

CAUSES AND SUCCESS OF BRAND DELETIONS. THE ROLE OF BRAND ORIENTATION

Temprano García, Víctor; Rodríguez Escudero, Ana Isabel; Rodríguez Pinto, Javier.

Universidad de Valladolid.

RESUMEN

La eliminación de una marca es una decisión crítica dentro de la estrategia de marketing de una empresa. Pese a que en los últimos años muchas organizaciones han tomado este tipo de decisión y han acometido drásticos programas de eliminación de marcas, la literatura sobre este tema es muy escasa y fragmentada, y son múltiples las cuestiones que se deben abordar. Concretamente, en este trabajo nos proponemos examinar la influencia de las causas de eliminación de una marca –previamente clasificadas en proactivas y reactivas– en el éxito de la decisión. Además, exploramos el efecto que la orientación a la marca tiene en la mayor o menor ocurrencia de eliminaciones por causas proactivas o reactivas. Implícitamente, en el trabajo proponemos que la orientación a la marca tendrá un doble efecto indirecto positivo en el éxito de una eliminación. En primer lugar, a través de incremento de eliminaciones exitosas que ocurren por causas proactivas y, en segundo, por la reducción de eliminaciones no exitosas que sobrevienen por causas reactivas. La propuesta investigadora que realizamos se testa sobre una muestra de 155 casos de eliminación de marca. Los análisis preliminares indican que la orientación a la marca contribuye al éxito a través de la adopción de eliminaciones enfocadas en el aprovechamiento de oportunidades de la marca, tales como un mayor ajuste estratégico o unos menores costes de oportunidad. Además, la orientación a la marca previene de realizar eliminaciones simplemente por causas problemáticas, eliminaciones que no acaban arrojando grandes resultados.

Palabras Clave:

Dirección de la cartera de marcas, eliminación de una marca, causas de la eliminación de una marca, decisión proactiva, decisión reactiva, orientación a la marca, éxito de la eliminación de una marca.

ABSTRACT

Brand deletion (BD) is a critical decision within a firm's marketing strategy. Despite in recent years many organizations have pruned their brand portfolios and undertaken drastic BD programs, the literature on this topic is extremely scarce and fragmented, and several issues of BD can be investigated. This research is primarily concerned with the study of the impact of BD causes –previously classified as proactive versus reactive– on BD success. In addition, we explore the effect of the firm's brand orientation on the occurrence of deletions by proactive versus reactive causes. Implicitly, we suggest that brand orientation will have a double positive indirect effect on BD success: first, through the increase of successful BDs due to proactive causes and, second, by the reduction of unsuccessful BDs precipitated by reactive causes. Our research proposal is tested on a sample of 155 cases of BD. Preliminary findings indicate that brand orientation contributes to the BD success through the adoption of BDs focused on taking advantage of brand opportunities, such as searching for a better strategic fit or avoiding opportunity costs. Besides, brand orientation prevents deletions due to merely problematic causes, deletions that, after all, do not generate success.

Keywords:

Brand portfolio management, brand deletion decision, brand deletion causes, proactive decision, reactive decision, brand orientation, brand deletion success.

1. Introduction

During the 1990's, due to a favorable economic context and the corresponding market expansion, marketing managers fostered the proliferation of products and brands within their business portfolios. A diversified portfolio of brands and deep product lines enable firms to better meet the heterogeneous needs of different market segments as well as it pre-empt the entry of new firms into the market (Keller et al., 2011; Morgan and Rego, 2009; Rosenbaum-Elliott et al., 2015). However, the most recent decades are characterized by an increase in market competition that has reinforced the need to reduce costs in order to be competitive in prices. Since maintaining a wide brand portfolio is costly, companies are using a brand deletion (BD) strategy, i.e. the discontinuing of the brand from a firm's brand portfolio (Shah, 2013), to increase their competitiveness. That is, firms are removing weak and unwanted brands from their portfolio and reassigning the freed-up resources to a reduced set of stronger brands with a greater potential for value creation (Kumar, 2003; Varadarajan et al., 2006). Paradoxically, the importance of brands as potential drivers of sustainable competitive advantage has not diminished, but just the opposite (Temprano et al., 2016).

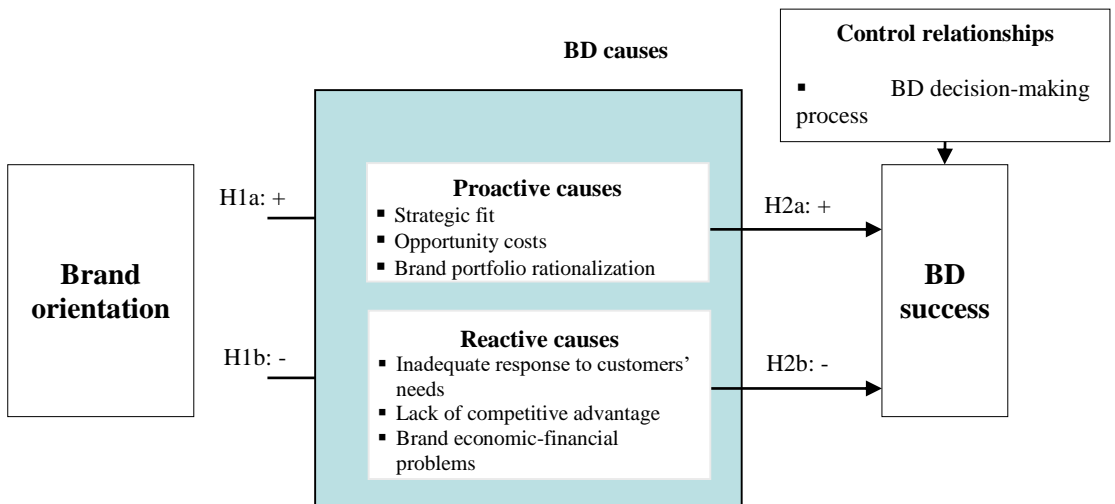
Despite the relevance of the BD decision, scholarly research is so scarce and fragmented that it is difficult to identify a body of knowledge on this topic. Among the BD issues that deserve attention, we consider particularly important investigating the causes or situations that evoked the deletion of a brand. In the meagre literature on BD, we have identified only three studies dealing with the BD causes, being two of them theoretical (Shah, 2015; Varadarajan et al., 2006) and one a qualitative empirical study (Shah, 2017). It is remarkable Varadarajan et al.'s (2006) article, who proposed a conceptual model delineating the drivers of the predisposition of a firm to delete a particular brand from its portfolio. They classified these drivers of BD propensity into four groups: brand characteristics (perceived quality, strategic role, extendibility...), firm characteristics (number of brands, attractiveness of alternative opportunities...), market and product category characteristics (market size and growth...), and brand performance characteristics (sales, market share...). Shah (2015) also proposed a conceptual framework of the factors influencing the decision to retain or discard weak brands. Beyond financial considerations, she suggests that firms should consider other non-financial (strategic) factors related to the internal context (the firm's brand strategies, its brand attachment or the negative emotions the BD would provoke) and the external context (customer reactions, interests of channel partners, government's regulations and mass media coverage of the BD). Findings from Shah's (2017) qualitative analysis of semi-structured interviews and archival data from business press reveal the main reasons why firms delete a brand are poor financial performance as well as non-financial factors related to the brand's inability to adapt to market trends and meet the changing needs of consumers or its lack of fit within the brand portfolio or the corporate strategy. We acknowledge these efforts to enhance the knowledge on BD causes, but further academic inquiry is necessary. Prior conceptual models do not consider the causes-performance relationship, and it is obvious that rigorous empirical evidence is required to ascertain why firms do actually delete brands and how the different BD causes are linked to the greater or lower BD success.

With this background in mind, the first objective of this working paper is to expand the scant literature on BD by identifying and classifying the most relevant BD causes and analyzing their relationship to BD success. Since to date very little is known about such relations, we take the product elimination literature as a starting point. Product elimination literature considers that the causes of product deletion can be organized around two broad categories: the proactive and the reactive triggers. Following Avlonitis (1987) and Harness et al. (1998), in this research we propose that proactive causes of BD (i.e., BDs guided by strategic considerations) lead to better elimination results than BDs driven by reactive triggers (i.e., those precipitated by problems or a crisis situation). Based on brand and product deletion literature, we consider three major proactive causes –lack of match to the firm’s strategy, opportunity costs and adoption of a brand portfolio rationalization policy– and three main reactive causes –inadequate response to customer needs, lack of competitive advantage and brand economic-financial problems.

A second objective of this working paper is our desire to enhance our understanding of the influence of brand orientation on the causes of BD. Brand orientation refers to a cultural mindset that recognizes the importance of branding and its central role in the firm’s strategy (Wong and Merrilees, 2007). Brand-oriented firms place the brand at the center of the business model because they consider the brand as a main source of competitive advantage (Baumgarth and Schmidt, 2010; Urde, 1999). As a consequence, these firms regularly supervise their brands, being able to anticipate potential difficulties. Hence, we consider that if a company is brand-oriented, it is more likely that it would foster proactive-led BDs instead of reactive-led obliterations. Implicitly, we are suggesting that brand orientation will have a double positive indirect effect on BD success: first, through the increase of successful BDs motivated by proactive causes and, second, by the reduction of unsuccessful BDs that are hastened by reactive causes (see Figure 1). The model included as control relationships the impact of BD decision-making and implementation process variables on BD success.

The remainder of this working paper is organized as follows. First, a short justification of the hypotheses is provided. Next, the methodology (data gathering and construct measurement) is discussed. Finally, preliminary findings are presented.

FIGURE 1: conceptual model.



2. Hypotheses development

Brand orientation is an organizational attitude that acknowledges and emphasizes brands as key resources within the company, giving brands a leading role in strategy building (Santos-Vijande et al., 2013; Wong and Merrilees, 2007). The greater the firm's brand orientation, the greater its consciousness of the value of brands as a source of competitive advantage leading to superior performance related to enhanced customer satisfaction and loyalty, lower marketing costs and larger margins (Calderón et al., 1997). As a consequence, brand-oriented firms try to protect their brands and anticipate circumstances that might reduce their value. In this sense, it is more likely that brand-oriented firms are continuously monitoring the value of their brands, detect in advance future market trends, shifts in customer needs and preferences, and other opportunities and threats. This enables them to devise better strategies helping to prevent future problems, including wise BDs not based on threats and signals of weak performance only, but proactively pursuing such opportunities to develop a more coherent and strengthened brand portfolio. In contrast, it is unlikely firms less brand-oriented have a consistent brand portfolio strategy with a well-defined architecture of brands, which makes these firms more prone to act reactively. Hence:

H1. Brand orientation is positively related to BDs inspired by proactive causes (H1a) and negatively related to BDs precipitated by reactive causes (H1b).

As we have indicated previously, the product elimination literature has established the distinction between proactive and reactive causes and shed some light on the relationship both types of causes and success (Argouslidis and McLean, 2001; Avlonitis, 1987; Avlonitis and Argouslidis, 2012; Hart, 1988; Mitchell et al., 1997). Proactive causes (i.e., issues such as the opportunity costs of keeping the brand in the portfolio and the matching of each brand with the firm's strategic priorities) likely lead to a successful BD because it

permits to free-up resources that can be deployed to enhance other business activities, contributing to gain and sustain competitive advantage and superior performance (Harness, 2004; Kumar, 2003; Varadarajan et al., 2006). However, since BDs due to reactive causes (such as low customer satisfaction and loyalty or poor financial performance) are prompted only after the problems arise, this type of deletions will likely yield modest outcomes (slowing down the negative results or cutting the losses at best). Reactive-led BDs have less time to scrutinize and reflect on the underlying causes, envision alternative solutions and project adequate responses to the challenges faced by the company. On these bases, we suggest that:

H2. Proactive causes are positively related to BD success (H2a), meanwhile reactive causes are negatively related to BD success (H2b).

3. Methodology

3.1. Data gathering

To gather information which allows us to test our model, we proceeded as follows. First, because a complete list of Spanish companies which have made the decision to delete a brand does not exist, we searched using the Amadeus data base for qualified Spanish companies with at least one brand registered in the Spanish Patent and Trademark Office (SPTO) and with over 50 employees. Aiming to cover the full range of both manufacturing and service industries, 4075 firms were identified. From this prior screening, approximately 1/3 (i.e., 1362 firms) were randomly selected to be contacted by telephone and email to inform them about our research and to solicit their participation if at least one brand had been recently deleted from their company's brand portfolio. In this first contact, 232 companies expressed their wish to participate. 789 firms were excluded because they either had not deleted any brand or because they belonged to a group and the parent companies were already included in the sample. 341 refused to participate because, despite our guarantee of confidentiality, they did not want to disclose any information on this type of decision.

As a means for exploring the manager's point of view of the relevance of the variables identified in our literature review as BD causes, we conducted 8 in-depth interviews with executives, five of which working in firms operating in service sectors, and the other three working in firms in manufacturing industries. Concerning size, three of the interviewees were top managers in medium-sized companies and five in large companies. These interviews also served to refine and pre-test the questionnaire designed to gather the data for the empirical analysis.

The final version of the questionnaire, in which the unit of analysis is a case of BD recently carried out by the respondent firm, was sent to the 232 companies that agreed to participate, along with two letters of support by Interbrand and the Leading Brands of Spain Forum and a letter thanking them for participating in our research, and explaining the benefits of joining our research in terms of full access to the research findings. After a follow-up by telephone and personal visits to their offices, we obtained 155 complete questionnaires, provided by 111 respondent firms, yielding an effective response rate of 48%. Respondents were asked about their direct participation in the BD decision and implementation as well as their knowledge of the reasons and facts surrounding the deletion. Mean scores for these

questions were, respectively, 5.75 and 6.38 out of 7, indicating that the key informants in our sample are a valid source of information.

3.2. Construct measurement

As stated before, the literature on BD is extremely scarce. Therefore, to operationalize the constructs representing the BD causes we have adapted measurement instruments used in the product elimination literature (Argouslidis and McLean, 2001; Avlonitis, 1993; Avlonitis and Argouslidis, 2012; Gounaris et al., 2006; Harness, 2003, 2004; Mitchell et al., 1997; Papastathopoulou et al., 2012) and refined them based on the in-depth interviews carried out. The construct of brand orientation has been operationalized using the scale previously validated by Wong and Merrilees (2007). We elaborated a new scale to measure BD success. Measurement items are presented in Table 1.

TABLE 1: Construct measurement.

<i>Construct</i>		<i>Items</i>
Proactive causes	Lack of matching to the strategy fit	This brand did not fit the corporate strategy. Corporate management was making decisions on future that did not cover this brand. The brand was not aligned with the identity of the company.
	Opportunity costs	It was deemed that the resources allocated to this brand would be more profitable in other areas or projects within the company. The company had much better investment alternatives than keeping the resources in this brand.
	Brand portfolio rationalization	The company was trying to reduce the costs of managing its brand portfolio. It was trying to achieve economies of scale in brand management. The company was attempting to concentrate on a few leading brands. It was avoiding dispersing its efforts in many small brands.
Reactive causes	Inadequate response to customers' needs	This brand did not fit the customer's needs. Customers were not satisfied with the brand. Customers were not loyal to the brand. This brand did not meet the market trends at that moment. Customers favored more modern brands.
	Lack of competitive advantage	In terms of differentiation and costs, the brand did not have a clear competitive advantage. The perceived quality-price ratio for the brand was worse than that of competitors.
	Brand economic-financial problems	This brand was suffering economic-financial problems. The company was very little satisfied with the profitability of their investments in this brand
Brand orientation		The brand is the core in our company's mission and strategy development. Our company builds upon its brands so as to generate competitive advantage. All members of the company are aware that the brand differentiates us from competitors. Our company is concerned about creating and developing valuable brands.
BD success		The deletion of this brand has been good for the future of the company. The company achieved the goals by which the decision was made. The deletion decision is considered a complete success.

4. Preliminary findings

To statistically validate the measurement instruments of the different BD causes, we first run an exploratory factor analysis on the eighteen items using principal components with

Oblimin rotation (IBM SPSS Statistics 20). An oblique rotation was chosen because we expected the dimensions to be correlated. This analysis yielded a four-factor solution with eigenvalues greater than 1 which accounts for 73.0% of the total variance. This solution consists of three components each one covering one the three proactive causes proposed (strategic fit, opportunity costs and brand portfolio rationalization) and one component with high loadings on all the nine items initially suggested for the reactive causes. We named this component “brand problems”. A subsequent confirmatory factor analysis validated this four-factor structure. Average variance extracted (AVE) is above .5 and composite reliability (CR) exceeds .7 for all the constructs.

Preliminary findings from a Partial Least Squares (PLS-SEM) analysis show that brand orientation is positively related to the three BD proactive causes (H1a) and negatively related the brand problems reactive cause (H1b). Therefore, placing the brand in the center of the firm’s strategy leads to undertaking BDs based on proactive motives and to properly sidestepping problematic situations. Findings provide partial support for H2a, since we observe that two of the three proactive causes (strategic fit and opportunity cost) are positively related to BD success, but the impact of brand portfolio rationalization on brand success is non-significant. This lack of significance may be attributable to the double nature of this construct (Gounaris et al., 2006). We note that rationalization may be evoked by a proactive intent to increase brand portfolio efficiency (i.e., before problems generated by an underperforming brand arise), or it may be an action initiated to stop the financial bleeding provoked by inefficient costs ascribed to the brand subject to deletion. On the other hand, the relationship between reactive causes (synthetized as brand problems) and BD success is as expected negative but non-significant (H2b). This means that, even though BDs driven by reactive causes do not give rise to dissatisfaction, these fail to be considered successful. In sum, brand orientation contributes to the BD success through the adoption of BDs focused on taking advantage of brand opportunities, such as searching for a better strategic fit or avoiding opportunity costs. Besides, brand orientation prevents deletions merely based on responding to problems, deletions that, even when they have been adopted, do not represent a winning strategy. This research will provide interesting insights for marketing and brand managers dealing with the increasingly complex issue of brand portfolio management and involved in BD strategic decisions.

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