brandmatters.

# An Introduction to Brand Architecture

Your essential guide to understanding brand architecture and how it can help you confidently organise, manage and go to market with your brands.


Brand architecture
is business strategy
made visible.

# Contents

# What is brand architecture?

Brand architecture is the go-to-market framework for an organisation's products and services and their interrelation to one another. As the external face of the market offer, brand architecture communicates how a company structures its portfolio of brands to coexist under the same roof to drive overall growth.

A brand portfolio structure should make as much sense for employees as for customers. The decision on the most effective architecture strategy to use can have a significant impact on a business and should be well thought through to accommodate future growth from new acquisitions, product and service development, campaigns and programs.

***Brand architecture defines the hierarchy of an organisation's brands and how they are understood both inside and outside an organisation.***

*A logical approach to ensuring each and every brand has a purpose and performs a specific role that is immediately evident to the end client.*

Brand architecture is an essential component of brand strategy, with the purpose of clarifying, justifying and organising brands in an accessible way, aiding future decision making and organisational efficiency. It is designed to help companies logically and strategically position and manage their brand offerings to build brand equity over time.

At BrandMatters, we have found there are several key milestones or triggers to seeking brand architecture advice:

- development of new products and services
- merger or acquisition where multiple brands come under a single umbrella
- a change of ownership or leadership resulting in new strategic directions.

Over the past 17 years, we have worked with many organisations who have faced complex brand conundrums. Determining their right solution has been critical to their success. We have developed deep expertise in this area and would like to share some of this knowledge via a two-part e-book series.

This e-book aims to provide an understanding of brand architecture and the benefits of a smart, structured approach. The book explores each of the architecture models, outlining the pros and cons with working examples.

Once you have established an understanding of brand architecture, we invite you to download our second e-book, The Guide to Brand Architecture for B2B Organisations. This dives more specifically into brand architecture within the B2B environment. Our goal is to equip B2B organisations with the most useful information needed to understand how to achieve the optimal brand structure and strategy.

We hope you find these e-books useful and informative and would welcome your feedback.

Paul Nelson
**Managing Director**
**BrandMatters**

# The role of brand architecture

One of the core purposes of a brand portfolio strategy is to help customers navigate the scope of a company's offer in a way that best reflects the brand's promise.

Brand architecture enables the clear differentiation of messaging tailored to external audiences, ensuring clarity and efficiency of marketing activity and investment. The decisions on brand architecture impact all aspects of brand deployment: the interrelationships between products and services, the development of unique sales propositions, nomenclature and naming conventions, trademarking and the application of visual identity.

A strong portfolio structure defines the dominant and recessive offers to best manage and direct marketing effort, including the visibility and role (or lack thereof) of a parent brand. It is within this structure that external audiences will form their long-term perceptions of a brand. Without a clearly defined brand architecture strategy, organisations may struggle to achieve the desired profile and brand equity in their chosen markets.

However, the portfolio structure is not carved in stone. As markets and target segments evolve, so too must brand portfolio structures in order to take competitive advantage of these transformations. An inbuilt flexibility is critical to current success and future survival in an environment of constant new market entrants and shifting industry trends. Brand architecture can be future-focused in order to anticipate and plan for these evolutions and competitor activity.

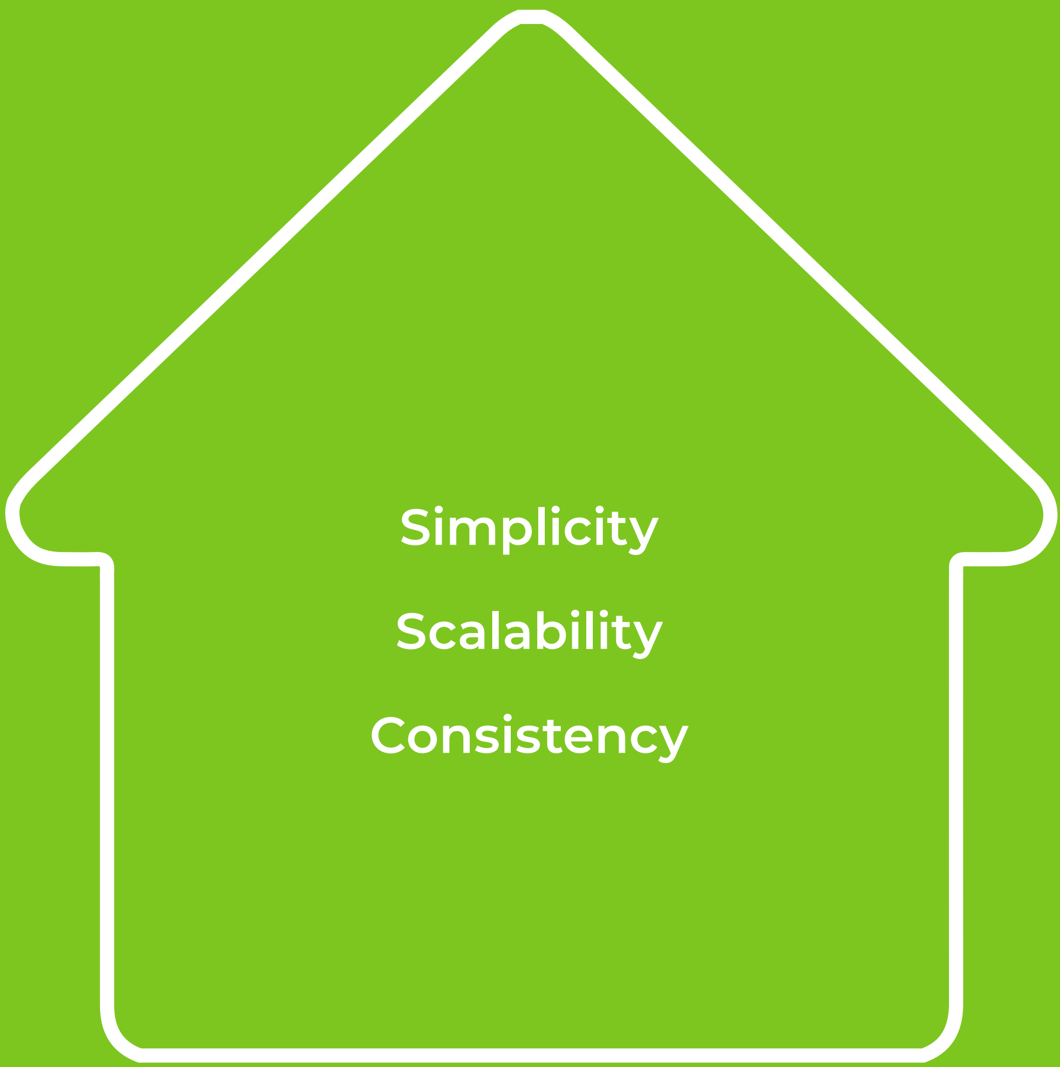
## Brand architecture provides

| | |
|---|---|
| **Clarity** | The role and distinction between individual products and services that makes sense for internal and external audiences |
| **Consistency** | Brings clarity to decisions on visual identity, naming conventions and trademarking |
| **Coherence** | All brands within the portfolio are carefully positioned and defined to work synergistically as a whole |
| **Growth** | Brand architecture can be future focused to take advantage of new opportunities for competitive edge |
| **Focus** | Provides sharp focus for marketing effort and investment |

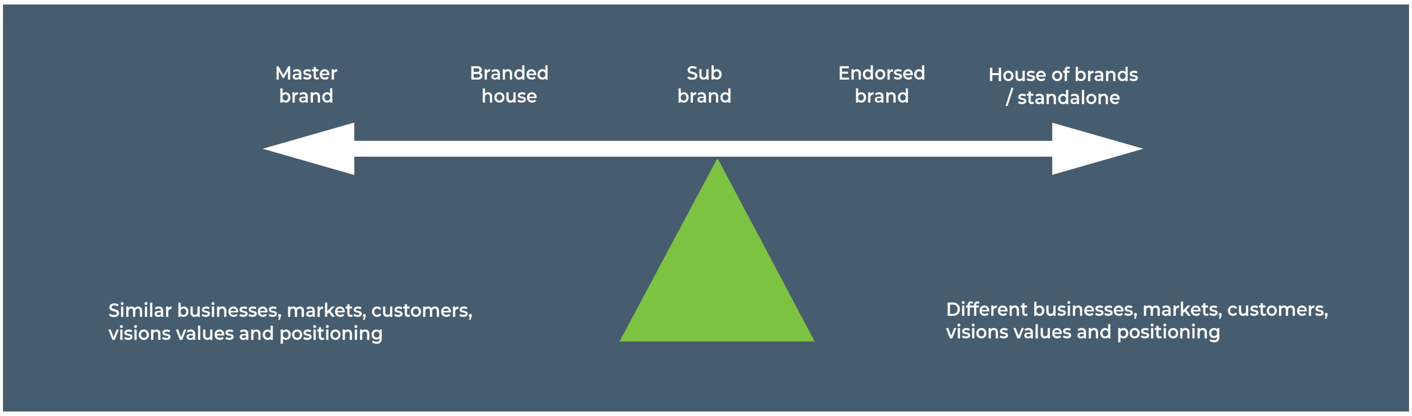
# Questions marketers need to ask

- Does our organisation have a desire to access new markets?
- Do we have a low brand awareness and profile across the brand portfolio?
- Are our brands competing due to overlaps in product/service offering?
- Do we have products and services entering their sunset period?
- Have incremental additions over time created complexity and confusion?
- Are we duplicating effort across the product and service portfolio?
- Do we have multiple brands to support and take to market?
- Is there employee confusion about the role(s) of each brand?
- Does the externally facing brand architecture mirror the organisation’s internal structure?
- Are there no clear nomenclature policy or naming convention guidelines?

# Brand architecture models unpacked



An organisation's brand architecture will generally fall somewhere on the following continuum:




## Brand architecture provides

**Master Brand** Deploying one consistently applied brand as the driving force behind the portfolio, the master brand strategy is ideal when a strong robust brand is the unifying factor of all the products and services offered by the organisation. This architecture approach is generally used when the brand can deliver the brand promise without confusion or dilution.

**Branded House** Branded house is where a parent brand becomes the dominant identity for each product or service offered by the organisation. This model takes advantage of the equity held in the parent brand but offers consumers differentiation within the product or service portfolio.

**Sub-brands** Sub-brands are newly created brands that are strongly and visibly related to the parent brand. Generally, organisations create a sub-brand when delving into a market niche, or, addressing a new market trend within the same category or industry.

**Endorsed Brands** Independent brands endorsed overtly or covertly by the parent brand is a model useful when equity and trust is established by a parent brand, but the new brand holds equity for a particular market, segment or target. Endorsed brands can offer a unique opportunity to introduce a new brand being powered in some way by the equity of the parent brand.

**House of Brands** Independent, separately positioned products and services where the parent brand is usually invisible to customers. This model is critical for many FMCG organisations where value is placed on building a separate equity base for each product or service in order to be competitive within its market.

***Finding the right balance and compromise in the relationships between brands is the key to deciding which model is most appropriate.***

# Master Brand

*Driving growth in brand equity through consistency.*

A **master brand** strategy presents a singular brand promise, consistently applied. It offers efficiencies for new product development complementing brand-building initiatives. In a master brand strategy, the approach to singularity of message underpins all brand decision making, maximises cohesiveness across the offer and provides the decision-making mechanism for brand extensions. Additionally, the application of a singular visual identity system minimises the investment required and smooths brand governance processes.

For global B2B professional services organisations such as Deloitte, the master brand strategy offers the opportunity to provide a suite of services across functions, sectors and geographies with one voice. It allows the flexibility to add new services over time without diluting its brand or confusing the market. Aligned, integrated and well-coordinated, the master brand strategy allows organisations like Deloitte to earn the right over time to add ever more divergent services to its suite under the existing brand.

## The Pros

- Drives maximum brand awareness with a singular brand offer
- Provides immediate weight and credibility for new products and initiatives
- Cost efficient in synchronising marketing effort and investment
- Reduces the risk of the brand being diluted across multiple identities
- Eases the integration path for new acquisitions
- Provides consistency of the brand promise for external audiences

## The Cons

- Restricts the expression of differentiation where needed
- Is not suitable for identical or near identical offerings to the same target
- Consistency of voice may distance rather than attract specific audience segments
- Increases risk of overall reputation damage if one service negatively impacted
- Results in any acquisition’s brand equity being subsumed into the new parent
- May create internal discontent at lack of voice for individual services

# Branded House

*Carrying the strength of brand equity into new offers and markets.*

Within a **branded house** strategy, the parent brand acts as the main identifier across the portfolio of products and services. These brands deploy the parent brand descriptors, ensuring that each offer is aligned towards the overarching brand values, vision and positioning. The parent lends value to each brand, and each brand sends value back to the parent. While there may be some visual distinction between the brands, the consistent core brand bolsters the diverse range of offerings. Whilst often separate legal entities and managed as separate organisations, ultimately each product or service derives its meaning and identifies with the parent brand.

When we consider the example of Virgin, the core brand equity is dispersed across a portfolio of non-competing offers. Virgin's portfolio scope is enormous, yet its core brand capabilities are never lost, despite continually extending into new markets. Each brand generates an immediate market positioning based on the perception of the parent brand, a unified identity that is easy for consumers to recognise and recall.

## The Pros

- Provides immediate market recognition and positioning
- Builds maximum brand awareness across its portfolio
- Provides flexibility for divergent services to be launched to market
- Negates the risk of multiple brands diluting the brand equity
- Smooths the path for new product development or offers
- Reduces risk of rogue branding decisions or mavericks

## The Cons

- Stands for one, coherent promise
- Diversification across markets and industries expands the risk profile in general
- Reputational damage in one brand may have a ripple effect to other house brands
- Consistency of voice across a divergent portfolio
- Limited ability to target niche markets
- May not deliver distinctiveness of offer in markets where it makes sense to do so

# Sub-brands

*Allowing your brand to diversify and adapt to market trends.*

The **sub-branding** model comprises two elements: the corporate name and the sub-business/product/service descriptor. The fundamental assertion is the consistent, visible connection to the parent brand. The application of the parent top-level branding smooths the transition for new products in ever more niche markets, through which the parent's values and positioning are adopted by the sub-brand. In the sub-brand model both the personality and visual identity of the parent is present in some form, however they are differentiated within the market to access the niche audience.

An example of a sub-brand model is Lego with its sub-brands of Lego Friends, Lego Ninjago, Lego Technics etc. The visibility and connection to the parent brand is obvious and clear in appealing to each new niche market, with the sub-brand's values and positioning immediately identifiable as Lego. Provided that the brand's appeal in the niche market is strong, as is the case with Lego, the sub-brand can extend the brand equity and reach of the parent brand into ever more targeted markets.

## The Pros

- Allows brands to stretch into adjacent areas
- Eases NPD, planned obsolescence and discontinuous innovation
- Sub-brand equity is delivered back to strengthen the parent brand
- Increases exposure for the parent brand across multiple target audiences
- Can be effective in mergers where the dominant brand becomes the parent
- The parent brand positioning and brand equity are instantly adopted

## The Cons

- Requires simultaneous market strategies and ongoing marketing investment
- Extensive stretch may dilute the core brand offer and promise
- Potentially conflicting brand associations can weaken the image of the core brand
- Underperforming sub-brands may affect other sub-brands and impact the parent brand
- Can dilute the parent brand if architecture model is not carefully managed

# Endorsed Brands

## *Will association with the core brand add credibility?*

Under the **endorsed brand** model, the parent brand is able to provide quality reassurance and credibility through association to support a new offering in a new market. The endorsed brand operates as a separate identity, signifying a greater stretch from the core/parent brand. Endorsed brands have distinct audience, values, proposition and reason for existing from the parent brand, indicating a more arms-length association with the parent; the primary purpose of the parent's presence is to reassure customers of the gravitas of the parent brand supporting the new offering. Varying levels of endorsement, covert and overt, communicate the degree to which the core brand should be made visible to customers, for example Polo by Ralph Lauren or Courtyard by Marriott.

Suncorp has adopted a hybrid strategy, utilising the parent brand in cases where it adds value and trust, such as AAMI, APIA and Bingle. Other brands within the group stand alone as they have their own earned equity – such as GIO and Vero. This flexibility allows for ongoing product diversification and brand extensions to occur.

## The Pros

- Power of the parent brand can be leveraged to target different audiences
- Provides opportunities for brand stretch outside core offer provision
- Builds flexibility into a portfolio that encourages innovation
- Endorsement can be scaled down where offer carves substantial market share
- Existing brand equity is used to provide assurance on product/service quality
- The parent's values and attributes accelerate positioning of the endorsement

## The Cons

- Potentially minimal brand equity transferred back to the parent
- Negativity or reputational damage can dilute the brand equity of the parent brand
- Multiple go-to-market strategies and associated marketing investment required
- Audiences may not necessarily distinguish the separation from the parent
- Complexity of managing brand extensions separate from the parent
- Potential complication from multiple visual identity applications

# House of Brands

*Each brand establishing its own distinct voice and values.*

In the **house of brands** model, it is the individual product or service brand – rather than the central, owning parent or corporate group – that is the source of brand identification for target audiences. This model allows for flexibility, as each brand under the parent brand operates independently under their own individual business strategy. As such, each standalone feeds back to the parent and feeds into their business strategy as one component of many. The owner, umbrella or corporate brand often remains invisible to consumers, as there is little inherent value in highlighting it. The model requires greater levels of investment in new product development, marketing and ongoing maintenance.

For example, Alphabet functions as a corporate holding company that enables Google and other entities within the portfolio including Calico and YouTube to build their own equity. Alphabet is therefore free to acquire and expand its portfolio as the opportunities arise.

## The Pros

- Freedom to create individual identities and go-to-market strategies
- Enables swift opportunity to capture new market opportunities
- Target same audiences with different products, taking greater market share
- Negativity associated with one brand won't tarnish the reputation of others
- Mitigates collective risk through separation of legal entities
- Enables diversity of product/service offering in different market

## The Cons

- Invisibility of parent brand may lead to little or no brand equity for the parent
- Cumulative ongoing marketing investment for a multi-brand portfolio
- Duplication of resources to develop, manage and deploy product/service
- Lack of consistent voice for the umbrella or corporate brand
- Difficulty in deploying organisation wide employer branding/recruitment offer
- Lack of sense of the whole, siloed mentality

# The catalysts for brand architecture review

A number of catalysts may motivate organisations to reassess their brand architecture. While mergers and acquisitions are a classic trigger, a portfolio that is organised in a sub-optimal way can lead to brand dilution with subsequent decline in brand equity.

## Brand proliferation

Complex or disorganised brand portfolios can evolve organically over time with little structure or discipline as to how brands are to be integrated, branded (visually) and managed. A multitude of inconsistent identities and lack of 'clear air' between brands can result.

The development of products, services, campaigns or programs can become less cost effective and operate within silos. It can become difficult to determine which brands hold the greatest return on investment as brands compete internally for attention and resources.

## Audience confusion

The key purpose of brand architecture is to facilitate both customers' and employees' understanding of a company's range of offerings. However, audience confusion occurs where the portfolio structure hasn't been put in place.

Audiences may not see the structure but will experience the result where products in the same portfolio have cannibalised each other and are competing for the same purchase decision.

## Investment harmonisation

Organisations looking to reduce costs can choose to review their architecture to see where harmonisations or sunsetting can be employed to drive efficiencies.

Efficiency drives are helpful mechanisms in motivating reconsiderations of an organisation's architecture to determine if a sharper, tighter approach will deliver the dual benefits of cost reduction and better market penetration.

## Opportunities to enter new markets

Innovation is driving rapid change across all markets. It is opening up new markets, new ways of working, new technology and trends. Businesses need an efficient way to cope with the changing market forces.

Brand architecture can also be used for established businesses who are trying to stay relevant and/or need to reach a new generation of consumers who see the world through a different lens.

# Business benefits of brand architecture

Brands require regular assessment to track their individual performance in relation to the overall portfolio. When strategically defined and positioned to meet the needs of a particular market segment, brands are able to contribute to business growth.

## Informs and clarifies your business strategy

Defining the present brand architecture is instructive in not only defining the current relationship between products or services under the one roof, but also in identifying gaps that may exist. This is specifically important in relation to long term strategic goals for the business.

Organisations need to ask the question on whether the present model is fit for purpose with regards to achieving long term goals. Brand architecture can be used as a tool to inform future strategic decisions.

## Marketing efficiency

Brand architecture helps focus marketing investment, to drive efficiencies and avoid duplication of effort. Resources can be appropriately allocated, resulting in sharper targeting of audiences. For organisations adopting a **master brand** strategy, this results in a stronger understanding of all products/services and their brand promise.

For those adopting a **house of brands** perspective, audiences experience clear differentiation between products/services to the point where no relation between them is determinable. Brand architecture helps build the correct brand awareness.

## Informs decision making

Brand architecture assists in decision making with regards to New Product Development (NPD), brand creation or extension.

The opportunities for new markets and new audiences can be evaluated against criteria to determine if it sits within the current or future desired brand architecture. Brand architecture can help inform go/stop decision making.

## Facilitates development of visual identity systems

The choice of brand architecture model directly governs how brands are represented visually.

In **master brand** scenarios, the overarching visual identity is consistently applied across the product/service provision; in **house of brands** structures, all products and services are separately branded to create complete differentiation.

# A final message

At BrandMatters, we have identified that organisations need help with brand architecture when one of two scenarios motivate action:

1. a brand architecture, inherited or previously designed without built-in flexibility, has no room to evolve as the market swiftly does; or
2. an organic accumulation of brands over time that is now cannibalising or conflicting with one another.

As the market evolves more swiftly than ever, our view is that brand architecture can be repositioned as a powerful tool to retain and increase market share against increasingly aggressive competitors. Organisations need a strong framework from which to grow, one that is agile and can support change.

A well-defined and executed brand architecture strategy affects all aspects of a business and can result in sustainable, long term success.

**The Guide to Brand Architecture for B2B Organisations**

In our next e-book, The Guide to Brand Architecture for B2B Organisations, we will delve deeper into various business scenarios, the considerations across the brand architecture spectrum, and look at how other B2B organisations have employed these to their benefit.

## About BrandMatters

BrandMatters is in the business of building strong, enduring brands that enable business growth. We are a Sydney-based brand strategy, design and marketing consultancy, and we deliver the full spectrum of brand and marketing services – all under one roof. We partner with medium to large organisations across many industries – yet we have a deep specialisation in financial services and B2B.

At BrandMatters, we believe that building strong brands requires equal parts science and imagination. We uncover powerful, research-derived insights, and combine them with disciplined strategy, a healthy dose of intuition and creative excellence to define and express your brand's unique essence.

We then bring your brand to life via effective, aligned marketing and employee branding collateral and programs.

We believe, to our core, in the transformative power of brand. To find out how we can help create or revitalise your brand please contact us:

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