Chapter 7

Factors Influencing Brand Architecture;
& The Brand Architecture Framework

7.1 Introduction

As quoted earlier in Chapter 2, "Brand architecture is an extremely complex subject, where few rules apply" (Temporal, 2002). However, an attempt is made here to document what factors determine the brand architecture of a firm, and thereby arrive at a conceptual framework for designing brand architecture. This exercise is done in the context of consumer products and services, with specific reference to fast moving consumer goods marketed in India.

Both secondary and primary information are used towards this end, including literature review (from Chapter 2 of this report) and study of FMCG brands marketed in India (from Chapter 4), with token guidance from the study regarding association between brand architecture and brand concepts (Chapters 5 and 6). Nonetheless, it is impossible to arrive at unassailable conclusions. This is because companies use different types of brand architecture for different product groups/business divisions, depending on context-specific factors. Also, some of the factors that influence brand architecture are inter-related, and it is hard to isolate and clearly identify their influence in an exclusive manner.

7.2 Factors Influencing Brand Architecture – Directions from Literature Review & Examples from the Brands Studied

Various authors have come up with different lists of factors that influence brand architecture. While some of the factors identified are nearly the same, some are different. There is no commonly agreed standard list on this subject. The lists also differ depending on the perspectives from which they have been drawn up.

Further, some of the factors identified as influencing brand architecture, could influence each other; while some others could be both influencers as well as outcomes of brand architecture, depending on one's perspective. For example, adopting a particular type of brand architecture can lead to a positive influence on market share and customer loyalty. Looking at this situation from a different standpoint, one of the authors on the subject has taken the view that corporate strategy (of which the objectives of increasing market share and customer loyalty are components) influences brand architecture.

One of the sources (Kapferer 2004) refers to brand architecture as being culture-specific (e.g., product brand architectures in the United States, company-oriented brand structures in Europe and Japan). The same source also points out that with more financial resources one would go for product branding, and with less resources, the choice would perforce fall on corporate branding.

Thus, there are varied observations and findings on the subject, and there is a need for gleaning the most important factors of influence in the context of interest.

Therefore, the findings from literature survey on this topic are summarized and highlighted below in a simplified fashion. There are five important sources on this subject (detailed coverage is given in Chapter 2), and references are made to the same in the discussion below. Attention is drawn mainly to only those facets which are evidently most important and distinct; and which could be of relevance in the context of consumer products (particularly fast moving consumer goods) marketed in India. Relevant inputs and examples are also drawn from the study of 722 brands and 55 companies, as also other examples from India and elsewhere, to reinforce the observations emerging from the literature survey.

7.2.1 Corporate History & Philosophy

Brand baggage from the company's history contributes significantly to the shaping of brand architecture (Rajagopal & Sanchez, 2004). The company's history, including long term brand ownership and tradition (of using company name) are important influencers on brand architecture (Laforet & Saunders, 1999). Also, older companies are likely to have more brands (accumulation of brand baggage from the past) and are also likely to have product-oriented brand architecture (Strebinger, 2014).

Corporate philosophy (comprising historical associations, beliefs & values, company policy and company pride) is also an allied influence (Laforet & Saunders, 1999). And so are the importance given to corporate identity (Rajagopal & Sanchez, 2004) and how the firm views its corporate and product brands (Kapferer, 2004). The branded house architecture followed by Virgin Group in the United Kingdom, and the practice of Japanese companies predominantly using corporate names stem from the influence of corporate philosophy and brand vision.

Also, the initial or flagship products tend to carry the name of the company (e.g., as in the case of Coca-Cola, Pepsi Cola and Nescafé), while subsequent products and diversification products are more likely to have either dual names or their own individual brand names. This eventually leads to a mixed form of brand architecture with both corporate and product-oriented branding.

7.2.2 Organization Structure

Organization structure and administrative heritage constitute an important factor influencing the brand architecture of a company (Rajagopal & Sanchez, 2004). Decentralized management leads to more brands (Kapferer, 2004). According to Laforet & Saunders (1999), centralized management is more likely to result in corporate dominant branding (i.e., C-Branding), whereas decentralized management is likely to lead towards preponderance of product branding (i.e., P-Branding).

7.2.3 Mode of Expansion

The mode of expansion – whether organic growth, acquisition, etc., - influences the brand architecture template of a company (Rajagopal & Sanchez, 2004). The organization structure too is influenced by the mode of expansion.

In the case of acquisitions, the acquired brands are retained, if they command good brand equity. In many instances, the brands themselves are an important reason for the acquisition of another firm. This leads to proliferation of brands marketed by the acquiring company, leading to more product brands. In some cases, the corporate brands of the acquired companies are handled as umbrella or family brands, with numerous product or sub-brands under them.

In Chapter 4, we have come across many companies which added to their portfolio of product/family brands through acquisitions. Of the 55 FMCG companies studied in Chapter 4 of this report, as many as 19 have either acquired brands or have acquired marketing rights to brands as part of their Indian operations. The acquired brands are retained and continue to be marketed, most often in their original names, and sometimes by including them as part of the acquiring company's brand architecture (e.g., Dabur Promise, Dabur Babool and Dabur Meswak).

The 19 companies which have acquired brands are - Amrutanjan Health Care Ltd, Bajaj Corp Ltd, Bunge India Pvt Ltd, CavinKare Pvt Ltd, Cholayil Pvt Ltd, Coca-Cola India Pvt Ltd, Dabur India Ltd, Emami Ltd, GlaxoSmithKline Consumer Healthcare Ltd, Godrej Consumer Products Ltd, Hindustan Unilever Ltd, Johnson & Johnson Ltd, Jyothy Laboratories Ltd, Marico Ltd, Procter & Gamble India, Reckitt Benckiser India, S. C. Johnson Products Pvt Ltd, Tata Global Beverages Ltd and Wipro Enterprises Ltd. Specific information regarding the acquired brands is available in the footnotes to the Annexures on the respective companies.

7.2.4 Product Range

When a company has a small portfolio of products, it tends to use corporate branding. As the portfolio of products increases, and there is diversity in the variety and quality of products offered, there is higher tendency to use product branding. This point is made by Laforet and Saunders (1994, 1999) among others. For example, Amrutanjan and Kellogg, which are into a comparatively limited range of products, use the company name (often together with a product name) with most of their products.

Brand architecture is also determined by whether a company wants to position itself as a generalist, single-specialist or a multi-specialist, and how it would like

to be seen vis-à-vis its competitors (Kapferer, 2004). Diversity of products (Rajagopal & Sanchez, 2004), potential market synergies and quality difference between products (Strebinger, 2014) are also determinants of brand architecture.

7.2.5 Source of Added Value

Where reassurance, reputation and scale are the sources of added value, corporate dominant branding is more suitable. Where product differentiation and personalization are more important, product-dominant branding would be the appropriate choice (Kapferer, 2004). This principle is very similar to experiential fit between products (Strebinger, 2014) and the association between brand concepts and brand architecture proposed by Strebinger (2004).

7.2.6 Perceived Risk and Cost of the Product

The corporate brand (or a dual name with a corporate brand as endorser) is advocated in situations where the perceived risk associated with the product is high. We therefore see dual branding in the case of many food products and cosmetics, with the corporate name lending support as an endorser. High cost and high involvement products (such as consumer durables, automobiles and many services) would benefit from a corporate name. Therefore, many consumer durable and service companies have corporate dominant brand architectures, while others follow a dual form of brand architecture.

7.2.7 Pace of Industry Innovation

Industries with high pace of innovation tend to follow a single brand policy (i.e., corporate dominant brand architecture), rather than developing a new brand for every product (Kapferer, 2004).

When the pace of innovation in the industry is more rapid, and newer products and models are introduced into the market frequently, it would be difficult and expensive to promote and support new brand names every time. This is why consumer durable companies adopt corporate-dominant brand architectures.

Individual product names are used only in the case of very prominent and blockbuster products, where the effort and expenditure of promoting individual product names is justified by the revenues and profits. Prominent examples are those of Samsung Galaxy, Sony (Bravio, Vaio, Xperia, Handycam, CyberShot and others) and Apple (Apple iPad, Apple iPhone, etc.). Even here, in most instances, the product name is used together with the company name as an endorser.

7.2.8 Market Structure

Homogenous markets with tightly defined and closely related product areas are more suited for corporate branding. Dual branding and individual product brand names are more suited to fragmented markets to increase differentiation and reduce cannibalization (Laforet & Saunders, 1994, 1999). Clear evidence of this is seen in the case of Hindustan Unilever, Procter & Gamble, Coca-Cola and such others, where individual product branding is used to offer multiple products to different segments in the same product category.

7.3 The Brand Architecture Framework

7.3.1 The Eight Influencers and Guidelines There From

The directions regarding factors influencing brand architecture as emerging from literature survey and other sources and examples (refer Section 7.2 above) have been summarized in diagrammatic form in **Figure 7.1.** This figure

identifies eight principal determinants of brand architecture. These are also logically related to each other.

The last part of **Figure 7.1** depicts the possible relationships among these factors. The arrows shown therein are only indicative, and suggest that company's history and philosophy influence organization structure, mode of expansion and product range. All these in-turn have an influence on the products' source of added value, the cost, risk & consumer involvement associated with the company's products, the pace of industry innovation and market structure. The last three factors are external to the organization, but are nonetheless determined by decisions emerging from internal factors. All the factors, both individually and collectively, have an influence on the company's brand architecture.

Continuing there from, a conceptual framework or checklist for developing and managing the brand architecture of a company has been drawn up and presented in tabular form (**Figure 7.2**). To be more precise, this framework suggests the type of brand architecture nomenclature that may be assigned to specific products, depending on the relevant context. Individual brands can be added to the portfolio or dropped, while following the principles given herein.

This is a simple framework highlighting the most important aspects to be considered in decisions pertaining to branding strategy and structure. It has been documented based on insights from the Indian consumer products industry, in particular from the fast moving consumer goods sector. All the suggestions made in this framework are based on "other things remaining the same" principle, and are not absolute commandments.

7.3.2 Limitations of the Framework

The main limitations are that this framework omits the larger environmental and situational factors, and does not specify any sequencing or relative importance of the factors to be considered. The relative importance and sequencing are context-specific and are also determined by the strategy/policy followed by individual companies and what competitors are doing.

Further, the brand architecture of a firm is not entirely static, though it is typically there for the medium to long term. It is subject to audit and modification/refinement where warranted. However, even where the brand architecture of a firm is not in alignment with the optimal recommendation, a sudden and drastic realignment may not be advisable, as this could completely upset consumers' understanding of the brands, and have more negative than positive consequences.

Figure 7.1
Factors Influencing Brand Architecture
– Directions from Literature Review & Other Sources

1

History **C**
Long term brand ownership & tradition – C Branding

History of the Firm **D**
Brand baggage from the past

Brand Vision **A**
-How the company views its corporate & product brands

Corporate Philosophy **C**
Historical associations
Beliefs & values
Company policy
Company pride
- C Branding

Importance of Corporate Identity **D**

2

Centralized vs Decentralized Management **A**
Decentralized – More brands (P Branding)

Company Structure **C**
Centralized
- C Branding

Decentralized
- P Branding

Organizational Structure **D**
& administrative heritage

3

Mode of Expansion **D**
-Natural Growth, Acquisition, etc.

Corporate Strategy **A**
- Whether Generalist, Single Specialist or Multi-Specialist

Strategy **C**
Promoting across products – C Branding

Adding image through sub-branding – D Branding

Potential Marketing Synergies **E**

Company's Market Focus **B**
Narrow & tightly defined market – C Branding

4

Divisions targeting different but tightly defined markets – U Branding **B**

Product Range **C**
Small portfolio – C Branding

Wide portfolio – P Branding

Diversity of Products **D**

Acquisitions & Brand Extensions – D-Branding **B**

Segmentation **C**
Positioning products differently, targeting different markets – P Branding

Quality Difference between Products **E**

Wide product range targeting different segments – P Branding **B**

Figure 7.1 (Contd..)

Added Value Lever **A**
Resource, reputation & scale
- C Branding

Differentiation &
personalization
– P Branding & D Branding

Experiential Fit **E**
between Products

5

Pace of Industry **A** 6
Innovation
High pace of innovation
- C Branding
Low pace of innovation
- P Branding

7

Market Structure **C**
Homogenous markets
- C Branding
Fragmented Markets
- P & D Branding

Product-Market **D**
Characteristics
- Homogenous vs
Heterogenous

8

BRAND ARCHITECTURE

5 Source of Added Value
6 7 Risk, Cost & Involvement
Pace of Industry Innovation
8 Market Structure
3 Mode of Expansion
2 Organization Structure
4 Company's Product Range
1 Company's History & Philosophy

Sources:
A = Kapferer (2004)
C = Laforet & Saunders (1999)
E = Strebinger (2014)
B = Laforet & Saunders (1994)
D = Rajagopal & Sanchez (2004)

Figure 7.2

Conceptual Framework for Designing the Brand Architecture of a Company and for Deciding the Brand Architecture Types of Individual Products

#	Factor	Level	Suggested Brand Architecture Type
1	Corporate History & Philosophy	Pioneering & Flagship Product	Corporate Branding
		Subsequent Product	Dual Branding
		New Product in New Category	Product Branding
2	Organization Structure	Centralized	Corporate Branding
		Decentralized	Product Branding
3	Company's Mode of Expansion	Organic Growth	Corporate Branding
		Joint Ventures	Dual Corporate Branding
		Acquisitions	Product Branding
4	Company's Product Range	Limited and Narrow Category	Corporate Branding
		Extensive & Diverse Categories	Dual & Product Branding
5	Products' Source of Added Value	Functional Concept	Product Branding & Corporate Branding
		Experiential Concept	Product Branding
		Symbolic Concept	Dual Branding & Product Branding
		Relational Concept	Corporate Branding
		Mixed Concepts	Dual Branding
6	Perceived Risk & Cost of the Product	High	Corporate Branding
		Medium	Dual Branding
		Low	Product Branding
7	Pace of Industry Innovation	High	Corporate Branding
		Medium	Dual Branding
		Low	Product Branding
8	Market Structure	Homogenous	Corporate Branding
		Divided	Dual Branding
		Fragmented	Product Branding

Note: All the above suggestions are based on "other things remaining the same" principle, and are not absolute commandments.