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Whitepaper

Stop the branding

Brand strategy
How many brands does a company need to create growth and profitability? Do new offerings also justify new brands?

Why is it possible to sell chocolate, ice cream and bakery products under a single brand, while a telecommunications provider needs different brands? Brands create identification, but they also cost money. A lot of money. How can companies use their brand portfolio to create value – and how many brands are required to succeed?

The appeal of the new

The temptation is big. The new product is a technical masterpiece, and about to be launched to the market. It is calling for attention. The marketing department is planning to introduce a new brand. How will the new product otherwise grab the attention it needs?

Many companies are not aware of the consequences of creating a new brand. Basically, every new brand means high investments. First of all, for the development of the brand, i.e. naming, positioning, design, and in the legal protection of the brand, i.e. trademark registration and domain rights. This first wave of investment is followed by expenses to promote the brand in the markets. Finally, and often underestimated, enormous sums are consumed by the ongoing management of the newly created brand.

On the other hand, attention is withdrawn from the master brand, because every additional brand within a constant budget results in a smaller communication footprint. In other words, the master brand is weakened, while the radiance of new offerings is reflected in the new brand. As a result, brand equity that has been built over many years is facing serious erosion. Customers no longer attribute the power to innovate to the existing brand and, in the worst case, turn away from it.

Joining forces

Great brands have one essential element of success in common: they all tie their offerings and services to this single brand. With the goal of consistently increasing awareness and growth for the brand. Milka decided to sell not only chocolate but also ice cream and baked goods under this brand. With success: Milka succeeded in consistently linking the existing brand to new offerings, and in entering new market segments.

The consistent integration of new offerings into the existing brand not only facilitates entering new markets, but also reduces the cost for brand management and marketing. This way, new offerings benefit from the awareness of the existing brand, which, in turn, manages the risk of market acceptance. At the same time, profitability is increased because the marketing budget does not have to be divided between multiple brands.

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Creating trust

However, there are indeed situations that justify the management of several brands, such as, for example, reaching out to the low-cost segment of a market. To protect the existing premium brand, while gaining market shares by offering new products at favourable prices, a new brand, created especially for this purpose, makes sense. Swisscom launched the Wingo brand in order to address new customer segments with a reduced offer at an attractive price.

In defined situations, even the expansion into a completely different business area, for which the existing brand is not recognized, legitimizes the development of a new brand. However, the basic principle applies: a careful examination of the existing brand often leads to the insight that the existing brand will indeed perform in the new business area – much better than initially assumed. Because trust and awareness do not come into existence overnight. Therefore: Stop the Branding. Don't be afraid to trust your existing brand.

Brand management

Tips for the efficient management of your brand portfolio:

As few brands as possible. Try to integrate as many products and services as possible into your existing brand. This saves money and resources and strengthens the existing brand.

Outside view instead of inside view. Take the perspective of your customers. What will strengthen their confidence, what will lower the risk of a product launch, how do you win new customers as effortlessly as possible?

Build on existing assets. Do strategic reasons justify the creation of a new brand? In this case, first check whether you can use an existing brand in your portfolio. This will avoid the long trademark registration process and ideally build on existing brand awareness.

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