Communicating Across the Enterprise: How Brand Portfolio Models Affect Strategy

The 2 Most Common Types of Organizations: House of Brands and Branded House

1. A “**house of brands**” is an organization that markets a number of separate brands. The parent company name is usually different from its individual brand names. For example, Proctor & Gamble is the parent company for a large house of brands, from Tide to Crest.

2. A “**branded house**” is an organization where the company itself is the brand, and all of its products and services are sub-brands of the company brand. Examples include Nike, FedEx, Virgin and Hewlett-Packard.

The two models are not black and white, and there are different approaches along the spectrum between the two. Apple, for example, is the name of the company and the master brand, but iPhone, iPad and Mac have become very large and very strong sub-brands on their own to the point that Apple is somewhere between a branded house and a house of brands.

In addition, there are examples of **companies moving from one model to another** as they grow and evolve. Johnson & Johnson’s baby care brands, for example, all fall under the branded house architecture which reflects the original heritage of the company. As the company acquired new brands in categories less connected to that heritage, like Listerine and Benadryl, J&J morphed into a house of brands.

Finally, it should be noted that **there is a related model called a “holding company,”** which is a collection of independent businesses under one umbrella organization. Perhaps the most famous example is Warren Buffett’s Berkshire Hathaway, which owns everything from Geico insurance to NetJets to Dairy Queen. Buffett has said that he allows each of the businesses to operate on its own, subject to financial goals set by the parent, as it is primarily a financial construct there is little to no connection between the individual businesses.

Which Model to Choose?

As companies grow, whether by launching new products and services, or through acquisitions, they face the decision of whether to create new brands and how to manage them.

There are many elements in this process, including business objectives, relationship with the customer or end user, and organizational culture. But here are some of the key considerations:

- What are the resources available to promote the brand? The less that is available to invest, the more it makes sense to consider a “branded house” or “company brand” strategy. However, this requires vigilant management to ensure a consistent brand experience across all categories.

- The larger the branded house, the more risk that a problem with one product can affect the entire company. Also, a corporate brand can become so broad that it reaches a point where it may not be able to extend into a new category or adjacency.

- Conversely, if your business plan requires uniqueness and differentiation for success in a particular market or category, it may be best to create individual brands in a house of brand strategy. However, a house of brands requires significant investment in building individual brands, and the corporate brand may become secondary or even unknown to your customer or end user.

Whichever strategy is chosen, the goal is the same: to build relationships with customers and end users.

Pros & Cons of Each Model

House of Brands Pros	House of Brands Cons
• Each brand is its own entity, free to engage with its end-customers on its own terms. • Promotes a single-minded focus on building and growing each individual brand. • Can leverage the parent company if needed for scale, such as selling into a large retailer like Walmart or getting better advertising rates. • Managed as a portfolio, can quickly take resources from one brand to invest in another if market conditions change. • May shield the corporate name in the event of a crisis.	• More complicated organization to manage, especially if the parent is frequently acquiring and integrating new brands. • Can promote unhealthy competition for resources among brands and an “us vs. them” between growing and fading brands. • Difficult to build equity for the parent externally, since customers and communities may not know which company makes what brand. • Challenging to engage employees with the parent, as multiple brands in different categories can make it hard to have one unified purpose. • Difficult to get end-customers who like one of your brands to try another, since there is no obvious connection between the two.
Branded House Pros	**Branded House Cons**
• More efficient to manage; can streamline decision-making across the organization. • Easier to launch new products (instant awareness and equity). • Makes it possible to build stronger engagement among all stakeholders internally and externally. • Customers buy based on “halo effect” of the entire company, rather than one individual product or service. • Can be easier to defend against competitors.	• Temptation to become “all things to everyone” with new product offerings that become too broad. • Management/employees in different product areas must work more closely together for the good of the overall parent brand. • Bad news affects the entire company.

Case Study: Newell Rubbermaid—From Holding Company to House of Brands

For most of its history, Newell was a holding company. In a growth-by-acquisition strategy, Newell bought up consumer durables businesses like Sharpie pens, Graco baby gear and Calphalon cookware, and allowed them to remain largely independent.

This led to:

- A high cost structure from a collection of businesses spread out geographically with redundant headquarters offices, management teams, sales staff, etc. and lack of group purchasing power.
- Cutthroat competition between businesses, in some cases undercutting sister companies within the same retail customer in pursuit of sales.
- Separate HR policies, bonus structures, pay standards, benefits, etc. across the organization.
- Difficult for talent to move from one business to another. Many different ways of working.

In 2006, a new CEO recognized the potential synergies of creating One Newell and began the process of transforming from a holding company to a house of brands. This essentially meant creating a single Fortune 500 company out of a $6 billion collection of 15 separate businesses.

At the same time, based on a changing retail environment the CEO changed the company's business model from a sales-driven company to one based on consumer brand-building and product innovation.

With two major transformational initiatives taking place at the same time, management recognized the importance of communications in helping lead change.

Some of the key communications initiatives included:

- Creating and communicating an inspiring vision of the future to unite the company and rally and engage all stakeholders. This included work to define the company's purpose, as well as a new mission, vision, and refined values—which was based on the shared DNA of all the businesses and brands that formed the company.
- Internally, communicating what "good looks like" – the behaviors, interdependencies, operating principles, new functional centers of excellence, etc. of the new Newell. These behaviors were also reinforced by HR through employee evaluations and requirements for promotion. A one-page "Growth Gameplan" strategy was communicated throughout the company and to investors as a convenient reference.
- Making it "real" by changing all stakeholder touchpoints to Newell: employee paychecks, employee email addresses, business cards, customer invoices, signs at facilities, fine print on product packaging, etc. Also, converting 15 bonus plans to one company-wide, enabling business leaders to cooperate when resources needed to be taken from one brand and given to another.

- Creating the reputation infrastructure of a Fortune 500 company, including unifying community relations into one corporate-driven initiative (brands could continue to do their own cause marketing), diversity & inclusion and sustainability reporting, a new “employer brand” for recruiting, etc.
- Celebrating the success (internally and externally) of the new ways of working. For employees, this including showing how employee career paths now encompassed the entire company, rather than an individual brand. For investors, this included demonstrating that Newell was now a synergistic enterprise worth more than the sum of its parts.
- Ongoing employee surveys to diagnose and improve engagement and promote an “I work at Newell” mindset rather than “I work at xxx brand.”
- Note: branding architecture was “Brandname – A Newell Company” to reinforce the parent company synergies with consumers and retail customers.

Bottom line: for Newell’s transformation strategy to work, it was essential to **bring the parent company front and center** to enable the success of its individual brands. Only when everyone operated the “Newell way” and believed they worked for Newell, rather than their individual brand, could the collective power of the organization be unlocked.

Case Study: Cox Automotive—Creating a New House of Brands withing a Branded House

Cox Automotive was launched in 2015 as a new house of brands within the branded house of Cox Enterprises. Cox Automotive is the third sister operating company along with Cox Media Group and Cox Communications.

Initially a holding company for a $5 billion portfolio of B2C and B2B automotive businesses, including Autotrader, Kelley Blue Book, and Manheim auto auctions, Cox Automotive was turned into a branded house upon its creation, and a new CEO and leadership team was brought in to run the new company.

Cox Enterprises, at $20 billion one of the largest private companies in the U.S., has an over 100-year history of family ownership with a very strong culture and values. Therefore, Cox Enterprises leadership mandated that the new Cox Automotive integrate with the overall parent's culture and values, while allowing for some flexibility in creating its own "flavor."

The challenge: how to bring together vastly different individual brand cultures under one parent, while preserving the entrepreneurial drive essential to maintain growth and innovation. On one extreme was a software business in Silicon Valley where employees wore shorts and sandals, brought their dogs to work, and had conference rooms named for videogames. At the other end was an old-school auto auction business with 80 global locations where hourly employees washed and prepared cars for sale.

Complicating this challenge was the insight that the new company's main customers—car dealers—were afraid of the size and scale of Cox Automotive. They feared that the new company would have its hand in so many aspects of their business, with such a large share of wallet, that the balance of power would be tipped.

The solution: make Cox Automotive **the primary brand for employees, but the secondary brand for customers**. As part of the communications strategy, an analogy was created that Cox Automotive is the platform on which all its brands can stand taller.

- Externally, with this strategy sales associates continued to call on customers by brand name, thus minimizing the connection to the parent Cox Automotive as a 300-pound gorilla. Customers might buy services from 5 different brands and deal with each brand separately. Only very large customers such as CarMax were approached with an integrated Cox Automotive sales team. Yes, this added cost and complexity but was seen as essential to successfully maintaining strong partnerships with customers of all sizes. Talking points and toolkits were distributed to help sales associates answer questions about the new Cox Automotive.
- For employees, this strategy necessitated a shift in mindset from "I work at [x brand}" to "I work at Cox Automotive on the [x brand]." With Cox Automotive the platform for all its brands, it was essential to define the platform. The strategy was to bring Cox Automotive to life through the connection with Cox Enterprises' successful 100-year history, culture and values, and generous

benefits—including one of the last surviving pension plans in corporate America. Initiatives to make Cox Automotive a solid member of the Cox Enterprises family included:

  - Quickly connecting Cox Automotive to the Cox Enterprises employee communications stream. For example, the Cox Enterprises employee magazine was mailed to the homes of Cox Auto employees and Cox Auto began to be featured frequently. The same was true of the other Cox Enterprises employee communications channels. Another example: Cox family members attended and spoke at all key Cox Automotive employee events, such as quarterly update meetings, annual sales team meetings, and leadership roadshows.
  - Including Cox Automotive in Cox Enterprise company-wide initiatives, including an annual giving campaign for the United Way, Cox foundation, and numerous service opportunities such as a paid day off to volunteer each quarter.
  - Touting the generous employee benefits and career pathing made possible by being part of a $20 billion enterprise. As the new company was built out, the communications team heavily publicized examples of employees being promoted into higher positions at different brands within Cox Automotive, and even at sister companies within Cox Enterprises.
  - Over time, survey results showed employees felt more secure in their jobs knowing that they were part of a much larger organization where they could have a long-term career, even moving out of Cox Automotive to a sister company as they grew and developed.
  - But – like its sister companies, Cox Automotive was allowed to create its own version of the Cox Enterprises values that was very similar, but phrased in language that best matched the needs of its unique business.
- To manage communications, the head of communications for Cox Enterprises maintained a close—but not supervisory—relationship with the heads of communications for the three operating companies. The one rule was to immediately involve Enterprises if any issue threatened to generate widespread publicity, whether negative or positive. Enterprises would then advise on managing the issue and would update Enterprises leadership as appropriate. Other linkages between Enterprises comms and operating companies comms included:
  - Quarterly meetings among the 4 leaders to update each other on key initiatives, risks, and opportunities.
  - An annual meeting for all communicators in the organization to present annual plans, celebrate success, and share best practices.
  - Talent sharing among teams, though this was more of an informal process.

Bottom line: Cox Enterprises had such a strong history, culture and values, it seemed to naturally “flow” into each operating company where it adapted to the needs of the business but was maintained by continuous reminders of the Cox heritage and overall Cox initiatives. New ventures that were launched and incubated within the operating companies were allowed to be free of profitability constraints but were expected to adhere to Cox values.

Case Study: Merial Inc.—An Evolving House of Brands

Merial is the animal health division of Sanofi – a global pharmaceutical company. With annual sales of over $2.5 billion, Merial employs more than 6,000 employees in 150 countries. Merial is the maker of industry-leading pharmaceutical products for pets, such as FRONTLINE® and HEARTGARD®.

Merial was created about twenty years ago with the merger of Rhone Merieux and MSD AgVet. Nine years ago, it became a wholly owned subsidiary of Sanofi, and in 2015 Boehringer Ingelheim exchanged their consumer healthcare business for Merial. Last year, the two companies – Boehringer Ingelheim, and Merial – united to form one animal health giant.

Challenge: Change! As the brand has changed ownership and associations, the company has looked to establish a corporate reputation unique to its roots in global animal health.

This generated:

- An effort to position Merial from a corporate social responsibility (CSR) and corporate reputation standpoint.
- A deliberation and analysis of how to identify itself in the space — pet health? public health? sustainable development? — to create differentiators and explore what truly makes a brand.
- An evaluation of trajectory to determine where Merial would make its mark and how that would manifest uniquely in different cultures across its footprint.

Bottom line: Merial is an example of a brand positioning work-in-progress. The communications practices developed over the past several years serve to set global communication and marketing strategy, while leaving room for regions to customize according to local regulations and cultural receptivity nuances.