

When managing a company, less is more

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No company has the exact same marketing strategy when it comes to managing its suite of products and brands, but a team of researchers led by Michigan State University faculty is the first to identify universal strategies for large companies to follow to maximize their sales and market share.

The research, published in the *International Journal of Research and Marketing*, found that the combination of a company's product [portfolio](#) breadth—or, the number of product categories—portfolio depth—the number of products within those product categories—and portfolio innovativeness, as well as a brand's portfolio size and quality were the key elements to success in marketing.

"Apple is a company with many different brands, like the iPhone, iHome, iTunes, watches, AirPods and the iPad," said Ahmet Kirca, lead author and professor of marketing at MSU's Eli Broad College of Business. "Within these brands, there are different product categories with different models; for the iPhone, you have the iPhone X, the iPhone 11, iPhone 11 Pro and so on. Managing multi-product and multi-brand brands is a constant challenge for companies like Apple because product portfolio decisions are determined in conjunction with branding decisions and the outcome of these decisions is uncertain."

Using data from the U.S. automotive industry between 2007 and 2013, the researchers investigated how product and product portfolios affected the performance of brands.

Kirca said that the research—co-authored by Billur Akdeniz, Berk Talay and Praneet Rhandawa, all former MSU doctoral students currently at University of New Hampshire, University of Massachusetts, Lowell and Baltimore University, respectively—gives key insights about how these interdependent decisions are associated with brand sales and market share.

"These decisions are critical across all industries for companies with large product and brand portfolios, like P&G, General Motors and Nestle," Kirca said. "Even though these companies operate in different industries with different products/models in their portfolios, our research shows that a few portfolio brand characteristics are the driving

factors that determine unit sales and market share at the brand level."

In terms of product portfolios, the researchers recommend that companies closely monitor both the number of product categories and variations in their entire portfolio to not get too big.

"The more products you have in your portfolios might mean you're selling more products, but if you are making so many versions of the same product with different brands—like an auto manufacturer making four different trucks and five different sedans that are priced similarly and are catered to the same kind customers with different brands—it isn't the smartest strategy," Kirca said. "This is not an effective strategy for managers to follow because it can confuse customers as they don't see why they should pick one car over another, and they might end up going somewhere else. It can definitely be a waste of resources from the [company](#)'s perspective," Kirca said. "In these kinds of cases, less is definitely more."

Nevertheless, the research reveals that developing high-quality brands within a portfolio is the key to solve this puzzle.

"Companies that have lots of different products in their portfolio will do much better if they have high-quality brands to help generate sales and market share" Kirca said. "For instance, BMW can afford to have the deepest portfolio in full-size car and small SUV categories along with a number of other types of vehicles like motorcycles because they have a high-quality positioning in the marketplace."

Lastly, Kirca's research revealed that innovation—in today's market more than ever before—is a critical asset for a [brand](#)'s strategy and can make or break its performance.

"Prior research shows that when companies introduce innovative

products, they can increase sales and maintain a top-spot in the marketplace," Kirca said.

Kirca explained that there is still ambiguity when it comes to how innovation interacts with branding strategy. In the case of smartphones, there are multiple companies introducing new products—such as the next-generation model with new features and capabilities—every day.

"Our research indicates that the key to success for innovative product portfolios lies in branding," Kirca said. "Specifically, companies like Apple or Toyota that introduce highly innovative products can increase sales and [market share](#) of these products by maintaining several high-quality brands in their portfolios."

More information: Ahmet H. Kirca et al. The interactive effects of product and brand portfolio strategies on brand performance: Longitudinal evidence from the U.S. automotive industry, *International Journal of Research in Marketing* (2019). [DOI: 10.1016/j.ijresmar.2019.09.003](#)

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