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## Original Article

# Kill it or keep it?: The weak brand retain-or-discard decision in brand portfolio management

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**ABSTRACT** Firms make several decisions in brand portfolio management such as create or acquire brands, modify brands and leverage brands. However, one of their most challenging areas is deciding between whether to retain or discard a weak brand from their brand portfolios. Drawing on the strategic decision-making literature, the purpose of this article is to present a conceptual framework explicating the factors influencing a firm's decision to retain or discard weak brands from their brand portfolios. Though we believe that firms rationally decide to discontinue weak brands because of poor financial performance, under certain interesting situations, firms also decide to retain weak brands based on several strategic non-financial factors. Understanding this is important because making a decision for one brand often impacts other brands in the portfolio and invariably the firm's financial performance. The article contributes in the context of discovery through the conception of new relationships among established constructs in the strategic decision making and brand management literature, and the synthesis of existing constructs by tying them in one detailed conceptual framework. The article also attempts to enrich research in the field of brand portfolio management by drawing on cross-functional and inter-disciplinary research.

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## INTRODUCTION

In the management and marketing literature, it is widely accepted that brands are important intangible resources that can significantly contribute to firm performance (Day, 1994; Hunt and Morgan, 1995; Capron and Hullan, 1999; M'zungu *et al*,

2010). Firms invest in building such rare and unique resources as brands because such resources have the potential for producing a comparative advantage for the firm (Barney, 1991), which in turn might provide the firm a position of competitive advantage in the marketplace and ultimately superior

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financial performance (Hunt and Morgan, 1995). Many large firms in consumer markets own and market an array of different brands (that is, a brand portfolio) and routinely address strategic questions related to brand portfolio management, such as what brands to create or acquire, which ones to modify and which ones to leverage. However, managers generally devote relatively less managerial time, attention and effort to the strategic decision of whether to keep (retain) or kill (discard or discontinue) a weak brand in the portfolio (Varadrajana *et al*, 2006). This is because taking action with one brand generally impacts other brands in the portfolio and this makes the retain-or-discard decision very complex, daunting and thus a neglected one.

Many firms hold bulky brand portfolios, in which (by the 80–20 rule), generally only 20 per cent of the brands contribute 80 per cent of the profits. Most of the remaining brands in the portfolio are weak in the sense that they are either marginally profitable or loss-making and thus are adversely impacting the stronger brands in the portfolio. This ultimately hampers the superior financial performance of the firm as a whole. For example, in 1999, 75 per cent of Unilever's 1600 brands contributed to less than 10 per cent of the topline and about 90 per cent of its bottom line came from only 400 brands. Ultimately, after 5 years, in 2004, Unilever announced it would methodically trim its brand portfolio from 1600 to 400 over 5 years (Morgan and Rego, 2009). P&G also spun off more than 1000 brands in the past decade (Carlotti *et al*, 2004) and are doing the same currently (Craig, 2014). But why did Unilever and P&G, in the first place, retain so many weak brands in their portfolios for a considerable amount of time before making the strategic choice of discontinuing those weak brands? Another example is the automobile industry – Volkswagen decided to retain its weak loss-making brand SEAT (Gafo, 2007;

Anderson–Peters, 2010), Oldsmobile (losing its place in the market since 1990) was finally terminated in 2004 after a life of 106 years (Valdes–Dapena, 2004), and there are several other such examples.

Conventional wisdom and a logical decision would be to discontinue weak brands based on poor financial performance. In fact in today's information age, firms have access to several real-time analytical tools for measuring and operationalizing a brand's financial performance in terms of price premium or market share premium a brand commands over a generic or its competitors (Park and Srinivasan, 1994; Madden *et al*, 2006), revenue premium (Ailawadi *et al*, 2003), profits (Goldfarb *et al*, 2009; Stahl *et al*, 2012), profitability-based measure of brand equity (Srinivasan *et al*, 2005), brand value by aggregating the brand's overall franchise and licensing income (Mahajan *et al*, 1994), 'residual' market value (Simon and Sullivan, 1993) or sales, market share, gross margin, return on investment and return on assets (Luxton *et al*, 2015). Different firms (Kirk *et al*, 2013) in different industries and contexts (Biedenbach, 2012) have their own brand valuation metrics to identify a marginally profitable or loss-making brand in the portfolio. However, such weak brands might still hold strategic importance and/or emotional influence on the firm and its stakeholders. And therefore, in many cases, interestingly, despite its weak financial performance, a firm does not discard but instead retains a weak brand. This amplifies the dilemma the firm faces in the weak brand retain-or-discard decision.

Several important factors play a role in this strategic choice and understanding these factors can aid this complex decision making in firms. Despite the practical importance of making this strategic choice of retaining or discarding weak brands, academic research in this area is negligible (Kumar, 2003; Varadrajana *et al*, 2006). This article contributes by taking one of the

initial steps of scientific inquiry in this new domain by presenting a conceptual framework elucidating factors influencing the retain-or-discard decision in brand portfolio management and also by putting forward some key propositions that can be tested in future empirical studies. This framework also encourages us to see this strategic choice in a new light (Davis, 1971), that is, the decision to retain or discard a weak brand is not made only based on financial performance but also based on several strategic and human factors.

The article is further structured as follows: The next section briefly reviews the theoretical background in order to develop a rationale underlying the conceptual framework. The third section discusses the scope of this framework, whereas the fourth section presents the conceptual framework of a firm's decision to retain or discard a weak brand and discusses each proposition in detail. The final sections offer directions for future research and draw general conclusions.

## THEORETICAL BACKGROUND

Strategic decision making is crucial because it involves strategic choices that shape the present and future prospects of a firm. These strategic choices could range from everyday routine short-term decisions to infrequent and critical long-term decisions. Brand retain-or-discard decision is a crucial strategic choice because it involves reallocation of resources, impacts other brands in the portfolio and could significantly impact the firm and its long term financial performance. Various dimensions of such crucial strategic decision making have been highlighted in the literature such as contextual influence on strategic decision making (for example, Beach and Mitchell, 1978; Hitt and Tyler, 1991; Schneider and De Meyer, 1991; Eisenhardt and Zbaracki, 1992; Bryson and Bromiley, 1993; Rajagopalan *et al.*, 1993),

the role of the decision makers (for example, Child, 1972; Hambrick and Mason, 1984; Miller and Toulouse, 1986; Hitt and Tyler, 1991) and the environment (for example, Fredrickson, 1984; Eisenhardt, 1989; Judge and Miller, 1991; Priem *et al.*, 1995; Yamak *et al.*, 2013).

Drawing on this strategic decision-making literature, Papadakis *et al.* (1998) proposed and tested an integrated conceptual framework that investigated the relationship between strategic decision making, top management and contextual factors. Applying this framework to the brand retain-or-discard scenario, this research posits that several internal and external contextual factors related to a firm along with the firm's top management characteristics influence the decision of whether to retain or discontinue a weak brand from a firm's brand portfolio.

Literature in both marketing (for example, Keller, 1993, 2003; Shocker *et al.*, 1994; Capron and Hulland, 1999; Hunt, 2006; Kotler and Keller, 2009) and strategy (Amit and Schoemaker, 1993; Balmer, 2007) support the argument that brands represent valuable resources. Therefore, if brands are resources, they too have a critical impact on a firm's competitive advantage and financial performance. This impact could be positive or negative. Strong brands would enable the firm to gain a comparative advantage in resources, which in turn would convert into a competitive advantage position in the marketplace and finally into superior financial performance. However, some brands can not only reduce the value of an offering (by bringing in marginal profits) but also impede the creation of value in the firm's market offering (by making losses and in turn negatively impacting the portfolio profitability) (Hunt and Morgan, 1995). Therefore, firms need to decide whether they should retain or discard such weak brands from their portfolio. Several internal contextual factors such as brand strategies,

brand attachment and negative emotions in the firm can influence a firm's decision to retain or discard weak brands.

However, only focusing on internal factors is not enough. A firm also operates in an external environment and thus is also affected by it. External environmental characteristics have a major influence on all aspects of management including strategy, structures, rational decision processes and outcomes (Miller and Friesen, 1983; Fredrickson and Mitchell, 1984; Eisenhardt, 1989; Judge and Miller, 1991; Priem *et al*, 1995). Since the retain-or-discard decision is also an important strategic decision in brand portfolio management, a firm considers the impact of various external factors and stakeholders such as, consumers, mass media, channel partners and government before making the strategic choice of retaining or discarding weak brands.

Along with these strategic internal and external contextual factors, an organization's decision making is also affected by its top management team (Child, 1972; Hambrick, 2007). The impact of the top management team can be very subtle in highly routinized decisions whereas it can be very substantial in critical situations such as mergers, downsizing or brand retain-or-discard decisions. In the conceptual framework presented in this article, characteristics of the firm's top management team are posited to play an influential role in a firm's decision to retain or discard weak brands.

## SCOPE AND POSITIONING

The conceptual framework in this article specifically considers the multi-brand scenario (for example, P&G's laundry detergent brands) in the context of firms with a 'house of brands' brand architecture (Aaker and Joachimsthaler, 2000; Petromilli *et al*, 2002) where one or more brands (for example, Cheer and/or Tide in P&G's laundry detergent category) and/or sub-

brands (for example, Tide To Go) in a product category might be under consideration of being retained or discarded by the firm for several reasons. Brand and product have been very clearly differentiated by Stephen King of the WPP Group, 'A product is something that is made in a factory. A brand is something that is bought by a customer. A product can be copied by a competitor, a brand is unique. A product can be quickly outdated. A successful brand is timeless' (Iacobucci, 2001, p. 78). A brand can be defined as just an addition to the product or in a more holistic view as the sum of all elements of the marketing mix and a promise of a bundle of attributes (Styles and Ambler, 1995). Similarly, in this article, brands and products have been clearly differentiated and the focus is on brands and sub-brands, not on products. For example, in this article Toyota (main parent brand) and Camry (sub-brand) are both considered as brands. However, Toyota Camry also offers various models such as LE, SE, XSE, XLE; these are the different product variants in the product line of Toyota Camry (line extensions of the Toyota Camry brand).

Finally, it is also essential to position the strategic choice of retaining-or-discarding weak brands in the brand portfolio management process. It is important to understand this because retaining-or-discarding weak brands is a top management mandate, not just a marketing priority. Though this area receives relatively less managerial time and attention in the daily marketing functions, once a firm decides to pursue it, groups of senior executives start performing joint audits of the brand portfolio (Kumar, 2003). On the basis of the brand audit results and different criteria, the groups decide how many and which brands to retain and which ones to discontinue. This is where the contribution of this conceptual framework plays an important role in explaining the different non-financial criteria or factors that influence a firm's brand

retain-or-discard decision. If managers understand these factors, they can use them as guidelines to make better and proactive strategic choices, and ultimately build a firm with strong brands poised for growth.

### FACTORS INFLUENCING THE WEAK BRAND RETAIN-OR-DISCARD DECISION

Generally, we believe/assume that firms rationally decide to discontinue weak brands from their portfolio only based on financial indicators or performance metrics. However, the interesting framework proposed in this article revises that belief/assumption (Davis, 1971, p. 309) and proposes that under certain circumstances involving non-financial factors, firms also retain weak brands rather than discontinue them. This conceptual framework (Figure 1) contributes by ‘explicating’ (MacInnis, 2011, p. 143), that is, by delineating and depicting the factors that influence the retain-or-discard decision in brand portfolio management. The framework proposes that the following major non-financial factors – (i) internal context, (ii) external context and (iii) top management team characteristics – affect a firm’s decision to retain or discard brands that are identified as weak based on poor financial performance. Under these broad factors are several sub-factors, relevant to brand portfolio management, which

are discussed in detail in the following sections.

Leaders and managers at different levels reinforce rational decision-making processes in order to manage the organization’s resources strategically and competently (Cunha, 2007). Literature also suggests that analytical, rational and comprehensive decision-making processes, using detailed information, and considering more alternatives lead to better decisions and performance (Eisenhardt, 1989; Judge and Miller, 1991; Priem *et al*, 1995). Past and future sales, costs, profitability and market share are important financial performance considerations (for example, Weckles, 1971; Avlonitis and James, 1982; Avlonitis, 1993; Vyas, 1993; Varadrajana *et al*, 2006) but not the only factors in deciding whether to retain or discontinue a brand. Therefore, this article focuses on factors other than financial performance indicators.

Managers also contemplate various strategic (non-financial) considerations before deciding whether to retain or discard a weak loss-making brand. Thus, to make a sound decision, several strategic alternatives are considered, and detailed information is processed. These strategic alternatives related to brand management (drawn from interdisciplinary and cross-functional research domains) are based in internal as well as external context of the organization. The internal strategic factors that affect the weak brand retain-or-discard decision discussed in this article are (i) brand strategies in the firm (such as brand proliferation and brand extension), (ii) negative emotions in the firm and (iii) brand attachment in the firm. However, there are several external forces that also influence this decision. Kotler (1965) suggests that firms have a valid concern about the impact of discontinuing a brand on customer and supplier relations. Vyas (1993) argues that such complex decisions involve balancing of resources that influences the interests of various stakeholders inside and outside the

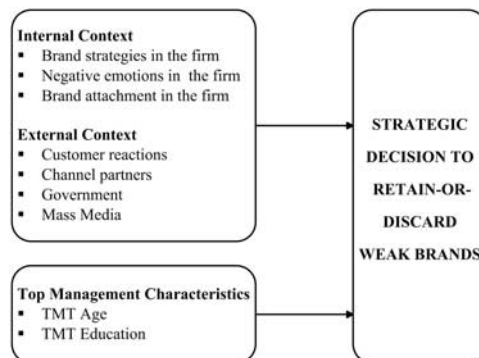


Figure 1: A Conceptual Framework of Factors Influencing the Weak Brand Retain-or-Discard Decision.

organization, and thus, conflict and bargaining among interest groups is natural. Some important factors in the external context discussed in this conceptual framework are (i) customer reactions, (ii) channel partners, (iii) government and (iv) mass media.

## Internal context

### *Brand strategies in the firm*

A brand can have a considerable influence on various other strategic areas of the firm. Thus, along with financial performance factors, firms also consider strategic factors before making the strategic choice between discontinuing and retaining a weak brand. The management makes such a complex and important decision only after a comprehensive and systematic evaluation of various strategic factors. The following paragraphs discuss two brand strategies – brand proliferation and brand extension – that a firm considers before deciding whether to retain or discard a weak brand.

When firms realize that their market is saturating with existing brands, they plan to roll-out new brands in the same product category to continue growing in the market (Fong-Sheng Wang and Wang, 2008). For example, Unilever offers over 25 brands of ice-cream and P&G owns over a dozen detergent brands. Numerous research studies provide evidence that firms should not adopt brand proliferation because it (i) lowers manufacturing and distribution economies (Laforet and Saunders, 1994; Finskud *et al*, 1997); (ii) leads to inefficiency and higher costs, and consumes a disproportionate share of management time (Kotler, 1965; Weckles, 1971); (iii) deteriorates brand loyalty and surges price competition (Bawa *et al*, 1989); (iv) tends to dilute marketing expenditure (Ehrenberg *et al*, 1990); and (v) attenuates the value of the firm's brands (John *et al*, 1998; Morrin, 1999). On the other hand, literature also

suggests some benefits of owning *huge brand portfolios*. A large brand portfolio enables a firm (i) to build greater market share by satisfying heterogeneous consumer needs (for example, Kekre and Srinivasan, 1990; Lancaster, 1990), (ii) to block new firms from entering the market (for example, Lancaster, 1990; Bordley, 2003) and (iii) to benefit from greater channel power (for example, Capron and Hullan, 1999). For example, in the recent past, Nestle acquired Chef America, Ralston Purina, Novartis Medical Nutrition, Dreyer's and Gerber in order to enlarge its brand portfolio (Morgan and Rego, 2009). Thus, if the strategic goal of the firm undertaking brand proliferation is to deter new entrants or satisfy heterogeneous consumer needs, it will continue managing a huge brand portfolio (comprising of weak brands along with strong brands) that helps it achieve these goals. Therefore,

**Proposition 1:** *A firm following the brand proliferation strategy, for strategic reasons, is more likely to retain weak brands in its portfolio.*

In contrast to brand proliferation, brand extension involves using 'an established brand name to introduce a new product' (Keller, 2003, p. 577). For example, using the Virgin brand name across various categories such as Virgin Records, Virgin Airlines, Virgin Mobile, Virgin Radio and Virgin Money. Brand extension 'is one of the most frequently employed branding strategies and is based on the belief that the already-established reputation of the parent brand will reduce the expense of introducing the new product and increase advertising efficiency' (Kim and Yoon, 2013, p. 358). This in turn enhances the probability of a successful introduction into a new product category. Through the years of research conducted in the field of brand extensions, an important finding is that the perceived fit of the extension with the parent brand in terms of the product

category and various attributes significantly contributes to the extension's success (for example, Aaker and Keller, 1990; Park *et al*, 1991; DeiVecchio and Smith, 2005; Ahluwalia, 2008; Carrillat *et al*, 2010). This perceived fit in turn influences the future extendibility of the parent brand (Rangaswamy *et al*, 1993; Hagtvedt and Patrick, 2008).

Some researchers claim that a wide range of extensions can weaken the associations with and image of the parent brand (for example, Keller and Aaker, 1992; Loken and John, 1993), whereas others argue that a wide range of extensions improves the future extendibility of the brand into diverse product categories (Dacin and Smith, 1994; Meyvis and Janiszewski, 2004). Therefore, on one hand, if such a brand with significant potential to be extended to a diverse range of product categories becomes weak, the firm might still consider retaining it for its future extendibility and cost savings that could ensue by not building a new brand from scratch. And on the other hand, if a parent brand has a strong association with a particular product category, extending it to newer categories can hurt the brand's image and equity and thus limits the brand's extendibility. If such a brand becomes weak, the probability of discarding it would increase. Thus,

**Proposition 2a:** *A weak brand with significant future extendibility is more likely to be retained.*

**Proposition 2b:** *A weak brand that has strong associations with a particular product category is more likely to be discarded. Here, brand's future extendibility acts as a mediator.*

#### **Negative emotions in the firm**

Studies reveal how choices made by individuals are influenced by their emotions (for

example, Mellers, 2000; Schwarz, 2000; Forgas and George, 2001). Along with individual emotions, it is also important to consider the emotionality of organizational decision processes that can be very subtle (in many highly routinized decisions) while complex issues provoke intensely emotional decision processes (Maitlis and Ozelik, 2004). Negative emotions are intense unpleasant feelings, both experienced and expressed, such as fear, shame, apprehension and anger (Diener *et al*, 1995). There is a connection between high-intensity negative affect and decision-making processes. Maitlis and Ozelik (2004) conducted an ethnographic study of six British orchestras in which they identified unsatisfactory player performance as a highly sensitive, emotionally charged and toxic situation where the orchestras have to decide about letting that player go. It is very sensitive because the musicians' professional identity plays a role in their self-identity, that is, individuals often draw significant meaning about who they are from their professional identity and thus, according to Lazarus (1991), when an individual's job competence is doubted, it directly attacks his/her identity at a fundamental level and thereby becomes an emotionally threatening experience.

Applying this to the scenario of discontinuing a weak brand, we can understand that when a brand manager (who created and nurtured a brand and is considered to be the custodian of the brand) faces the situation where his/her brand becomes weak and he/she has to decide whether to discard it or not, it might become a sensitive and toxic situation for the brand manager because the brand manager might view it as a direct attack on his/her ability and competence of managing the brand. This might hurt the brand manager's self-identity and future career prospects thereby creating negative affect. As Kumar (2003, p. 88) puts it, 'brand managers whose

careers are wrapped up in their brands, never take easily to the idea (of discarding the brand)'. Furthermore, negative affect might be generated among other employees of the firm through grapevine and because of the popularity of the weak brand (which was once a super brand in the firm), thereby creating an emotionally charged environment in the firm. In such a situation, the decision makers' anxiety and apprehension about the issue causes them to delay the process or avoid dealing with it. This in turn leads to a greater buildup of negative emotions and further inertia in decision making (Maitlis and Ozcelik, 2004). Therefore, firms and managers keep ignoring this daunting call of deciding between whether to retain or discard the brand, and thus the issue begins lacking a sense of urgency. Thus,

**Proposition 3:** *The likelihood of retaining a weak brand in the portfolio increases when there are strong negative emotions in the firm about discontinuing that brand.*

#### **Brand attachment in the firm**

Brand attachment is defined as, 'the strength of the bond connecting the brand with the self .... this bond is exemplified by a rich and accessible memory network (or mental representation) that involves thoughts and feelings about the brand and the brand's relationship to the self' (Park *et al.*, 2010, p. 2). An individual develops a sense of oneness with the brand which establishes cognitive links that connect the brand with the self, and this bond is not just cognitive but also emotional in nature (Thomson *et al.*, 2005; Mikulincer and Shaver, 2007; Hung, 2014). Individuals experience complex feelings about the brand, such as happiness from brand-self proximity, pride from brand-self association, and anxiety and sadness from brand-self separation (Park *et al.*, 2010).

Drawing from this research, we can explain why brand managers, who are as attached to the brand (which is their own creation) as a parent is to his/her child, resist the idea of discontinuing their brands. Furthermore, other employees who experience the brand-self connection might oppose the decision to discard the brand. This is because discontinuing a brand is like brand-self separation, which might lead to anxiety, stress, sadness and pain. Thus,

**Proposition 4:** *The likelihood of retaining a weak brand in the portfolio increases when there is a strong attachment in the firm toward the weak brand.*

#### **External context**

Several external contextual factors have an impact on the firm's decisions and behaviors since behavior depends upon the context in which the behavior occurs (Bain, 1968; Brown, 2002; Yamak *et al.*, 2013). This external environment includes several stakeholders that are affected by and have an influence on the firm and its operations. A firm is at the center of a network of stakeholders (Rowley, 1997; Barringer and Harrison, 2000). Many strategic management researchers have argued that firms should adopt a broad strategy-making perspective involving the needs and demands of multiple stakeholders in order to achieve high performance (for example, Harrison and Freeman, 1999; Hillman and Keim, 2001; Godfrey, 2005; Walsh, 2005). Therefore, firms that pay attention to the welfare of a broad group of stakeholders enjoy higher levels of performance than firms that concentrate primarily on one or a few stakeholders (Donaldson and Preston, 1995; Jones, 1995).

Several external entities or stakeholders (for example, customers, media, channel partners and government) influence the brand retain-or-discard decision of a firm.



It thus becomes necessary for a firm to consider the interests of these stakeholders while making this choice. At the same time, it also becomes difficult for a firm to maintain control over its brand management process under certain conditions involving external stakeholders, for example, changes in third party or channel partner specifications (Avlonitis and James, 1982), government policies and regulations (Avlonitis and James, 1982), or negative media coverage hurting the corporate image (Marconi, 1996). These are discussed in the following paragraphs.

### **Customer reactions**

It is a well-known fact that brands need to be understood from a customer's perspective because a brand is like a bridge between the firm and its consumers, and a brand is not a brand until it develops an emotional connection with the consumer (Travis, 2000; Wertime, 2002). Thus, Gobe (2001) argues that branding strategies should focus on mind share and emotions share rather than on market share. When a customer is so emotionally attached to the brand, it becomes difficult for the firm to discontinue such a popular brand fearing its detrimental effects on customer relationships. Irrespective of the financial benefits of discarding a weak brand from the firm's portfolio, many managers are reluctant to act on it as they fear the adverse impact it might have on customer loyalty (Mather, 1992). And those managers, who are less hesitant to discontinue a brand, often overlook its negative consequences for customers and thus ruin important relationships (van Hoek and Pegels, 2006). For example, discarding a brand can raise concerns in the mind of the customer about the prudence of engaging in a business or exchange relationship with the firm (Festinger, 1957; Karakaya, 2000). These concerns further produce an unpleasant inner state of tension or uncertainty about the firm's reliability, flexibility and

cooperativeness (Dwyer *et al*, 1987; Arend, 2006). These effects are more crucial in a business-to-business (B2B) context as compared with business-to-consumer setting (B2C) because they play a critical role in the client's production process (Avlonitis, 1983), and B2B firms also share a close relationship and direct interaction with their small client base (Nielson, 1998) as compared with the mass market in B2C business.

It is also important to consider the emphatic impact of electronic word of mouth (eWOM) communication on product evaluations, attitudes, behavior of consumers, brand loyalty and relationship marketing (Hennig-Thurau *et al*, 2004; Yan, 2011). Social media (via the Internet) has provided immense power to consumers because it possesses unprecedented scalability, accessibility and speed of diffusion. If a negative eWOM about discarding a weak brand spreads out, it can harm the image and reputation of the firm as well as other brands in the firm's portfolio.

Further, in a highly competitive seller's market, firms tend to emphasize financial considerations; but in a buyer's market (where buyers are more powerful), firms have less control over their marketing policy. Thus, in a buyer's market, customer considerations hold more importance in the brand retain-or-discard decision. Firms are obliged to meet their customers' requirements irrespective of the fact that it might be a loss-making proposition because if firms fail to satisfy their customers, it might lead to a severe business disruption (Avlonitis and James, 1982). Thus, in such a situation, the likelihood to retain a weak brand is proposed to be high.

On one hand, discontinuing weak brands possesses the potential to enhance a firm's financial performance; whereas on the other hand, it might even potentially cause customer resistance (Kumar, 2003; Varadarajan *et al*, 2006). Thereby, firms consider sustaining important customer relationships as a strong reason for leaving a weak brand in

existence. In fact, even if firms decide to discard the brand, they should do so in a way that least challenges the customer's desire to remain loyal. Customer pressures and opposition play an important role in a firm's decision to retain or discard a weak brand (Avlonitis, 1993). Thereby,

**Proposition 5:** *There is a higher likelihood of retaining a weak brand when negative reactions about discontinuing the brand are expected from customers.*

Moderating relationships/propositions:

**Proposition 5a:** *This relationship will be stronger in a B2B setting as compared to a B2C setting.*

**Proposition 5b:** *This relationship will be more substantial and momentous when eWOM is involved as compared to traditional word of mouth.*

**Proposition 5c:** *This relationship will be more significant in a buyer's market (where buyers have more control and power) as compared to a seller's market.*

### Channel partners

Channel partners include suppliers, distributors, retailers and other third parties that facilitate some business functions or operations. After knowing that a brand has been discontinued, powerful suppliers might demand a higher price or better terms (Harrison *et al.*, 2010) for supplying raw materials for existing brands; this might adversely impact the costing of other brands in the portfolio. Thus, it is important to consider these factors before deciding whether to retain or discard the weak brand. Similarly, a firm might also face opposition from strong or exclusive distributors/retailers if discontinuing the brand might have an adverse impact on their well-being. Retailers might refuse to stock other brands if the firm decides to discontinue a weak brand (Varadarajan *et al.*, 2006) and this would also involve the risk of

alienating retailers (Aaker, 2004). Further, Vyas (1993) found that some distributors indicate dropping the entire product line of a firm if one of the firm's products is discontinued from the portfolio. A similar situation could arise in the case of discontinuing brands also. Hence, it is proposed that channel partners have the power to influence a firm's brand retain-or-discard decision.

**Proposition 6:** *There is a higher likelihood of retaining a weak brand to conform to the interests of powerful channel partners.*

### Government

Growing public policy measures to curb environmental hazards of industrialization have impacted firms in various ways, such as elimination of hazardous products and packaging materials, new eco-friendly products and packaging, recycling of products and environmental safety (Pralhad and Hamel, 1994). Under such governmental regulations, firms might be forced to discontinue their environmentally hazardous products and/or brands. Other areas of public policy are promotion of deregulation, privatization and free trade that have fueled competitive pressures in several industries across the globe, and under such a competitive environment firms are facing the daunting task to meet global standards (Pralhad and Hamel, 1994). Brands that cannot meet these standards and/or are also no longer profitable might have to be discontinued from the portfolio. On the other hand, in order to satisfy the varied demands of the diverse international customer base, firms might even have to maintain or increase the number of brands in their brand portfolios (Kekre and Srinivasan, 1990; Lancaster, 1990). Further, brands with product liability exposure could also have a negative effect on a firm's image and reputation (Varadarajan *et al.*, 2006) and thus are discontinued.

**Proposition 7:** *There is a lower likelihood of retaining a weak brand to comply with the government's regulations.*

### Mass media

When mass media emphasize a topic, the audience receiving the message will consider that topic to be important (Cohen, 1963; McCombs and Shaw, 1972). Though personal experience is a powerful source of attitude formation, people also often generate attitudes about a firm, its brands, and its representatives through information from other sources, such as news media (Fazio and Zanna, 1981; Carroll and McCombs, 2003; Kioussis *et al*, 2007). In fact, firms use the news media for dissemination of information that (i) cannot be directly experienced through consumption or interaction (unobtrusive) and (ii) lacks credibility if communicated by the firms themselves (Einwiller *et al*, 2010).

If stakeholders find such information to be very important and relevant to them then they will highly depend on news media for such information and thus media exerts significant influence on how stakeholders view the firm, that is, the firm's reputation (Kioussis *et al*, 2007; Einwiller *et al*, 2010). If the news of a weak brand being discarded gains high visibility (because of that brand's history or popularity) or unfavorable media coverage with a negative tone (because of the weak rationale behind the decision to discard that brand or because of ambiguous message content), then the news might generate an unfavorable firm reputation (Fombrun and Shanley, 1990; Kioussis *et al*, 2007) and also further opposition from various stakeholders. This could force the firm to retain the weak brand. Thus,

**Proposition 8a:** *Negative media exposure about discarding a brand can unfavorably impact the firm's reputation and thus increase the likelihood of retaining the weak*

*brand. Here, the firm's reputation acts a mediator.*

**Proposition 8b:** *Negative media exposure about discarding a brand can trigger strong opposition from various stakeholders and thus increase the likelihood of retaining the weak brand. Here, stakeholder opposition acts a mediator.*

### Top management characteristics

Power-holders within an organization can and do make choices of goals, domains, technologies and structures (Child, 1972). Hambrick and Mason (1984) and Hambrick (1989) argued for the adoption of the 'upper echelons' perspective and advocated bringing the top management (and its values, personalities and experiences) back in the strategy picture. Since then, following the 'upper echelons' perspective, there is a growing interest in analyzing the top management team (henceforth, TMT) demography as an antecedent of strategic decision processes (Gupta, 1984; Michel and Hambrick, 1992; Wiersema and Bantel, 1992; Bryson and Bromiley, 1993; Rajagopalan *et al*, 1993; Dean and Sharfman, 1996; Goll and Rasheed, 2005).

Demography can be defined as, 'the composition, in terms of basic attributes such as age, sex, educational level, length of service or residence, race, and so forth of the social entity under study' (Pfeffer, 1983, p. 303). Several studies demonstrate the usefulness of the demographic approach in strategic decision making (Kimberly and Evanisko, 1981; Pfeffer, 1981; Wagner *et al*, 1984). These socio-demographic characteristics have been used as proxies for TMT values, motivations, risk orientation and other psychological variables (Carpenter *et al*, 2004; Hambrick, 2007; Finkelstein *et al*, 2009). Drawing from this, it is proposed that TMT demography also has an influence on the strategic choice of retaining or discarding weak brands. In the interest of parsimony,

this article discusses two demographic characteristics – age and education.

### **TMT age**

Wiersema and Bantel (1992) argue that with increasing age, flexibility and risk taking may decrease whereas resistance to change may increase. Taylor (1975) discovered that older decision makers tend to take longer to reach decisions, are less confident of their decisions and are more willing to reconsider them. Research also shows that increasing age leads to a preference for established routine (Chown, 1960; Carlsson and Karlsson, 1970), reluctance to challenge the system of formal rules and lower confidence in being right (Child, 1974). Hambrick and Mason (1984) highlight the fact that older executives are expected to avoid risky decisions because financial and career security is more important to them. Applying these findings to the strategic choice of retaining or discarding a weak brand, it is proposed that if the TMT is comprised of older individuals, there might be a higher likelihood of retaining a weak brand because this is not a routine tactical decision but a strategic choice involving high risk and uncertainty (Avlonitis and James, 1982) and research shows, the older TMT is hesitant to undertake the challenge of change, delays the process in order to avoid risky decisions, and is less flexible and less confident as compared with a younger TMT. Thus,

**Proposition 9:** *A TMT comprising older individuals by age is more likely to retain a weak brand.*

### **TMT education**

Another demographic characteristic that holds significance in the decision-making process is TMT education. Education serves (to some extent) as a pointer of a person's values and cognitive processes (Hambrick

and Mason, 1984). Wiersema and Bantel (1992) suggest that more educated managers are likely to be open to change. Goll and Rasheed (2005, p. 1005) state, 'Education in general, and professional management education in particular, emphasizes application of analytic techniques to decision making, compared to the more idiosyncratic judgments of "self-made" executives'. Level of education has also been shown to influence receptivity to innovation (Rogers and Shoemaker, 1971; Kimberly and Evanisko, 1981). Thus, applying this to the brand retain-or-discard decision, it is posited that a TMT with higher levels of education might not decide to retain weak brands because such a TMT is more open to change, can tolerate the ambiguity of the situation and apply analytical thinking to come up with an appropriate decision. Thus,

**Proposition 10:** *A TMT comprising individuals with higher levels of education is less likely to retain a weak brand.*

## **DIRECTIONS FOR FUTURE RESEARCH**

The proposed conceptual framework (Figure 1) is generative in nature; it guides future research by indicating novel research questions and interesting propositions (Davis, 1971; Zaltman *et al*, 1982; MacInnis, 2011). This framework is detailed, but in favor of parsimony, not comprehensive or all-encompassing. Thus, there is potential for the further refinement and enhancement of the proposed framework. For example, future research could examine the impact of the number of other successful brands owned by the firm on the brand retain-or-discard decision. If the firm has several other successful brands in its portfolio, the unpleasant task of discontinuing one or a few weak brands might not be as daunting as it would be if the firm had very

few successful brands. For example, if a firm has a portfolio of 20 brands out of which 6 are weak, the stakeholders might view this as the incapability of the management to manage successful brands. But if 6 out of 100 brands owned are weak, the stakeholders might not majorly doubt a firm's ability to manage successful brands when they have to discard those brands. Furthermore, if the brand has a long glorious history and has been popular in the past, it might be difficult for the firm to discard such a brand when it becomes weak.

Another example would be the prevalence of sunk cost fallacy (Clemen, 1996; Staw, 1997) among the decision makers. We hear proverbs like 'Throwing good money after bad' or 'in for a dime, in for a dollar'. These fit aptly in the brand retain-or-discard situation. Firms invest a considerable amount of resources in building their brand for years, and when the brand does not meet its profit goals, some firms might get trapped in the 'sunk cost fallacy', and instead of discontinuing the weak brand and channelizing those resources to stronger brands, further invest resources in the weak brand by ignoring the current unfavorable cost-benefit ratio. Thus, the presence of sunk cost fallacy in the firm may increase the likelihood of retaining a weak brand.

Further, the framework illustrates various factors influencing a firm's decision to retain or discard a weak brand. However, these are direct relationships and there could be several interactions and relationships within/between these factors. Some factors might also act as mediators and/or moderators in different situations. Thus, a significant amount of empirical work needs to be done in the context of justification to establish the plausibility and acceptability of the new idea (Hunt, 1991) and to provide evidence for the propositions presented in this framework.

This framework explains the factors influencing the brand retain-or-discard decision from an individual firm's perspective. This can be extended in the future to a relationship marketing context. Furthermore, different firms have different brand architectures and thus follow different procedures and methods of managing their brand portfolio. This could influence the strategic choice of whether to discontinue or retain a weak brand and thus research in this area also calls for attention.

Another area for future research could be the conflict of interests between two or more stakeholders in the brand retain-or-discard decision – an application of the stakeholder theory (Freeman, 1984). This could also bring in the influence of different types of power (expert, legitimate, coercive and so on) held by various stakeholders. This area of research can guide firms on how they should implement their decision to retain or discard a weak brand by keeping in mind their stakeholder interests.

## CONCLUSION AND IMPLICATIONS

The conceptual framework (Figure 1) introduced in this article attempts to bring together and explain, in detail, some valid reasons underlying a firm's strategic choice to retain or discard weak brands. Few reasons behind the retain-or-discard decision of weak brands are discussed in the literature, however, they are not combined under one framework and are not explained in detail. The framework provides an in-depth explanation of how contextual factors and the firm's top management influence the brand retain-or-discard decision and thereby brand portfolio management in firms.

Theoretically, the conceptual framework in this article leads to new insights, offers a novel perspective to an existing idea and opens new avenues of thinking (Zaltman *et al*, 1982; Shapira, 2011) about this complex

strategic choice of retaining or discarding a weak brand. We generally believe that if a brand is underperforming on financial metrics it is logical to discard it and focus on stronger brands. However, this framework encourages us to also see the other side of the coin where firms retain weak brands in their brand portfolio for strategic reasons despite weak financial performance. This framework brings together, organizes and clearly explains various such factors influencing the brand retain-or-discard decision in a firm. It thereby contributes in the context of discovery through the development of new relationships among established constructs in the strategic decision making and brand portfolio management literature, and the synthesis of existing constructs by tying them in one detailed conceptual framework (Yadav, 2010). The article also attempts to enrich research in the field of brand portfolio management by reaching out to (Wells, 1993) and drawing from cross-functional and inter-disciplinary research streams, such as, management, strategy, organizational behavior and psychology.

A requirement of an interesting theory is that it be of 'practical import' (Zaltman *et al*, 1982, p. 27). Practically, the proposed framework also demonstrates its managerial utility as a roadmap or a checklist to consider while deciding between whether to discontinue or retain a weak brand. Firms might be in a position to make better brand management decisions and reap significant benefits if they have regular brand appraisal exercises and a formalized brand portfolio management (add, retain, manage, discard) process with the participation of various key stakeholders. It is also important to take into account the various factors discussed in this conceptual framework, and clearly communicate and discuss the rationale of retaining or discarding a weak brand with the key stakeholder groups. Kumar (2003) argues that brand portfolio management is not just the responsibility of the marketing

department; it is a 'top management mandate'. Therefore, involvement of the top management in such a critical decision is also of paramount significance.

Further, being aware of the interplay of the factors presented in the conceptual framework of this article, brand managers and top management will be well-equipped to make sound decisions in brand portfolio management, thereby enhancing a firm's strategic position in the market and its overall financial performance. Furthermore, understanding which of these factors is more important under which circumstances would also benefit managers and aid their decision making. For example, some research studies prove that external environmental factors are more influential as compared with internal factors while making strategic decisions (for example, Hannan and Freeman, 1977; Jemison, 1981). However, Papadakis *et al* (1998), found that internal factors were more significant in strategic decision making as compared with external environmental factors. The importance of these factors changes in different contexts, decisions and industries. Thus, in the brand retain-or-discard scenario, for example, if the brand being discarded is a popular brand and discontinuing it could bring consumer opposition and negative media attention, the external context becomes very important in the decision making. This might even compel the firm to retain the weak but popular brand. Having proposed this, it is also important to know that one way brand managers can decompose the decision in various steps is by following the analytical hierarchy process and compare pairwise, the tangibles (using mathematics) with the intangibles (using psychology) (Saaty, 2008; Saaty and Vargas, 2012) involved in the weak brand retain-or-discard decision. Following this technique can help brand managers make the decision that aptly fits their goal and understanding of the situation and context of the problem at hand.

Finally, the author posits that if firms draw their attention to this neglected and complex area of brand management and strategic decision making, the brand retain-or-discard decision might no longer remain a traumatic ordeal for the firm. If planned and executed properly, it would result in a firm fortified for growth.

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