The Agile Masterbrand

How today's leading companies are accelerating growth
with a new approach to brand architecture

Lippincott

Sense Perspective

Across industries and markets, companies want new ways to jump-start growth. No longer content with incremental, year-over-year gains, ambitious leaders are taking advantage of the digital economy in a myriad of ways: from targeting new audiences, to broadening the ecosystem around their products, to creating entirely new revenue models.

Whether it's Patagonia building out its Worn Wear offering, or Amazon introducing the next generation of Alexa, its AI-powered digital assistant, or Porsche introducing its Drive subscription car-ownership model, we're seeing one thing in common: Companies with strong master brands are embracing a new approach to growth that we call an "agile masterbrand" strategy. (See Fig.1)

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Take Marcus by Goldman Sachs, the investment bank's new digital-only start-up. When Goldman Sachs decided to enter the consumer lending market, the company recognized the limitations of adherence to a pure masterbrand strategy. It became clear that Marcus by Goldman Sachs, aimed mainly at millennials, needed to create some distance from the parent brand if it were to focus on simplicity and value.

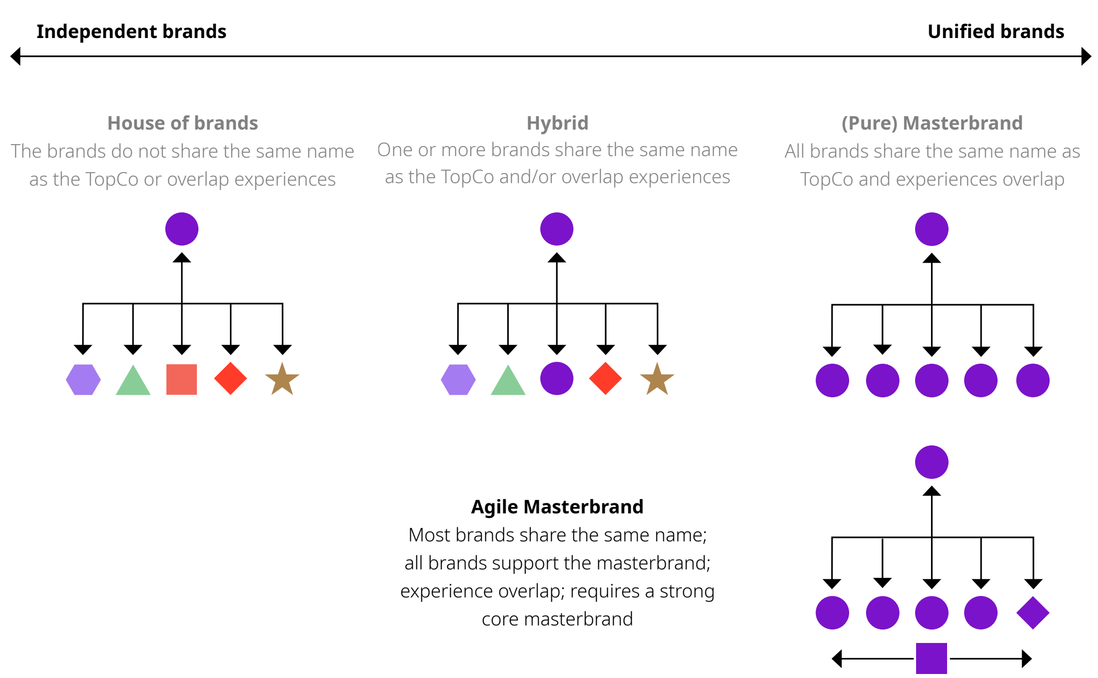
At the same time, Goldman executives recognized the benefit that the parent company brought to the new offering. The solution was a new venture, named Marcus by Goldman Sachs. In a crowded fin-tech landscape, the new brand stood out as a novel solution backed by the familiarity and stability of a trusted name in finance. In just less than a year after launch, Marcus by Goldman Sachs sold $1 billion in loans. Fast-forward to today, and the digital bank already has more than five million customers and $92 billion in deposits.

A new model tied to growth

An agile masterbrand approach provides the flexibility to pursue new audiences, launch new offerings, drive innovation in untapped areas, and more while also continuing to drive equity to the master brand. By design, an agile masterbrand approach also guards against brand proliferation, a not-uncommon occurrence that can undermine efforts to build a master brand. This new approach links brand creation to specific objectives in such a way that, once achieved, the agile masterbrand leads to brand consolidations and the sunsetting of obsolete brands. The approach has two fundamental elements:

- First, while it is still anchored on a masterbrand approach, an agile masterbrand strategy provides greater flexibility by introducing two key categories of branded offerings: new ventures and signature offerings, both of which are distinct yet closely connected to the master brand in order to support brand building and future growth.
- The second aspect underscores "agile." An agile masterbrand approach necessarily requires active management of the brands and their roles in the portfolio so that growth opportunities emerge in ways that don't encourage brand proliferation.

FIG.1: ADDING "AGILE MASTERBRAND" TO THE FAMILY OF BRAND ARCHITECTURE STRATEGIES



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Agile masterbrand vs. hybrid

Wondering why agile masterbrand is not simply another variation on a hybrid model? In an agile masterbrand model, all branded offerings are connected to the TopCo, whether explicitly or implicitly through a linked experience or through other elements. The strategic role of the branded offerings is to strengthen the TopCo master brand. Bank of America is a great example of an agile master brand: Its Merrill-branded offering acts in support of the TopCo master brand by providing credibility and expertise in the investments space.

In a hybrid model, it's true that some brands and offerings are clearly connected to the TopCo brand; but those that aren't clearly connected act as separate entities, with limited or no connection to the TopCo or to any other brands under TopCo. The brand strategy for those entities likely depends on their very separation from TopCo due to equity misalignment, regulatory requirements, or other barriers such as channel conflict. For example, Walmart Inc. follows a hybrid model in which the Walmart store brand anchors the TopCo portfolio but is supported by a number of other brands purposefully separated from any association with Walmart, such as Moosejaw, Bonobos, and Allswell.

Hatching something new: new ventures versus signature offerings

Let's take a closer look at each type of branded offering, used in an agile masterbrand approach.

Dish logo vs. Sling TV logo

New ventures
This category refers to a unique product or service that serves a distinct growth role. While still closely connected to the master brand through experience and design, the new venture is a separate brand and strategically drives stand-alone revenue; it is not dependent on core masterbrand offerings. Of course, new ventures per se are not necessarily new; their novelty lies in how they are used, in the context of a revised approach to the masterbrand model, to introduce new and valuable equities that enable the master brand to pivot strategically into new growth areas.

New ventures enable companies to serve the unique expectations of a specialized audience or to introduce a new product or service distinct from the master brand's equities. New ventures don't compete directly with the core products; yet they shine plenty of "halo" back onto the master brand by remaining closely connected to it, both visually and verbally, in the brand experience.

Amazon's Alexa is an exemplary new venture. When planning the development of its AI-based digital assistant, Amazon faced a choice: continue with its masterbrand approach to develop something akin to an Amazon personal assistant—as Google did later, with Google Assistant—or create a new brand. Launched with the latter approach, Alexa spanned Amazon's digital ecosystem of offerings while also signaling the company's cutting-edge, AI-powered expertise to customers.

By using "Amazon" in the offering name ("Amazon Alexa") and weaving the digital assistant deeply into the brand experience, Amazon is also able to confer those positive equities back to its master brand. Without that approach, Amazon risked not getting full credit for the innovative nature of its offering. And still, Alexa has been given room to grow as an innovative offering in its own right. In contrast, Google Assistant still lives in the shadow of the Google master brand.

Another new venture example, Sling TV from Dish, shows how a pivot into a new growth area can happen. To compete with the rise in popularity of Netflix and other streaming services, Dish launched Sling TV in 2015 as its over-the-top solution. Leaning into a niche opportunity, Sling TV quickly became known as the go-to streaming platform for sports. While the current Sling TV logo shares elements with the Dish logo, the brand's initial separation from the master brand helped Sling TV overcome potential negative associations with satellite TV as the new venture launched. As it becomes more closely associated with Dish, Sling TV also allows the master brand to build equity around innovation and ease of use.

New ventures make sense, because they enable businesses to serve the unique expectations of audiences and enter new markets. New ventures help insulate the master brand from potential risks and negative associations while also opening up space for innovation beyond the scope of the masterbrand portfolio. New ventures strengthen marketing impact, standing out with their design traits while retaining—even if only in the form of a logo—a visual connection to the master brand.

KEY CHARACTERISTICS OF A NEW VENTURE:

- Targets new or specialized audiences
- Delivers unique products and services distinct from masterbrand offerings
- Generates stand-alone revenue (not dependent on a core masterbrand offering)
- Introduces distinct new equities to the masterbrand

It's important to note that, while many new ventures are true in-house endeavors grown out of the masterbrand organization, they can also be acquired. Given the rise of start-ups in every industry, strategic acquisition can provide another avenue to introduce new equities into a masterbrand and spur growth. Take, for example, Nordstrom's 2014 acquisition of Trunk Club. The purchase helped Nordstrom build its first new venture by tapping into a new audience—a younger set of people who saw shopping as a chore. Six years later, Nordstrom plans to extend the Trunk Club styling experience in its stores—all part of a plan to get younger, affluent customers in the door and to bolster styling as one of the master brand's key differentiators.

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Signature offerings

These are innovative and differentiated offerings, whose value transcends any specific product or service and introduces existing audiences to innovative experiences. Signature offerings may comprise of a discrete product, service, feature, or experience—or any combination of those. Unlike a new venture, signature offerings do not drive stand-alone revenue. All revenue that they generate is either incremental and dependent on the sale of a core masterbrand offering or is the result of a halo that the signature offering creates in order to bolster the sale of other offerings. When it comes to equities, a signature offering can introduce new equities to the master brand; however, the signature offering's unique value comes from amplifying existing masterbrand equities.

Worn Wear from Patagonia

Delta Sky Club, from Delta Air Lines, is an excellent example of a signature offering that creates a unique type of value for the master brand. Delta Sky Club, which was created to reinforce Delta's move toward becoming the business traveler's preferred airline, is broughtto life through a host of amenities that save time and produce positive experiences for the business traveler.

A more recent example of a signature offering is Worn Wear from Patagonia. The outdoor clothing company launched Worn Wear in 2013 as a way to educate people on how to care for and repair their gear. In 2017, the program was expanded into a full-fledged offering with the launch of an online store for the resale of reconstructed Patagonia goods under the Worn Wear tag. The offering is a testament to Patagonia's commitment to durable products and sustainable solutions and showcases the way a signature offering can strengthen differentiation and make brand promises tangible.

So what's the attraction of signature offerings? Differentiation is a major plus. Conceived, launched, and run within a tightly managed, agile masterbrand system, signature offerings can quickly and powerfully set a company apart. They can also be vehicles for innovation—new products and services—within the established brand system.

KEY CHARACTERISTICS OF A SIGNATURE OFFERING:

- Targets existing audiences
- Delivers unique experiences based on masterbrand offerings
- Does not generate stand-alone revenue (brings value to a customer who has purchased a core masterbrand offering)
- Reinforces masterbrand equities in new and novel ways

FIG.2: DISTINGUISHING BETWEEN SIGNATURE OFFERINGS AND NEW VENTURES

Signature offering		New venture
Targets existing audiences	**Audience**	Targets new or specialized audiences
Delivers unqiue experiences based on masterbrand offerings	**Innovation**	Delivers unqiue products and services distinct from masterbrand offerings
Does not generate standalone revenue (i.e. bolsters masterbrand offering revenue)	**Source of revenue/ Business model**	Generates standalone revenue (i.e. drives revenue independent of masterbrand offerings)
Reinforces masterbrand equities in new and novel ways	**Masterbrand equity**	Introduces distinct new equities to the masterbrand
Example: DELTA SKY CLUB		**Example:** Marcus: by Goldman Sachs

Whether a product or service is a new venture or a signature offering depends on the role the product or service plays within the masterbrand architecture and not necessarily on the nature of the product or service itself. The same offering could be positioned as a new venture for one company but a signature offering for another. The key factors that impact where an offering falls are the type of revenue it generates and its impact on masterbrand equities. (See Fig.2)

To get a better sense of what this all means, let's look at an example. Amazon and Bank of America both have AI assistants (Alexa and Erica, respectively), but we contend that one is a new venture while the other is a signature offering.

Why? In this example, it all comes down to revenue. Alexa drives revenue for Amazon that is independent from the company's core offerings. Alexa comes with its ecosystem of products for purchase, and users can interact with Alexa without shopping on Amazon. On the other hand, Erica is a signature offering. Erica is available only to Bank of America customers and does not drive any revenue directly. Instead, the AI-powered advice Erica provides is integrated within core offerings to drive competitive differentiation and increase appeal—helping to drive revenue for those core offerings. (See Fig.3)

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FIG. 3: ALEXA VS. ERICA: HOW ONE OFFERING CAN TAKE ON TWO DIFFERENT ROLES AT SEPARATE COMPANIES

New venture

amazon

Audience
Attracts new Amazon customers with AI-driven experiences

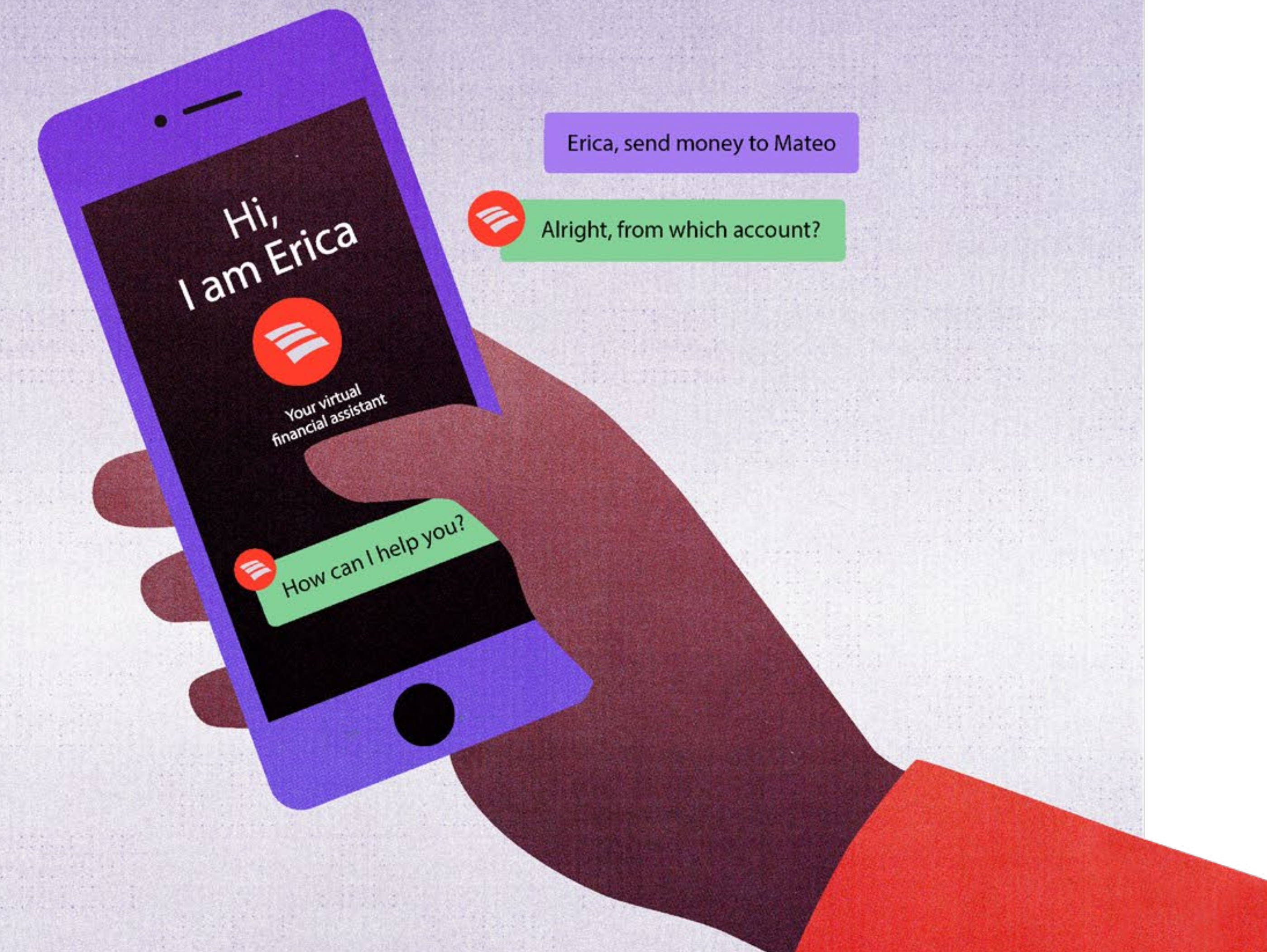
Innovation
Delivers unique products and services distinct from masterbrand offerings

Source of revenue
Generates standalone revenue from offerings independent of the masterbrand (e.g. Echo products)

Masterbrand equity
Introduces distinct new equities to the masterbrand

Signature offering

BANK OF AMERICA



Audience
Targets existing Bank of America customers with AI-driven experiences

Innovation
Delivers unique experiences based on masterbrand offerings (e.g. personalized and proactive checking account insights)

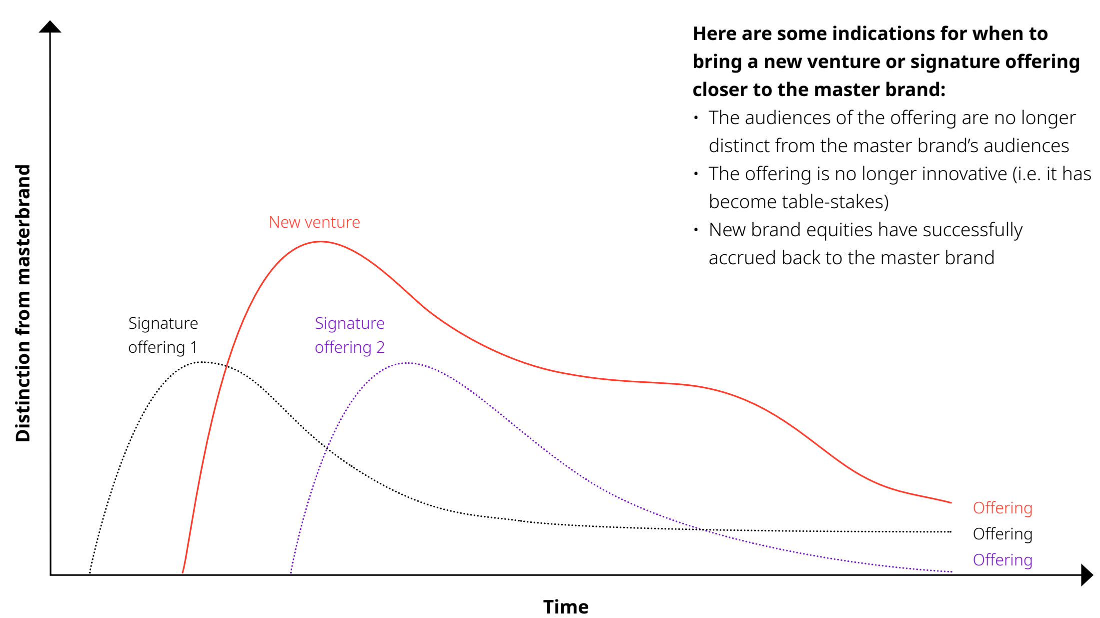
Source of revenue
Bolsters revenue for existing masterbrand offerings by enhancing the experience (e.g. easier banking)

Masterbrand equity
Reinforces masterbrand equities in new and novel ways

The agile portfolio: from periodic to dynamic brand management

Active management, the second aspect of an agile masterbrand approach, depends on the understanding that each new venture or signature offering has a job that builds the master brand and that the success in accomplishing that job impacts how the new venture or signature offering is managed over time. A new venture may be tasked with building new equities for the master brand; and as those new equities are established, the new venture may be brought closer to the master brand over time. A signature offering may be tasked with reinforcing the master brand's equities; and as those equities are further cemented in association with the master brand, the signature offering may be maintained, repurposed, or deprioritized in importance. (See Fig.4)

FIG.4: ACTIVE MANAGEMENT OVER TIME OF THE TWO TYPES OF BRANDED OFFERINGS



So, what does active management look like in practice?

Consider how, over the last five years, Audi has managed its relationship with rental company Silvercar. Based on a shared belief that the future of car ownership was changing, Audi partnered early on with Silvercar, which rented only Audi A4 models. In 2015, Audi invested $28 million in the rental company and, in 2017, acquired it fully.

In the intervening years, Audi brought the Silvercar brand, as a new venture, closer to Audi's master brand. The automaker introduced a "by Audi" endorsement and now offers Silvercar rental services at all Audi dealerships. Given its trajectory, and as branded car rental services continue to proliferate, it's likely that Silvercar by Audi will, one day, come even closer to the master brand as a standard offering—perhaps labeled "Audi rentals."

Guidelines for success with an agile masterbrand model

Putting in place an agile masterbrand model is not an overnight endeavor. It's also not a "set it and forget it" solution. Success relies on having a clear set of guidelines that detail what qualifies as a new venture or signature offering, together with a commitment to measuring and managing the lifecycle of each new brand.

Implementing an agile masterbrand model requires marketing leaders to take a structured approach to ongoing brand management that accounts for the following:

1

The evaluation of potential opportunities for new ventures and signature offerings

2

The establishment of clear goals for each new offering based on how it should support and grow the master brand

3

The tracking and measurement of key metrics that reflect progress toward those goals

4

The active management of the relationship between the new offering and the master brand over time, such as increasing or decreasing proximity to the master brand or even full integration into the master brand

How to know if an agile masterbrand is right for you

Determining whether an agile masterbrand model is suitable for your organization begins with understanding the organization's growth strategy. Are you looking for incremental year-over-year growth or a step-change in your growth trajectory? If the latter, an agile masterbrand approach may be right for you. When working with a cross-functional team, consider the following:

WILL YOU GROW...

- Y N **By targeting a completely new audience?**
- Y N **With disruptive new offerings?**
- Y N **Through innovative experiences or services?**
- Y N **With new sources of revenue or new business models?**
- Y N **In areas you're not known for today?**

If you answer "yes" to most of the above, an agile masterbrand approach can help support your growth objectives.

Once you've determined that the approach is right for you, the next step is to define the criteria for the new venture or signature offering – and what each is not. Defined criteria are important to manage the overall portfolio of brands and to prevent proliferation as more offerings are brought to market.

The criteria for one approach versus the other, again, comes down to the growth strategy. For a particular new venture or signature offering, consider the extent to which it targets a new audience, generates stand-alone revenue, and could impact the master brand's equity. Determine if the new venture or signature offering delivers something distinct from core masterbrand offerings or if it supports them in a unique way.

As part of the criteria, also consider how to evaluate when it is time to bring the new venture or signature offering closer to the master brand. Each approach may have different goals, but laying out these considerations at the outset will help give the organization discipline over the long term.

If you think an agile masterbrand strategy can help support your growth objectives, here's where to start:

- ☐ Find out what offerings are in development and scheduled to launch in the near term.
- ☐ Inventory all branded offerings and identify how they fit within the brand architecture.
- ☐ Evaluate those offerings against the criteria for new ventures and signature offerings that are appropriate for your business.
- ☐ Determine if any offerings soon to be launched have potential as new ventures or signature offerings.
- ☐ Determine if any of your existing brands fit the bill for more brand building as a new venture or signature offering or if any should be brought closer or fully integrated into the master brand.
- ☐ Create the brand elements needed to deliver the identified new venture or signature offering in the market (positioning, messaging, naming, visual identity, experience vision, etc.).

When strategically deployed, an agile masterbrand approach positions brand management as a force for growth within your organization and shifts the paradigm of brand from something to be safeguarded to a tool for creating value. An agile masterbrand approach empowers those who steward the brand to play a more proactive role in the trajectory of the business.

This new approach is especially useful given that disruption will continue to roil markets, audiences, and categories. So think of an agile masterbrand approach not just as a way to keep pace with change but also as a competitive advantage that ultimately helps you gain ground in an ever-changing landscape.

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