and corporate brand. However, endorsement of a brand can occur by many reasons. For instance, Nestle received desirable competitive advantages by its endorsement of Kit-Kat in United Kingdom. Kit-Kat as a preeminent chocolate brand strengthened the image of Nestle by linking it with a sense of superiority in the chocolate industry, (Aaker & Joachimsthaler, 2000).

According to (Uggla, 2006a), a strong endorser usually is characterized by putting its brand name on the product (the endorsed brand) in that way which makes the existence of the endorser quite obvious to the eye. He means that the phenomenon can be seen in Ralph Lauren’s endorsement of Polo Jeans.

3.3.4 “Subbrands”

The decreasing driver role is quite obvious within this strategy since the master brand possesses the main part of it and plays a major role in the customers’ purchasing decisions. The main task of sub brands is to help the master brand to reach new market segments.
through providing the desired features to the master brand.

The subgroups belonging to this strategy are: “Co-drivers” and “Master brand as driver”. The first one is distinguished from the second choice when it comes to the level of decision making about the purchase among customers. “Co-driver” strategy splits the driver role equally between the master brand and the sub brand that means both play large roles in the purchasing decision from customers’ perspective. One company which has implemented this type of strategy is Gillette Mach3 where the driver role is equally allocated between brands. In the second case, a master brand possesses the ability to affect the purchasing decision on the market since it can be considered as an established brand with significant popularity and loyalty among customers, (Aaker & Joachimsthaler, 2000). The strategy is successfully implemented by Dell for the brand Dell Dimension. In this situation the master brand Dell has the major driver role while the subbrand Dimension has a minor driver role. That means clients purchase the product because of the popularity of the master brand, Dell, (Aaker & Joachimsthaler, 2009).

3.3.5 “Branded house”

“Branded house” strategy is characterized by a master brand which possess the entire driver role. The strategy is considered to be very risky since it forces the master brand to struggle with keeping all the brands in the portfolio attractive, and at the same time, to provide the desired superiority and attractiveness to the commodities in the marketplace, (Aaker and Joachimsthaler, 2000). Companies like IBM and Boeing use the strategy with aim to control market sections and become the biggest players in these thanks to their established and strong brands that can be extended easily, (Petromilli, Morrison and Million, 2002).

The advantages with the “Branded House” strategy are recognized when it comes to clearness, interaction and extension.

The company Virgin is successfully implementing the strategy. Virgin organization stands for quality in their services, novelty, entertaining, etc. Clients of the company are aware of these values and are convinced that these are also reflected in the products and services provided by Virgin. By using the strategy Virgin benefits from one of the greatest advantages it provides; clearness. Another unique advantage with the strategy concerns interaction. The
Virgin organization gets the opportunity to capitalize on new markets by applying its brand reputation in one market to another. The last advantage is concerned with extension. In the Virgin case, the brand is easily transferred applied to new markets in order to capture new opportunities.

“Branded house” strategy consists also by two subgroup strategies, these are: “Different identity” and “Same identity”.

“Different identity” is a phenomenon that can be observed when a specific brand is used in several market sections, nations or commodities. If the brand represents different identities in different environments there is a risk that it can face with identity problems. This can result in a poorly performed brand architecture building for the affected company.

The other strategy, “Same identity” describes a phenomenon where the brand has a unique identity and “position” in every context it operates. In this case, the risk to damage a brand is quite high since the strategy can affect the performance of a brand negatively. The preferred scenario is to create reasonable amount of identities with same shared features. Moreover, there has to be clear differences between the identities, (Aaker and Joachimsthaler, 2000).

### 3.3.6 Brand relationship mapping

“Brand relationship mapping” is a procedure developed to evaluate brand portfolios, (See Figure 2). The procedure allows firms to discover the gaps in their portfolios and gives them the opportunity to take the necessary actions in order to fill these gaps. Doing so, firms can boost the value of the brand portfolio and stay competitive.
The procedure, when it is applied in right way expose its potential for firms. There are two approaches of how the process can be managed. Brand people can use the process as a tool in order to get an overview of the current brand portfolio. A more strategic approach to the procedure can result in a completely new opportunity for the company. This type of an approach should pay attention to some crucial areas. Firstly, they can identify the importance and reliability of brands in order to reveal different client requirements. Secondly, possible limits which have the ability to prevent growth can be discovered. Thirdly, the strategic approach gives the opportunity to identify brands that overlay. The outcomes will either result in a combination or a separation of these. Finally, “brand relationship mapping” would be of great help to firms, to identify pitfalls and decide the scope of possible new chances.

The benefits of the procedure don’t ends with those mentioned above.

“Brand relationship mapping” becomes important for companies in situations when a new chance on a market arises. Especially when a company considers the ways of how to include a new opportunity into their current brand portfolio so they can capture the benefits of it.
The model helps brand managers to integrate and adapt these new brands to the existing brand strategy. It helps them to investigate whether the new brands can contribute to the expansion of the firm’s current market share or to target new markets. And finally, it highlights the ability of the new brands to increase the client value, compared with the existing brands, (Petromilli, Morrison and Million, 2002).

4. Empirical

In this chapter the investigated firms are presented. These are: COLGATE-PALMOLIVE COMPANY, Kellogg’s and BMW Group. Furthermore the brand portfolios of these companies are described.

4.1 CASE 1: Colgate-Palmolive Company

(Figure 7: COLGATE-PALMOLIVE COMPANY; Source: Colgate)

4.1.1 Company background

The company was founded in 1806 by William Colgate in New York. The first products of the company were soaps and candles while the main product the company is associated today with, toothpaste appeared year 1873 on the market. In 1928, Colgate merged with Palmolive-Peet Company but it took 25 years before the official name Colgate-Palmolive was adopted.

Today, Colgate-Palmolive operates in four business areas: oral care, personal care, home care and pet nutrition. The company says that these are their “core” businesses. Their products can be purchased in more than 200 countries, (Colgate, 2013).
With 38,600 employees, Colgate-Palmolive positions itself at the 44th place on the Forbes list among “The World’s Most Powerful Brands” with a brand value of 7.4 billion. The sales year 2012 reached 16.73 billion and the profits were 2.4 billion same year, (Forbes, 2013).

4.1.2 Products and brands

Among the company’s offerings customers can find products like toothpastes, toothbrushes, deodorants, liquid hand soaps, bar soaps, dishwashing liquids, house hold cleaners, fabric conditioners and pet foods.

Colgate-Palmolive’s brands are scattered across 4 product categories. The categories are divided into: oral care, personal care, home care and pet nutrition.

The brand portfolio of Colgate-Palmolive consists by 11 brands, (See Figure 8). The brand Colgate represents the entire oral care category. Softsoap, Irish Spring, Lady Speed Stick, Speed Stick and Afta brands are representing the personal care category. The home care category includes the brands: Palmolive, Murphy Oil Soap, Svavitel, Ajax and Fabuloso. The brand Hill’s is the only brand representing the pet nutrition category, (Colgate, 2013)

(Figure 8: Brand portfolio of Colgate-Palmolive; Source: Colgate)
4.2 CASE 2: Kellogg’s

(Figure 9: Kellogg’s; Source: Kellogg’s)

4.2.1 The company background

The company Kellogg’s was founded 1906 by Will Keith Kellogg in Michigan when he decided to enter the cereal business. In order to help the customers to recognize his products easier, he started to put his signature on them claiming that they were “The Original”, (Co., 2013).

The business expanded beyond the US boundaries and the first factory abroad was opened in Canada in 1914. The year after in 1915, Kellogg’s Brann flakes were launched and in 1916 one of the famous products Kellogg’s All Bran was launched. The expansion continued during the 1920-es, Kellogg’s entered the market in England and also opened a cereal factory in Sydney, Australia.

In the 1950-ies, the expansion and success of Kellogg’s continued through introduction of more products and brands to the markets. Some of these were: Kellogg’s Special K, Kellogg’s Corn Pops, and Kellogg’s Frosted Flakes. At the same time, the company introduced the famous icon, “Tony the Tiger” for the consumers. The icon is associated with Kellogg’s Frosted Flakes, as a “spokes character”.

The success continued during the 1960-ies and 70-ies with more products and expansions to new markets. By acquiring Fearn International, a provider of frozen waffles, Kellogg’s penetrated the market for frozen food and added the brand Eggo which represents frozen waffles to its brand portfolio. An increased trend of healthy diets during the 1980-ies, especially those based on grain boosted the sales of cereals.

In the 1990s Kellogg’s experienced decreased demand of their cereal products while other categories like bars and pastries become more popular among customers. Despite the decrease in cereal category, Kellogg’s was still the number one company in that category.
During the first decade of the new century Kellogg’s made several acquisitions and entered new markets, mostly in the cookies and crackers industries. Except the acquisitions, this period was a profitable one for Kellogg’s. When it comes to the conducted acquisitions, Keebler Foods Company, one of the biggest manufacturers of cookies and crackers became also the largest one in the company’s history. Another important purchase was Gardenburger, a manufacturer of vegetarian and vegan products. The outcome of these purchases became visible in the company’s sales changes. From being company with only single product category, now cereal covers only 53% of the total sales, the snack category 32% and the remaining part, 15% comes from grain products, (Co., 2013).

The last year, 2012, Kellogg’s made another remarkable transfer through buying the snack brand Pringles. The deal increased Kellogg’s snack category further. Pringles before the acquisition was the world’s second largest savory snack brand, (MarketingWeek, 2013).

Today, with 30 700 employees, Kellogg’s positions itself at the 37th place among “World’s Most Powerful Brands” where the value is estimated to be 9.3 billion year 2012. The sales same year reached 13.2 billion while profits were 1.2 billion, (Forbes, 2013). Furthermore, Kellogg’s is the number one cereal company in the world and takes the second place when it comes to crackers, cookies and savory snacks, (Kellogg’s, 2013).

### 4.2.2 Products and brands

The Kellogg’s company offers customers a wide range of products. Among these customers can choose products like: cereals, cookies, crackers, chips, bars, snacks, crisps, pastries, frozen waffles, vegetarian and vegan food.

Brand portfolio of Kellogg’s consists by 28 brands, (Se Figure, 10).

The cereal category is represented by the brands: Special K, Frosted Mini Wheats, Kellogg’s RICE KRISPIES, POP Tarts, Kellogg’s ALL BRAN, Kellogg’s FROSTED FLAKES, Kellogg’s CRUNCHY NUT, Kellogg’s KRAVE, Kellogg’s COCO POPS, CORN FLAKES, Kellogg’s CORN POPS, Kellogg’s Fiber Plus Antioxidants and FROOT LOOPS.
**Cookie** category is represented by the brands: Keebler, Mother’s cookies, Carr’s, Murray “Sugar Free Cookies”, Famous Amos, Chips Deluxe COOKIES and TOWN HOUSE.

**Cracker** category is represented by the brands: Special K, CHEEZ-IT, Keebler and Carr’s.

**Chips** category is represented by brand: Special K.

**Bars** category is represented by brands: Special K, Keebler and Kellogg’s Nutri Grain.

**Snacks** category is represented by the brands: CHEEZ-IT, Pringles and Austin.

**Crisps** category is represented by the brands: Special K.

**Pastries** category is represented by the brands: Special K.

**Frozen waffles** category is represented by the brands: Special K and Kellogg’s Eggo.

**Vegetarian and vegan food** category is represented by the brands: Morningstar, Gardenburger and Worthington.
Figure: 10; Brand portfolio of Kellogg’s; Source: Kellogg’s

4.3 CASE 3: BMW Group
4.3.1 The company background

The company BMW was founded in the German city Munich, year 1916 then the initial company name was: “Bayerische Flugzeugwerke AG”. The year after, 1917 a new name BMW (Bayerische Motoren Werke GmbH) was adopted. From the beginning the company was a manufacturer of airplane engines that allowed the company to achieve a superior status and reputation within the industry due to the dependability and quality of their products. It took the company 12 years before they started to operate in the car manufacturing industry. Earlier, year 1923 BMW took the first step to the vehicle industry by launching their first MC.

Today the company is operating under the official name: BMW Group, and is an owner of a brand portfolio which includes three brands. Except the own brand BMW, the brand portfolio includes two other brands, these are: MINI and Rolls Royce, (bmweduction, 2013).

With 105 876 employees, the company positions itself at the 9th place in the Forbes list of the “World’s Most Powerful Brands”. The value of the brands was 26.3 billion, year 2012 and BMW Group’s sales were 98.8 billion while profits reached 6.6 billion, (Forbes, 2013).

When it comes to the markets; USA, Germany and United Kingdom are the largest markets for BMWs car division. USA covers a sales volume of 18.8 percent, Germany stands for 20.8 percent and United Kingdom for 10.7 percent, (bmweduction, 2013).

4.3.2 Products and brands
BMW manufactures both cars and MCs. Among the products, car category consists by BMW, MINI and Rolls Royce brands while the motorcycle and scooter categories, both use the BMW brand (BMW Group, 2013).

The brand portfolio of the company BMW Group includes the mentioned brands, above. The BMW brand within the car category is recognized by its 1, 3, 5, 6, 7, X, Z4, M and Hybrid series where each series include several models except the Z4. It represents only one single model. The motorcycle products consist by five categories: Sport, Tour, Roadster, Enduro and Urban Mobility. Each category offers several models. Another unit related to motorcycles using the BMW brand, is the scooter category which consists by three models, (bmweducation, 2013). The MINI brand was added to the portfolio of BMW Group in 1994 when the Rover Group was procured from British Aerospace. All models of MINI are manufactured in Oxford, England. The brand is characterized by its different shape and small size as its name indicates and is represented on retail markets in more than 70 countries around the world, (bmweducation, 2013). The MINI brand consists by twelve models, (MINI, 2013).

The Rolls Royce brand was transferred to BMW Group 1998. Found in year 1904, the car manufacturing company Rolls Royce has a great history of manufacturing and selling luxury cars. Despite the procurement of it to the BMW Group was accomplished in 1998, marketing and selling of the Rolls Royce cars under BMW umbrella was not started until year 2003. Rolls Royce brand consists by two models, Phantom and Ghost and since year 2010, Rolls Royce decided to focus on manufacturing and marketing these two models, (bmweducation, 2013).

5. Analysis

In this chapter the analysis of each company when it comes to brand architecture and how these companies can differentiate their offerings with help of different brand strategies is described, discussed and compared with each other. Finally, a subchapter about the strategies and their impact on companies’ market segmentation is described and
5.1 Brand architecture of the companies

Based on (Aaker & Joachimsthaler, 2000) view of brand architecture and “The Brand relationship Spectrum” provided by them leads to following identifications regarding the companies choice of brand architecture. All the three companies are implementing one or several of (Aaker & Joachimsthaler, 2000): s strategies. Both BMW Group and Kellogg’s, implement more than one brand architecture strategy while Colgate-Palmolive Company’s strategy is mainly based on a one single brand architecture strategy, which is: “House of Brands”. BMW Group’s implemented brand architecture strategies are: “Branded House” and “House of Brands”. Kellogg’s implements three strategies: “House of Brands”, “Endorsed Brands” and “Subbrands”. This identification shows that each company is implementing “House of Brands”. Below, all these strategies implemented by these companies will be discussed, analyzed and compared with each other.

In this study, a common feature for the companies and their choice of brand architecture is that all of them implement the “House of Brands” strategy. The strategy allows brands to have their own driver role and brands are positioned on “functional benefits”. Further, these brands are characterized by having a little or no connection else to the master brands. The goal with the implementation of the strategy is to control specific market sections, (Aaker & Joachimsthaler, 2000).

Kellogg’s implements it in order to maintain and deal with a large brand portfolio. The most part of the brands, more exactly 17 of 28 brands belong to the “House of Brand” strategy. Colgate-Palmolive uses the same strategy across all brands in their portfolio while BMW Group applies the strategy in order to keep the brands MINI and Rolls Royce at a distance from the master brand. Moreover, for all of the three companies BMW Group, Kellogg’s and Colgate-Palmolive it can be noticed that each brand included by this strategy operates independently on the market, with little or no link to the master brands or other brands in both companies brand portfolios. Further, the brands are positioned on “functional benefits” in order to control the small segments. This approach is aligned with the statement of (Aaker and Joachimsthaler, 2000) on how “House of Brands” strategy should be applied, which has
been described in the theory part.

In the case of the BMW Group, it is impossible to recognize the link to the master brand or to other brands in the portfolio. In this way, the brands MINI, Rolls Royce targets specific market segments and enhances their chances to dominate these segments. Kellogg’s and Colgate-Palmolive are doing the same. By using the “House of Brand” strategy, companies allow these brands to operate independently on their targeted segments with aim to dominate these.

However, (Aaker and Joachimsthaler, 2000) provide two subgroup strategies in addition to the base strategies, these are: “Not Connected” and “Shadow Endorser”.

For all three companies, BMW Group, Kellogg’s and Colgate-Palmolive Company, “Not Connected” is the preferred and used subgroup strategy. Those brands of BMW Group, Kellogg’s and Colgate-Palmolive Company which are implementing the subgroup strategy are successfully managing to hide the links and connections to their master brands. Kellogg’s for example possesses the brands, CHEEZ-IT, Pringles and Keebler while Colgate-Palmolive Company’s portfolio includes the brands Colgate, Palmolive, Soft Soap, Irish Spring, Murphy Oil Soap, Svavitel, Ajax, Hill’s, Lady Speed Stick, Speed Stick and Fabuloso, where each brand represents different products. The MINI and Rolls Royce brands are operating independently and customers are not aware that these brands belong to the BMW Group.

However customers cannot see this connection to the master brands, (BMW Group, Kellogg’s and Colgate-Palmolive Company) or the other brands in the brand portfolios of each company. They purchase these products since they are considered to be the most popular and the best products on the market. Furthermore, these products are positioned on “functional benefits” in order to control the small segments, (Aaker & Joachimsthaler, 2000).

The difference between Colgate-Palmolive Company and the other two companies in this study is that Kellogg’s and BMW Group use several brand architecture strategies, as mentioned in the beginning of this chapter. Kellogg’s implements “Subbrand” and “Endorsed Brands” strategies in addition to the “House of Brands” strategy.

“Endorsed Brands” is successfully applied to the brand Special K in several categories. The
strategy consists by three subgroup strategy, these are: “Token Endorsement”, “Linked Name” and “Strong Endorsement”, (Aaker and Joachimsthaler, 2000). Special K can be classified as “Linked Name” due to the use of “K” as a common element in the products belonging to the brand. As mentioned in theory chapter, this type of subgroup strategy signals a link to the master brand because of having a name with common elements. In this case, “K” reveals the connection of Special K to the master brand Kellogg’s where it acts as an endorser brand.

According to (Aaker and Joachimsthaler, 2000) a company can provide a wide range of products and at the same time avoid building new brands which is considered to be a more expensive choice. In this case, Special K is represented across several product categories in the brand portfolio of Kellogg’s. A customer can buy cereals from the brand Special K but also bars, crisps, frozen waffles, chips and crackers. It can be noticed that Kellogg’s uses the subgroup strategy only for a one brand. As mentioned earlier Kellogg’s has 28 brands in their brand portfolio.

The last implemented brand architecture strategy by Kellogg’s is “Subbrands”. This strategy provides two subgroup strategies; “Co-Drivers” and “Master Brand as Driver”, (Aaker and Joachimsthaler, 2000). Ten of Kellogg’s brands can be identified as “Subbrands”, where eight of these can be find among the cereal category. Within the cereal category, some of the most popular brands of Kellogg’s : Kellogg’s RICE KRISPIES, Kellogg’s ALL BRAN and Kellogg’s FROSTED FLAKES implements the “Master Brand as Driver” subgroup strategy. The strategy allows the master brand to have the major part of the driver role. That means customers buying decision is mainly affected by the master brand, Kellogg’s. For the mentioned brands above, the common feature is that each brand consists by the master brand “Kellogg’s” where “RICE KRISPIES”, “ALL BRAN” and “FROSTED FLAKES” are subbrands, (Aaker & Joachimsthaler, 2000).

For instance, those customers who buy Kellogg’s ALL BRAN know that the master brand: “Kellogg’s” stands for quality in cereals and is the world’s leading company in this product category. These attributes make the customers to feel that they purchase a product that is superior to others. More exactly, the master brand (Kellogg’s) provides credibility. The role
of the subbrand (ALL BRAN) in this case is to deliver the necessary associations to the master brand. ALL BRAN is associated with healthy lifestyle since the product Kellogg’s ALL BRAN represents contains a high level of fibers, (all-bran, 2013).

(Aaker and Joachimsthaler, 2000), mean further that one of the main and important tasks of a subbrand is to help the master brand to extend to entire new segments. Kellogg’s Nutri Grain and Kellogg’s Eggo are two of the Kellogg’s company’s brands, each representing different product categories. Kellogg’s Nutri Grain represents the bar category, (Nutri-Grain, 2013) and Kellogg’s Eggo represents frozen waffles, (leggomyeggo, 2013). These two categories allow Kellogg’s to operate in new segments by applying the subbrand strategy. In this case, the master brand (Kellogg’s) still has the major part of the driver role. Kellogg’s acts as credibility provider and the subbrands provide the necessary associations. The only difference is that, compared with the role of the strategy in cereal category, Kellogg’s the master brand targets new segments with help of the subbrand strategy, (Aaker & Joachimsthaler, 2000).

When it comes to BMW Group, “Branded House” is the second choice of strategy applied by the company. Like the other main strategies this one is also characterized by having underlying strategies, which are: “Different Identity” and “Same Identity”, (Aaker and Joachimsthaler, 2000). BMW Group implements the “Same Identity” strategy. That means, the BMW brand has a unique identity and “position” in every context it operates. This helps the company to avoid identity problems in the markets where the brand operates, (Aaker & Joachimsthaler, 2000).

Furthermore, the BMW brand and its product categories can be regarded as an extension of the master brand, BMW Group, where the master brand has the leading role across the offerings, in this case all the series belonging to BMW. When the master brand possess the driver role, more exactly, when it is the main reason for a purchasing decision among customers, then the brand architecture falls into the “Branded House” strategy, (Aaker & Joachimsthaler, 2000). Despite, the difficulties to maintain a superior image among companies which are applying this type of strategy, BMW cars are today associated with superior quality. That means the company manages to maintain its image across all models. The adoption of “Branded House” as a strategy and a part of its brand architecture, BMW

Firstly, the company points out a sense of *clearness* to the market. Doing so, customers are gaining an insight into the values BMW Group offers. The brand represents: quality, performance, “driving pleasure” and technological innovation, (BMW Group, 2013). These values are embedded in both product categories and when a customer purchases a BMW car or a BMW motorcycle he/she is aware of these values. This is the first one of the advantages the strategy provides to the BMW Group. The company gets the opportunity to extend its brand values without spending large amounts of capital on building entirely new brands from scratch.

Secondly, BMW Group increases its ability to establish *interactions* between businesses by implementing the strategy. In this case, BMW Group can establish new business units and create new brands easily by transferring its brand values to these, (Aaker & Joachimsthaler, 2000). The values representing the car category are also appearing within the motorcycle category, called BMW Motorrad. Some other brilliant examples are the BMW Finance and BMW Insurance units which are the outcomes of having a superior brand with desirable values and excellent examples of well performed brand architecture activities, (BMW Group, 2013).

Finally, the strategy shows its strongest advantage which is also mentioned in the theory chapter. There are common features compared with the second advantage discussed above, however third advantage is the ability to capitalize on the brand by implementing it in new arising market opportunities in order to create more value for the company, (Aaker & Joachimsthaler, 2000). BMW Group spends significant amount resources on developing new models which are characterized by being more fuel efficient and environment friendly cars. The vision is to become the leading and the major player within this area. In this case, a clear connection can be identified about how BMW Group capitalizes on its brand. The company is involved in the development of BMW Hydrogen. The concept is described as an interaction between, “latest technology”, “environmental sustainability” and “dynamics” in excellent ways, (BMW Group, 2013). Here, the interesting part is the leverage of the master brand to the new technology which is regarded to result in cars with less impact on the environment. Instead of putting their efforts on creating a new brand from scratch, BMW Group makes a
strategic approach to the new technology by putting the master brand on it. Acting in this way, the company saves both financial resources and at the same time transfers the strong and desirable values of the master brand to the technology, (Aaker & Joachimsthaler, 2000).

“Branded House” strategy brings great advantages to the master brand BMW Group. On the one hand, it allows significant cost reductions by avoidance of completely new brand. On the other hand, the strategy creates value for the company by allowing BMW Group to capitalize on the reputation of the master brand. Doing so, the company can successfully extend the brand into new markets.

BMW Group proudly, claims that its brands are the “strongest premium brands” in the car industry, (BMW Group, 2013). “House of Brands” strategy provided by (Aaker and Joachimsthaler, 2000) states that singular brands will have a tendency of offering a narrow range of products while they are serving small and well-targeted segments. This situation arises since the strategy allows each brand to operate independently and prevents their chances to leverage. In the case of BMW Group, this statement is quite irrelevant because the brand architecture strategy of BMW Group prevents this.

By applying the “Branded House” strategy on the BMW brand, master brand gets the opportunity to extend this brand while the other brands, MINI and Rolls Royce are operating independently on their segments. In this way, BMW Group can focus on premium segments with the brands by allowing MINI and Rolls Royce having their own brand identities and targeting pre-determined customer groups, (Aaker & Joachimsthaler, 2000). As long as the profitability for the brands is satisfactory and is sufficient to cover new investments, and for the survival of each brand, (MINI, Rolls Royce) the “House of Brands” will be the most appropriate and demanded type of strategy for these brands. However, in scenarios which involve decreased profits for these two brands in the future may affect these negatively and prevent further investments in the long run.

5.2 Companies versus Porters three generic strategies

The generic strategies provided by (Porter, 1998) are: “Overall cost leadership”, “Differentiation” and “Focus”. All of the companies investigated in this study shows that “Differentiation” is the preferred and implemented strategy by these. However, (Porter,
Differentiation can either be implemented industry wide or achieved through using the focusing strategy on a certain segment. In this study the main differences appear when it comes to the type and the number of brand architecture strategies used by the companies in order to achieve differentiation.

All three companies, BMW Group, Kellogg’s and Colgate-Palmolive Company differentiate themselves with help of the brand strategies. In the Kellogg’s case, except the “House of Brands” strategy, they also use “Endorsed Brands” and “Subbrands”. The BMW Group applies “House of Brands” and “Branded House” to achieve differentiation. When it comes to Colgate-Palmolive Company, the main difference is that, both BMW Group and Kellogg’s achieve differentiation through applying several brand strategies. Colgate-Palmolive Company’s differentiation efforts is limited to the “House of Brands” strategy. BMW Group, Kellogg’s and Colgate-Palmolive Company use the strategy to position their offerings on functional benefits in order to target and dominate segments, (Aaker & Joachimsthaler, 2000).

Kellogg’s applies “House of Brands” strategy to many of their brands, as discussed earlier. Some of these brands like CHEEZ-IT, Pringles and Keebler are characterized by being independent brands with a clear distance to the master brand Kellogg’s, (Aaker & Joachimsthaler, 2000). The customers are buying these brands since these possess the driver role, Kellogg’s as a master brand in this case doesn’t make any sense for the purchasing decision. Furthermore, the aim is not only to let these brands operate independently but also to make them more attractive on the market. Being a leading brand on a specific segment means that customers treat these differently compared to similar brands in same category. They create a loyalty to these brands and are ready to pay a price that is higher than for similar brands. This statement is aligned with (Porter, 1998) where he means that differentiation makes the customers to pay higher prices for brands because of their loyalty to these brands.

However, the company also achieves differentiation through “Endorsed Brands” and “Subbrands”. The brand, “Special K” belongs to cereal category. As the title states, the brand represent more than cereals, it is also: “Special”. That means, the brand offers more than a package of cereals to the customers. Kellogg’s promotes the product as a healthy choice
with high fiber levels. According to (Aaker and Joachimsthaler, 2000), the subgroup strategy, “Linked Name” is a low-cost option of brand architecture strategy since a company doesn’t need to build entire new brands from scratch. (Porter, 1998) claims that differentiation strategy is an expensive choice and may require substantial investments. The Kellogg’s case shows that a firm can implement a low-cost brand strategy and at the same time achieve differentiation; this is the case with the brand Special K. Moreover, it is important to notice that the brand is represented across several product categories in the brand portfolio of Kellogg’s, (Kellogg’s, 2013).

When it comes to subbrands, these are covering mostly the cereal product category of Kellogg’s brands. The “Subbrands” strategy contributes significantly to the differentiation efforts of Kellogg’s. The most popular products of Kellogg’s especially those in the cereal category use this strategy, (Kellogg’s, 2013). The common thing about these is that differentiation is created quite easily by adding the subbrands to the master brand “Kellogg’s”. This facilitates the differentiation for Kellogg’s since they avoid building a brand from scratch. Using the reputation of the master brand associated with quality and being the leading cereal company in the world, Kellogg’s can gain the benefits of these attributes when it comes to achieving differentiation, (Porter, 1998).

An important factor that facilitates Kellogg’s efforts to achieve differentiation by the chosen brand strategies is that they are the leading cereal company in the world, (Kellogg’s, 2013). Furthermore, most of the products are well-known and associated with high quality, especially those using the master brand Kellogg’s. Considering these important attributes, it becomes cheaper to build new brands since the master brand Kellogg’s can be used as a platform. This is especially a common phenomenon that can be recognized for the brands Special K, Kellogg’s ALL-BRAN, Kellogg’s FROSTED FLAKES, Kellogg’s Nutri-Grain, basically for all brands covered by the “Endorsed Brands” and “Subbrands strategies”. The company can also capitalize on the reputation of the master brand through extending the master brand to new segments and product categories, (Aaker & Joachimsthaler, 2000). This is how the “Subbrand” strategy becomes useful. Brands like Kellogg’s ALL-BRAN, Kellogg’s Eggo and Kellogg’s FROSTED FLAKES are good examples of how Kellogg’s achieves differentiation through a brand strategy. Even the brand Special K gets the opportunity to appear in many product categories, not only cereals.
These identified factors, being a market leader and having a reputation of providing high quality products provides great advantages for Kellogg’s, (Kellogg’s, 2013). The company gets the ability to create new brands and products by spending fewer resources on the brand building process and at the same time achieves differentiation.

The identified factors above have little or no effect on those brands covered by the “House of Brands” strategy. Among Kellogg’s 28 brands the strategy is implemented for 17 of these. What unusual is that most of these brands, covered by the strategy represent other categories than cereal. Moreover, most of the brands belonging to the strategy are brands that have been acquired such as Keebler Foods Company, Gardenburger and Pringles, (Kellogg’s, 2013). The aim with the acquisition of these brands is basically to target new market segments. The master brand Kellogg’s and its ability to add some desired associations to these brands is little or not necessary. That is why they require a different type of brand strategy than “Endorsed Brands” and “Subbrands”. The “House of Brands” becomes the most suitable choice for these brands since it gives them the opportunity to position themselves on “functional benefits” in order to control specific market segments, (Aaker & Joachimsthaler, 2000). However, the strategy also contributes significantly to Kellogg’s differentiation.

Colgate-Palmolive Company as mentioned earlier achieves differentiation through “House of Brands” strategy. Company’s eleven brands are scattered across four product categories and each brand operates independently on the market, with little or no link to the master brand or other brands in the companies’ brand portfolios. Doing so, Colgate-Palmolive Company gets the opportunity to position these brands on “functional benefits” in order to control the desired segments, (Aaker and Joachimsthaler, 2000).

For example, the brand AJAX can be found among company’s home care category, where the product AJAX Dish Liquid is promoted with the slogan: “Stronger than Grease” and for AJAX Powder Cleanser with Bleach the company promise that it is: “Stronger than Dirt”, (Colgate, 2013). However, the brand loyalty among customers allows the company to charge higher prices for its products. (Porter, 1998) means that differentiation can appear in many shapes, it can involve superior exclusive brands, high technology products, unique products, high level of the services provided to the clients etc. In the case of the AJAX brand, the
product is known for its superior ability to remove dirt and grease. That means the brand is differentiating itself through its unique ingredient technology.

The brand architecture practiced by the BMW Group supports the differentiation efforts that the firm is applying in order to achieve success on the market. On the one hand, “Branded House” strategy allows the company to differentiate the BMW brand by extending it across several products and services. Here, differentiation is achieved by transferring the values the master brand BMW Group stands for to other products and services, (Aaker & Joachimsthaler, 2000). The master brand BMW Group stands for quality, performance, “driving pleasure” and technological innovation. For instance, in the product category, these are applied for BMW Automobiles, BMW Motorrad and within the service category some of these are applied for BMW Financial Services and BMW Service. Doing so, BMW Group can focus on customers in premium segments and offer them a wide range of products and services, (BMW Group, 2013).

“House of Brands” strategy contributes to the differentiation strategy by giving the firm an opportunity to offer more brands and target different groups within premium segments. Within the scope of “House of Brands” strategy, the brands BMW, MINI and Rolls Royce are targeting different customer groups within the premium segments. The brand MINI with its small size and unique shape is considered to be a sexy alternative for those who prefer a small car. These unique features and attributes allow the master brand BMW to achieve differentiation with the brand MINI. The Rolls Royce brand contributes also significantly to the differentiation strategy of BMW Group. The brand is known for its luxury cars which are manufactured according to the requests of the clients, (bmweducation, 2013). As mentioned earlier, these three brands operate independently with clear distinction to each other and the master brand BMW Group. This approach allows the company to focus on premium segments through differentiation. Since BMW Group is focusing on premium segments this approach facilitates their differentiation efforts. Differentiation, achieved as a result by implementing the focus strategy allows them to meet the demand from customers better and serve them more efficiently, (Porter, 1998).

Differentiation can be an expensive way of targeting and serving a market, (Porter, 1998). BMW Group is known for manufacturing cars with high quality and technology which require
significant amount of investments. Despite the costs the strategy brings, BMW Group can finance the necessary investments through charging prices that are higher, compared with similar products on the market. Due to the brand loyalty among the customers, BMW Group can charge prices above the average especially for the BMW brand, (Porter, 1998). Moreover, the company and its brands are associated on the market with high quality, technological innovation and driving pleasure etc, (BMW Group, 2013). These factors play a significant role when a person decides to buy a car from the brands belonging to BMW Group. More exactly, when a person buys a car from the company, he/she knows exactly what they get even if the price for the product is above the industry average.

5.3 Companies ‘market segmentation

(Jobber & Fahy, 2009), mean that the segmentation process of consumer markets consists by three primary parts: “Behavioral”, “Psychographic” and “Profile”. All three companies in this study use all of these main variables when they segment their markets.

BMW Group uses all three variables in the process and some of the variables associated with “Behavioral” can be observed. For example, buying decisions is quite relevant since those clients who purchase a BMW product since they love the brand and are loyal to it and everything it stands for. Another variable which is expectations is also relevant because people who purchase the product believe that the brand possess the attributes they are looking for. BMW cars are as mentioned earlier known for their quality, performance, “driving pleasure” and technological innovation, (BMW Group, 2013). “Psychographic” is also used in the BMW Group in the segmentation process of the company. The BMW 1 Series Sports Hatch offers both Sport and Urban models depending on the buyers’ personality and life style. “Profile” is used among all the BMW series. For instance, the company charges different prices for cars belonging to different series, (bmw, 2013).

“Psychographic” is also used by Kellogg’s when they segment the markets. In the cereal category most of the products like: Kellogg’s ALL BRAN, Special K and Kellogg’s Nutri Grain are promoted with attributes like: healthy, rich of fibers, (Kellogg’s, 2013). Some of the products especially within the cereal category target children. For example, Kellogg’s Frosted
Flakes are cereals appropriate for children who like outdoor activities, (frostedflakes, 2013). This shows that Kellogg’s uses both “Psychographic” and “Profile” variables. Colgate-Palmolive Company offers products both for adults and children including everything from toothpastes to toothbrushes by using “Profile” as variable in their market segmentation, (Colgate, 2013).

(Jobber & Fahy, 2009), identify four generic strategies when it comes to targeting the markets: “undifferentiated marketing”, “differentiated marketing”, “focused marketing” and “customized marketing”.

None of the companies use “undifferentiated marketing” it is basically not aligned with their way of doing business, since they are serving segmented markets. That means all three companies offer products and services which are tailored to suit the different segments. Further, all three companies use “differentiated marketing” when they target the desired markets. They pay attention to each segments demands and offer products and services to fulfill the requirements of customers.

BMW Group implements also the” customized marketing” strategy because of the brand Rolls Royce where the cars are built after the special requirements of the customers. This is applied for both models Phantom and Ghost, where these become “customized” in order to fulfill the requirements of customers, (bmweducation, 2013).

(Dibb & Simkin, 1991), mean that positioning represents the image of the products in customers’ mind compared to those provided by the rivals. Colgate-Palmolive Company positions its product in a way that makes them more respected and demanded on the market. For example, the wide range of products in the oral category is not just created to satisfy the demands of the targeted segments. The company also provides and shares important information and knowledge about oral care to its customers on the company’s web page. A close collaboration with dentist specialists allows the company to gain credibility for its products. These actions help Colgate-Palmolive Company to position the products within the oral category as reliable and the most appropriate ones in a customer’s mind when it comes to oral care, (Colgate, 2013).

Kellogg’s as a leading company of cereal products positions several of their products within
the product category as healthy and as the optimal breakfast option. For example, “Kellogg’s Breakfast Council” is an arrangement created by the company and consists by seven independent experts from different fields. The goal is to help Kellogg’s to develop new products through gaining more information about nutrition. Doing so, Kellogg distinguishes their products compared to competitors’ and creates a desired image of the products in customers’ mind, (Kellogg’s, 2013).

BMW group and the brand BMW are known for their quality, performance, “driving pleasure” and technological innovation, (BMW Group, 2013). These attributes makes the car manufacturer to position the BMW brand as a car that is more than a vehicle. Customers consider these attributes as the triggering factors for their buying decisions. These identifications for all three companies are also aligned with (Uggla, 2006b) where he means that the aim with a positioning strategy is to find a way to differentiate the product that can happen through establishing a clear distance to the product category.

6. Conclusions

In this final chapter the conclusions based on companies’ choice of brand and business strategies and a consideration for future research is provided.

This study shows that there is a clear and important relationship between brand strategies and business strategies. The main challenge for firms is to find a perfect balance between the type and number of the implemented strategies in order to succeed on the market. Each brand strategy has its strengths and weaknesses. One solution that can help to eliminate the weaknesses is to implementing more than one brand strategy in order to maximize their impact on a market. What is common for the brand strategies in this study is that each of them can be applied successfully in order to differentiate the offerings of a specific company. However, differentiation cannot be always achieved only by applying a single brand strategy. Differentiation is an important and strategic way of targeting the markets and at the same the strategy can require significant amount of financial resources. Well performed brand architecture has a tendency to reduce the costs significantly and still support the differentiation efforts of firms. The brand architecture strategies used in this study are based on (Aaker & Joachimsthaler, 2000).
“House of Brands” is preferred and an appropriate strategy when the brands are operating independently and are targeting the desired customer groups with functional benefits. Due to these functional benefits, the brands get the opportunity to differentiate themselves. The importance of the strategy becomes visible also in industries where the competition is quite intensive and requires a dynamic approach to the brand portfolio. This depends mainly on the conducted acquisitions which require treating the acquired brands independently. An influence of the master brand is not necessary since the risk to dilute the image of the acquired brands is quite high. This can be verified by this study because all investigated players prefer to implement “Not Connected” as a subgroup strategy. It prevents any visible connections to the master brand.

Differentiation can sometimes be achieved through implementation of several brand strategies. Under some circumstances the need for brand strategies which allow the master brand to play a greater role in a buying decision is a necessary option. They have the ability to provide many advantages to the master brand and the organization. “Endorsed brands”, used tactically can be a major weapon when it comes to capturing new market shares. Especially, the “Linked Name” subgroup strategy seems to be a low cost option that contributes to differentiation. This option is most suitable for companies which already possess a leading role on the market because it becomes easier to gain the benefits of this subgroup strategy. Basically it becomes much easier for customers to see the link to a master brand behind the brand, when it is well known and is a leading brand in a specific industry, as it has been shown in this study.

The increasing driver role of a master brand is an opportunity that can be used quite successfully. That means customers purchasing decisions are mainly influenced of the master brand. A well-known master brand may influence how successful the outcome of this type of strategy can be. Differentiation can be achieved through allowing the subbrand to add the necessary attributes. This makes the organization behind the master brand to enter new segments with more powerful brands. As a result the added attributes plays a significant role because they not only contribute to the capturing new market opportunities but also leads to the differentiation of products.

The use of “Subbrand” and “Endorsed brand” strategies should be preferred when the
master brand has a prominent role in a specific industry. This enhances the chances for the
cOMPANY behind the brand to achieve a more successful market position through increased
market shares.

“Branded House” and its contribution to the differentiation of the offerings depend mainly
on the master brand since it has the driver role. As it has been shown in this study the power
of the master brand that means its brand values, reputation, credibility and the level of
loyalty among customers facilitates the differentiation process. The strategy has the ability
to extend the master brand easily to new business segments if the master brand possesses
the necessary values and attributes. The risk with the strategy may appear if the master
brand is overestimated. In this study the strategy is successfully implemented together with
“House of Brands” strategy. The main advantage of this combination is basically that the
market segments can be targeted more broadly and effectively.

However, the study shows that the choice of brand and business strategies plays a significant
role for the success on the market. Targeting the desired segments and positioning of the
offerings on specific attributes becomes easier if the combination of the strategies is
performed successfully.

6.1 Consideration future research

In this study the relationship between brand and business strategies for three large
companies was investigated based on Aaker’s view on brand architecture.

A future research should focus on companies competing within same industry in order to
investigate how they deal with the issue when it comes to finding the right combination of
brand and business strategies. Furthermore, the study should be based on Aaker’s view on
brand architecture. The research should also pay attention to the size of the companies and
their market share in order to highlight the advantages and disadvantages each company
faces with. Doing so, an in depth understanding of these companies’ choice of brand
strategies and their impact on the firms’ business strategy can be obtained.
References


MINI. (2013, 02 27). Retrieved from MEET THE FAMILY.: http://www.mini.co.uk/model-range/


