BRAND DELETION, A DAUNTING CALL: A CONCEPTUAL MODEL OF WHY SOME FIRMS RETAIN UNPROFITABLE BRANDS

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SUMMARY

In the 1980s, multinational corporations believed in giving consumers whatever they wanted – even if it meant managing cumbersome and bulky product lines and brand portfolios. At that time, Levitt (1983) argued that technology has created a global market of converging consumer preferences and, businesses would succeed if they could market globally standardized products; firms did not really need brand proliferation. Those multinationals that capitalized on the global market liberalization by not paying heed to what Levitt said are today finding themselves overburdened with gigantic, unbalanced brand portfolios comprising of loss-making and marginally profitable brands. Research also provides evidence for the disadvantages of holding huge portfolios such as, inefficiency and high costs (Eckles 1971; Kotler 1965), reduced manufacturing and distribution economies (Finskud et al. 1997; Hill, Ettenson, and Tyson 2005; Laforet and Saunders 1999), and so on.

Despite this, many firms hold unprofitable brands in their huge portfolios, a striking example of which is the automobile industry. Pontiac was discontinued in 2010 after 84 years, Oldsmobile (losing its place in the market since 1990) was finally terminated in 2004 after a life of 106 years, Volkswagen decided to retain its loss making brand SEAT because it brings 100,000 young consumers to VW stable who later graduate to VW and then to Audi. It is strategically imperative for VW to retain its loss-making brand Seat because it is an important part of the consumer life cycle. In the fast moving consumer goods industry, Unilever and P&G have also faced this situation. The question is – Why did these firms decide to retain unprofitable brands in their portfolio? The purpose of this paper is to provide an answer to this question through a model explaining the several reasons underlying the retention of unprofitable brands. The contribution of this model is: (1) enhancement of the literature by adding new constructs, (2) explaining in detail those constructs which have received only brief mentions in the literature, (3) development of new relationships among established constructs in the product and brand deletion literature, and (4) synthesizing them all under one detailed model.

Theoretically, this model which explicates the rationale underlying retention of unprofitable brands is grounded in the Resource-based view (RBV) and the Resource-Advantage Theory (R-A theory). Based on the RBV, marketing literature has widely accepted that brands are important intangible resources that can significantly contribute to firm performance (Aaker 1996; Balmer and Gray 2003; Capron and Hulland 1999; Kapferer 1992; Keller 1993; Shocker, Srivastava, and Ruekert 1994). According to R-A Theory, brands can be categorized as resources if they contribute to the firm's ability to efficiently and/or effectively produce a market offering that holds value for some market segment(s). So, if brands are valuable resources, why would firms want to delete them? Because R-A theory also emphasizes that, "an asset that is a resource in one environment can become a non-resource in another if it no longer contributes toward the creation of value in the firm's market offerings." Contra resources can not only reduce the value but also impede the creation of value in the firm's market offering (Hunt and Morgan 1995, p. 12). And if a firm fails to modify, sell, or delete such resources from its resource assortment, it might have to face undesirable consequences. So, drawing on R-A theory, unprofitable or weak brands can be defined as brands that do not effectively and/or efficiently contribute to the value of a firm's offering. And brand retention is a firm's strategic choice to not delete or discontinue but to hold on to a brand in its present brand portfolio. The model proposed here, presents four considerations that influence the unprofitable brand retention decision. They are as follows:

Strategic considerations: Avlonitis and James (1982, p. 38) point out that "not all weak products are ready for deletion, nor are deletion candidates only those with low profitability and declining sales." Managers also need to contemplate various strategic considerations before deciding whether to retain or delete the unprofitable brand. The strategic factors discussed in this paper are (1) Top Management Team demography, (2) Image and Reputation of the firm, (3) Brand Proliferation Strategy, (4) Viability of the brand, and (5) Flanker Brand Strategy. For example, if the brand deletion decision is perceived to have a negative impact on the firm's image and reputation, the firm is more likely to retain that brand in its portfolio. Also, firms following the brand proliferation strategy with the objective of blocking new firms from entering the market or satisfying heterogeneous consumer needs might decide to retain weak brands for strategic reasons.

Psychological considerations: According to Fineman (1993), organizations are now accepted as emotional arenas. Several researchers provide evidence that apart from rational strategic considerations, an organization's decision making is also affected by emotions and psycho-

logical factors (Ashkanasy, Zerbe, and Hartel 2002; Elsbach, Sutton, and Principe 1998; Forgas and George 2001; Schwarz 2000). The psychological factors that might be important in the brand retention scenario are (1) Negative Emotions, (2) Brand Commitment and Brand Attachment of management and employees, and (3) Sunk Cost Fallacy. Deciding whether to let go off a brand is a sensitive issue because it might be viewed as a direct attack on the management's ability and competence of managing the brand. This might hurt the brand manager's self identity and future career prospects thereby creating negative affect. According to Park et al. (2010), individuals attached to a brand experience complex feelings about the brand such as happiness from brand-self proximity, pride from brand-self association, and anxiety, stress, and sadness from brand-self separation. If the employees and management of the firm exhibit a strong sense of psychological bonding with the brand, eliminating that brand (despite is unprofitability) would become a painful and emotionally charged process. As Kumar (2003, p. 88) puts it, "brand managers whose careers are wrapped up in their brands, never take easily to the idea (of brand deletion)."

Process considerations: Two process-related factors that hold importance in this case, (1) formalization of and (2) firm's past experience with the brand deletion process. Avlonitis (1985) found that firms with formal product deletion procedures have a lesser chance of retaining unprofitable products in their portfolio than those firms that do not have formalized deletion procedures. Moreover, formalization enhances managerial effectiveness by preventing sick products from hanging in the product line because it thwarts procrastination, hesitation, and half-hearted efforts in the deletion process. Also, a firm that has past experience of successful brand deletions might be more confident and efficient (Greve 2003; Levinthal and March 1993) in the current brand deletion situation as compared to a firm undergoing this process for the first time without any prior experience.

External Environment considerations: According to Tosi and Slocum (1984), a firm operates in and is also affected by its external environment. This external environment is also a major source of contingencies faced by a firm. Some external entities that might influence the brand retention decision include consumers, channel partners, competitors, market structure, media, and government. Applying the Stakeholder Theory (Freeman 1984), it is important for a firm to consider the interests of these several stakeholders while making the retention decision for unprofitable brands.

Thus, this conceptual model provides a checklist of factors to be considered while deciding whether to retain unprofitable brands, and thereby, facilitates the brand deletion process. Further, this model is not all-encompassing; there is potential for the further refinement and enhancement of the proposed model. Future research could examine the impact of cultural, technological, and social factors, and the influence of conflict of interests among stakeholders on the brand retention decision. Finally, if firms draw their attention to this neglected area of brand management, the process of brand deletion might no longer remain a traumatic ordeal for the firm, and if planned and executed properly, it would result in a firm with strong brands that is set for growth on the path of progress. References are available upon request.

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