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A Better Way to Map Brand Strategy

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PLAMEN PETKOV

Marketers have always had to juggle two seemingly contradictory goals: making their brands distinctive and making them central in their category.

Central brands, such as Coca-Cola in soft drinks and McDonald's in fast food, are those that are most representative of their type. They're the first ones to come to mind, and they serve as reference points for comparison. These brands shape category dynamics, including consumer preferences, pricing, and the pace and direction of innovation. Distinctive brands, such as Tesla in cars and Dos Equis in beer, stand out from the crowd and avoid direct competition with widely popular central brands.

Striking the right balance between centrality and distinctiveness is critical, because a company's choices influence not just how the brand will be perceived, but how much of it will be sold and at what price—and, ultimately, how profitable it will be. And yet, marketers have lacked the tools needed to get this balance right. Traditionally, companies have analyzed brand positioning and business performance separately: To locate gaps in the market and gauge how people feel about their brands, marketers have used perceptual positioning maps, which typically represent consumers' perceptions of brands or products on opposing dimensions, such as budget versus premium or spicy versus mild. To assess performance, they have used a different set of strategic tools that map or measure brands on yardsticks such as market share, growth rate, and profitability.

In this article, we present a new approach called the centrality-distinctiveness (C-D) map, which to our knowledge is the first tool that allows companies to directly connect a brand's position on a perceptual map with business outcomes such as sales and price. Using the tool, managers can determine a desired market position, make resource allocation and brand strategy decisions, track performance against competitors over time, and evaluate strategy on the basis of results. In the process, they will find that centrality and distinctiveness need not be contradictory goals; companies may choose to pursue both—and benefit substantially.

Positioning and Performance

Creating a C-D map of a brand category is a straightforward but labor-intensive process. A company begins by identifying the geographic market of interest (an entire country, a region, a single city) and the customer segments to be surveyed. As we will discuss, a brand's position on the map can vary dramatically depending on those variables. The company then conducts a survey to collect data on consumers' perceptions of the brand's centrality and distinctiveness (scored on a 0–10 scale). This data yields unique coordinates for each brand's position on a 2x2 matrix. The map also captures market performance: The "bubble" for each brand is sized proportionally to its unit sales volume, price, or other metric. (See the exhibit "The Centrality-Distinctiveness Map.")

By focusing on centrality and distinctiveness—dimensions that, unlike narrow product characteristics, apply to brands in all categories—companies can make comparisons across categories and geographies. Where a brand falls on the map has implications for sales, pricing, risk, and profitability. Marketers can also make important strategic assessments such as "This market is more crowded with distinctive brands than that one."

Two Case Studies

Consider C-D maps for two brand categories, cars and beer in the U.S. market. (See the exhibit "C-D Maps for Cars and Beer.") Brands in both are broadly distributed, showing that it's possible to effectively compete across a wide range of positions—even, surprisingly, with brands that are neither central nor distinctive. Let's look at each quadrant of the maps in detail.

Aspirational brands—those that fall into the upper-right quadrant—are highly differentiated but also have wide appeal. For cars, this quadrant accounts for a solid 30% of unit sales and contains powerhouse brands such as Mercedes and BMW.

Idea in Brief

THE PROBLEM
Companies have long used perceptual maps to understand how consumers feel about their brands relative to competitors' and to develop brand positions. But their business value is limited because they fail to link a brand's position to market performance metrics. Other marketing tools measure brands on yardsticks such as market share, growth rate, and profitability but fail to take consumer perceptions into consideration.

THE SOLUTION
The C-D map links perception and performance in a new way. It shows brands' relative position in the marketplace according to perceived "centrality" (how representative a brand is of its category) and "distinctiveness" (how well it stands out from other brands). It also captures financial performance along a given metric, such as sales volume or price.

THE IMPLICATIONS
Using the tool, marketers can determine a brand's current and desired position, predict its marketplace performance, and devise and track marketing strategy and execution.

In-depth examples of the car and beer markets demonstrate the value of this tool for managers of brands in any category.

For beer, this quadrant accounts for the lion's share of sales (62%) and includes strong performers such as Heineken and Sam Adams. These high-distinctiveness brands tend to command higher prices than brands that score low on this dimension.

Brands that have wide appeal but low distinctiveness fall into the lower-right quadrant. These *mainstream* brands tend to be the first that come to mind when consumers think of the category. Their lack of distinctiveness reduces their pricing power, but they are very popular and most often chosen by consumers. For cars, mainstream brands like Ford and Chevrolet account for about 44% of sales; for beer, popular brands like Miller and Busch deliver 19% of sales.

Peripheral brands have little to distinguish them. They are unlikely to be top of mind or the first choice for most consumers. Examples in the lower-left quadrant include Kia and Mitsubishi for cars and Old Milwaukee for beer. Despite their low prices and lack of distinctiveness, many peripheral brands clearly succeed in this seemingly unattractive position; they account for 24% of car sales and about 15% of beer sales.

In the upper-left quadrant are *unconventional* brands—those with unique characteristics that distinguish them from traditional products in the category. Think of Tesla, Mini, and the Smart car, each of which departs in some way from the standard view of a "car." Among beers, Dos Equis and Stella are both unconventional in the U.S. market. The low share of sales of brands in this quadrant (about 2% to 4%) suggests, as you might expect, that this is a niche strategy.

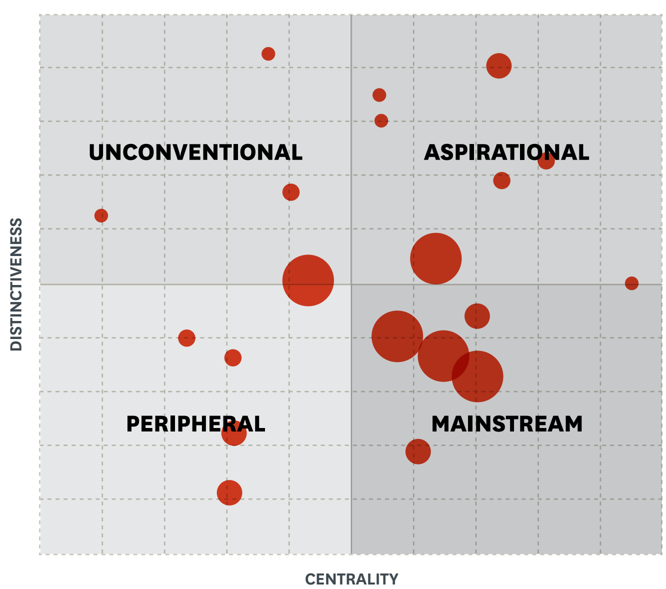
Now let's consider how centrality and distinctiveness affect business performance on two key metrics—sales volume and price—in the categories we studied.

Sales volume. In both the car and beer markets, the higher a brand scores on centrality, the greater its sales volume. Toyota, the car brand with the highest score on this dimension in our survey, is the only one that sold more than a million passenger cars in the United States in 2014. Budweiser, the most

THE CENTRALITY-DISTINCTIVENESS MAP

The C-D map links consumers' perceptions about brands with their business performance. Brands are positioned in quadrants according to how customers score them on two universal dimensions: *centrality* (how representative of the category they are) and *distinctiveness* (the degree to which they stand out from others in the category). Bubbles are sized according to brands' performance on a financial metric, such as sales volume or price.

Each quadrant carries strategic implications for sales, pricing, risk, and profitability. The distribution of brands across the map offers insights about competitive opportunities and threats.

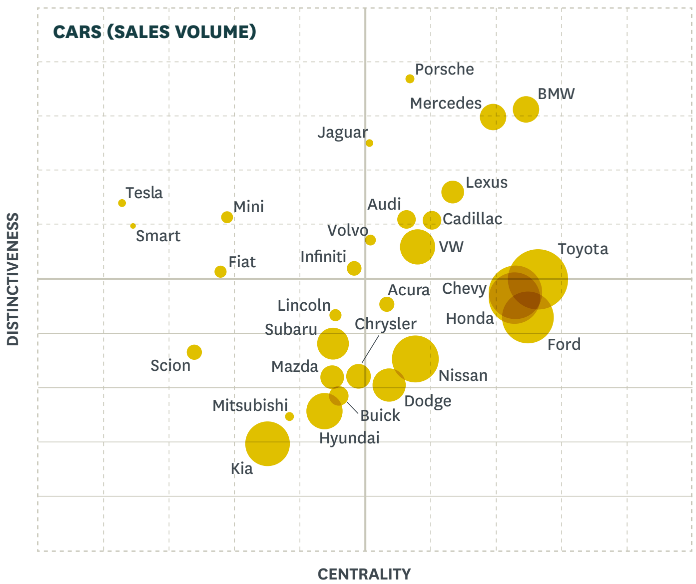


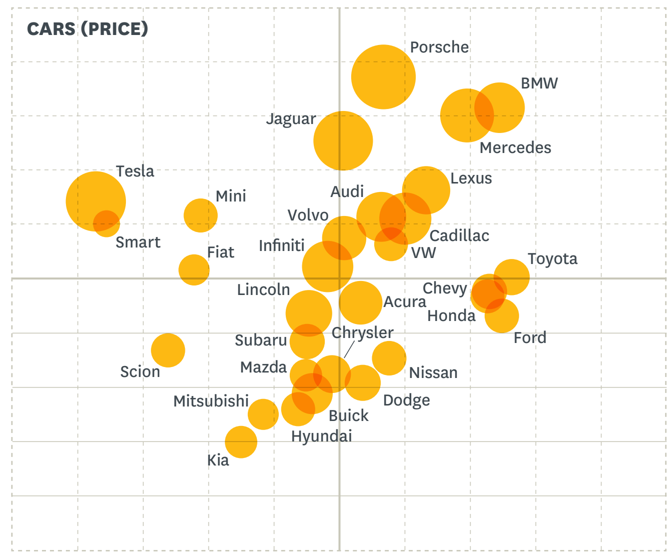
A BETTER WAY TO MAP BRAND STRATEGY

C-D Maps for Cars and Beer

To create these maps, we surveyed adults across the U.S. about their perceptions of 30 car brands and 23 beer brands, asking them to rank the brands, on a 0–10 scale, on ***centrality*** and ***distinctiveness***.

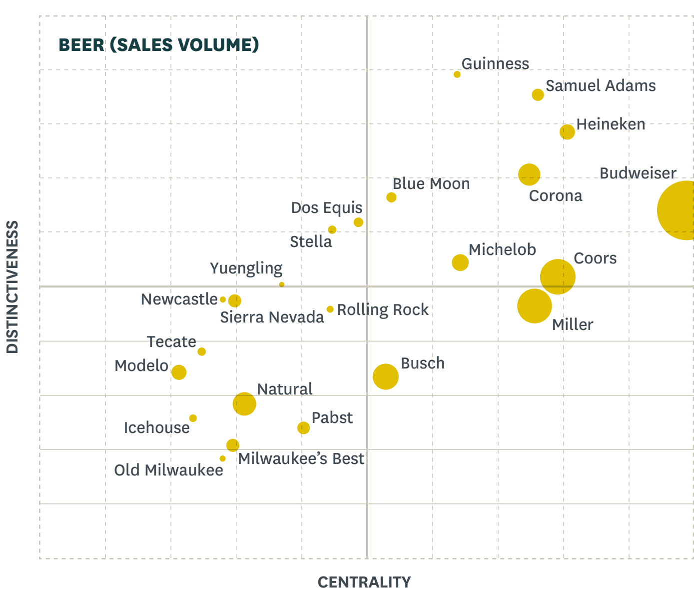
BY THE NUMBERS As these C-D maps show, sales volume tends to increase with centrality, and prices tend to fall. The more distinctive a brand is the lower the sales volume and the higher the price.

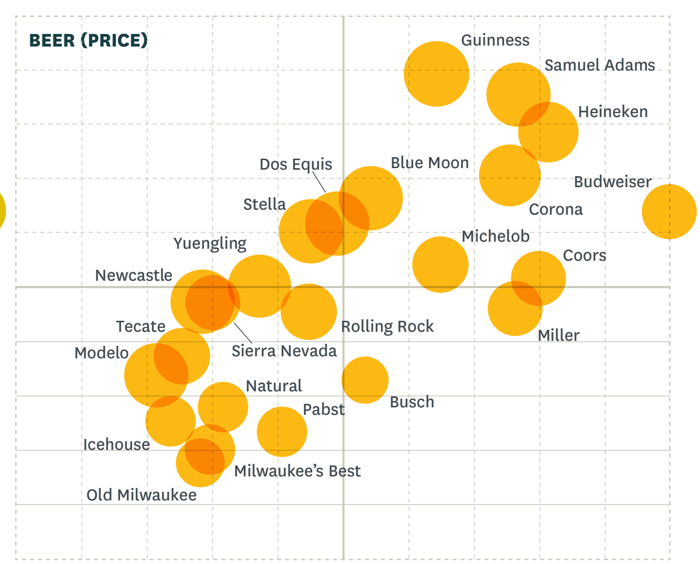




BRANDS ARE AT THE PARENT LEVEL. CARS ARE PASSENGER ONLY.

STACKING UP Many brands succeed by being both central and distinctive (BMW and Guinness, for example), while others compete by being neither (Kia and Old Milwaukee). Firms can use a C-D map to identify positioning opportunities and unexpected threats.





central beer brand, also had the largest sales volume in its category—it captured almost 30% of the U.S. beer market.

The impact of boosting centrality even slightly is dramatic: Our regression analysis suggests that a one-point increase (on the 0–10 scale) corresponds to greater sales of about 200,000 cars per year, on average, for a given brand and a sales volume boost for a beer brand by an average of 10.3 million barrels per year. These are theoretical numbers, of course, produced by mathematical modeling of the data. In practice, sales volumes are affected by many factors, and for many firms, shifting position by one point would require an overwhelming commitment of R&D, marketing, and other resources. However, the message is clear—and the opportunity very appealing. In fact, increasing centrality is a key strategic goal for the highly distinctive, pricey, all-electric Tesla.

In contrast, increased distinctiveness is associated with lower sales volume for both cars and beer, though the effect is less dramatic. Our analysis suggests that increasing a brand's distinctiveness by one point would reduce annual sales by about 144,000 units for a car brand and about 8 million barrels for a beer brand.

Price. If higher distinctiveness results in lower sales, why do so many brands aim for the crowded higher-distinctiveness quadrants? (Together these account for more than 65% of beer sales volume, even though being more central yields higher sales volume.) The answer lies in the higher prices that more distinctive brands can charge.

Porsche, the most distinctive car brand in our survey, had the highest average base retail price. The most distinctive beer brand, Guinness, also had the highest retail price. For cars, a one-point increase in distinctiveness is associated with a retail price increase of $12,900, on average, per unit. For beer, a one-point increase translates into a retail price increase of about $2.59 for a 12-pack.

Centrality, on the other hand, tends to be negatively related to price in both categories, though the reduction was not statistically significant for cars. A one-point increase in centrality in the beer category was associated with a reduction in retail price of about $1.10 for a 12-pack.

Strategic Implications

A brand's position on the map can vary dramatically depending on the customer segment, region, or other factors. In our national survey of cars, for example, the Subaru brand was considered neither central nor distinctive; however, a survey of consumers in the Northeast would most likely position Subaru in the aspirational quadrant. Likewise, older consumers would probably perceive the Cadillac brand as aspirational, while younger consumers would most likely give it a peripheral position.

Regardless of where a brand falls on the map, its position should reflect a company's strategy and be consistent with its business model. Let's look now at the strategic implications for each quadrant.

Aspirational. Because aspirational brands are both central and distinctive, companies can take advantage of high sales volumes and premium pricing. These trusted brands are well positioned to launch innovations that redefine the category. With the Prius, Toyota introduced hybrid cars into the market and became the dominant player, paving the way for many other brands. Experiments with fuel cell technology by Daimler (Mercedes-Benz's parent company) and Toyota are intended to start the next revolution in the car category.

The key for aspirational brands is to make their distinctive features sufficiently mainstream to be widely appealing without becoming run-of-the-mill. They must defend their position against challengers coming at them from the mainstream and unconventional quadrants.

Aspirational brands must defend against challengers from the mainstream and unconventional quadrants.

Mainstream. Mainstream brands build their central position through careful engineering and product development to align with (or even shape) popular tastes and through heavy advertising to make the brand synonymous with the category. Their strategic position calls for risk-averse stewardship of the brand; they avoid rocking the boat. But because of their heft, they can shape markets and consumer preferences more adeptly than brands in the other quadrants can. Coca-Cola, for example, recognized consumers' shift to less sugary and less carbonated drinks and successfully led the market migration first with its diet brands and then with its Dasani water brand.

The primary competitive challenge to mainstream brands comes from peripheral and unconventional products that could become central as consumer tastes shift. Take vacuum cleaners. iRobot's Roomba sells more than a million units

annually, and robotic vacuums claim 15% of the market. These unconventional products are now posing a legitimate threat to mainstream incumbents.

Peripheral. These brands tend to follow a "me too" strategy. They offer benefits similar to those of more central brands; consumers typically buy them as substitutes, generally because they are attracted by lower prices or have minimal engagement with the category. Peripheral brands, on average, pull in neither the volume of more central brands nor the price premium of more distinctive brands. Still, this can be a viable position for brands with business models that call for low marketing and innovation costs—such as generic or private-label players in the pharmaceutical and grocery industries.

Peripheral brands may attempt to shift their positioning by adding distinctive features or launching advertising campaigns, but this is an uphill and expensive battle. Over the past decade, for instance, Hyundai has introduced longer warranties and luxury models such as the Genesis and Equus. These moves have boosted sales volume but have not budged Hyundai's position as a peripheral follower, not that far from its sister brand, Kia, and second-tier Japanese brands such as Mazda. Finally, peripheral brands are more likely than brands in the other quadrants to exit the market (Pontiac and Saturn are examples), but their low-cost business models can be designed to fortify their relatively uncompetitive positions. RC Cola, for example, has survived in its category for almost a century.

Unconventional brands. Brands in this quadrant are niche players. Their business models must be designed for profitability at low volumes, as those of Mini and Dos Equis are, or their position in the quadrant must be a stepping-stone for greater centrality. Efforts to become more central can include making the brand's unique features more mainstream (as Tesla is doing, for example, by promoting policies that favor electric cars) or adding mainstream features (Stella beer is now available on tap as well as in bottles). A reasonable strategy for Tesla and Stella would be to migrate from the unconventional to the aspirational quadrant. This would increase sales volume without compromising distinctiveness (and the premium prices that go with it).

How to Use the C-D Map

As we've shown, brands' map positions carry strategic implications. Using regression analysis, companies can create what-if scenarios for a range of strategies to move a brand along the centrality or distinctiveness dimension and assess how those moves would affect sales or profitability. By mapping the positions of its brands (and competitors') over time, companies can develop an understanding of the costs associated with different strategies and the impact that the resulting shifts in position have on brand performance.

We see five potential applications of C-D mapping.

Assess your brand's positioning strategy. Brand managers typically believe that their marketing differentiation strategy distinguishes their brand in consumers' minds and accounts for its sales. Measuring customers' perceptions of a brand's distinctiveness and linking that statistically to performance provides an instant check on a strategy's effectiveness. For example, if the marketing goal is to maximize price, but the brand is becoming more mainstream in consumers' minds, the C-D map will reveal the disconnect between strategy and objective. Companies can then use the tool to assess whether strategy adjustments are having the desired effect on business performance.

Track the competition. Conventional maps usually gauge consumer perceptions about narrow product characteristics. For example, a map may evaluate brands of beer on bitterness and foaminess. However, neighbors on such maps aren't necessarily competitors. Heineken and Old Milwaukee may be equally bitter and foamy, but they don't directly compete.

C-D maps overcome this sort of challenge because they reveal a brand's location relative to others in a way that reflects consumers' mental representations of the category. This helps focus competitive efforts on actual rather than perceived competition. For instance, it may come as a surprise to managers of the Lincoln brand that their brand is closer to Chrysler than to Cadillac in consumers' minds. Similarly, while Dodge and Chevrolet might consider themselves competitors, C-D maps suggest that consumers perceive substantial differences between the two.

Manage your brand portfolio. Because C-D maps can be made for any brand in any category, they allow companies to compare brand performance and strategy across categories. Thus a company that sells multiple brands of different product types could use the maps to allocate resources objectively across categories. Suppose the consumer goods conglomerate Unilever wanted to increase sales of two brands that are noncentral in the U.S. market: Tigi in hair care and Degree in deodorants. Using C-D maps, it could estimate the amount of marketing resources to allocate to each brand (after controlling for category size and advertising expenditures) to achieve a given objective—for example, a specific increase in centrality that would yield a specific increase in sales volume. The C-D map not only would help Unilever standardize and provide a rationale for budget allocation across brands but also would allow the company to track how effectively marketing dollars were utilized by the brand teams, by measuring how far the brands moved on the maps.

Manage global brands. Many companies that attempt to manage global brands in a standardized way find themselves stymied by differences across markets. C-D maps offer a way to visualize differences in consumer perceptions and in performance across markets. Consider Chevrolet and Tide. Both brands are highly central in the United States but score relatively low in centrality and distinctiveness in emerging markets such as India. The ability to gauge these differences is useful on three levels. First, it helps a firm set realistic performance goals for a global brand across geographical markets. Second, it helps explain differences in cross-border performance. And finally, it helps global managers make decisions about brand standardization versus localization.

Track and analyze results. Managers often struggle to quantify the impact of their marketing efforts on consumers' perceptions. The two dimensions that C-D maps track—centrality and distinctiveness—are shared by all brands and remain relevant over time. By repeatedly charting the position changes that result from marketing initiatives, marketers should be able to gauge how their (and their competitors') actions affect consumer perceptions.

For example, companies should tie pricing disruptions (such as E-Trade's slashing of brokerage fees) or focused advertising campaigns (Apple's "I'm a Mac...I'm a PC" campaign) to movements of brands on the C-D map to yield insights about what drives consumer perceptions—and brand performance. The more frequent the mapping, particularly in categories that have a lot of innovation and market churn, the clearer the resulting picture.

WHICH QUADRANT a brand occupies on the C-D map reflects the firm's strategy, capabilities, and the nature of the market, but that position isn't set in stone. Companies may, for good reason, shift a brand's location—to exploit less crowded territory, for example, or grow sales. Unconventional brands may seek to become more central in consumers' minds to gain market share, as Tesla is doing. Peripheral brands may also see opportunities in becoming more mainstream, as Kia has.

By allowing a firm to evaluate a brand's strategic position, assess the risks and rewards of shifting it, and monitor progress along the way, C-D maps can help ensure that the investment pays off.

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