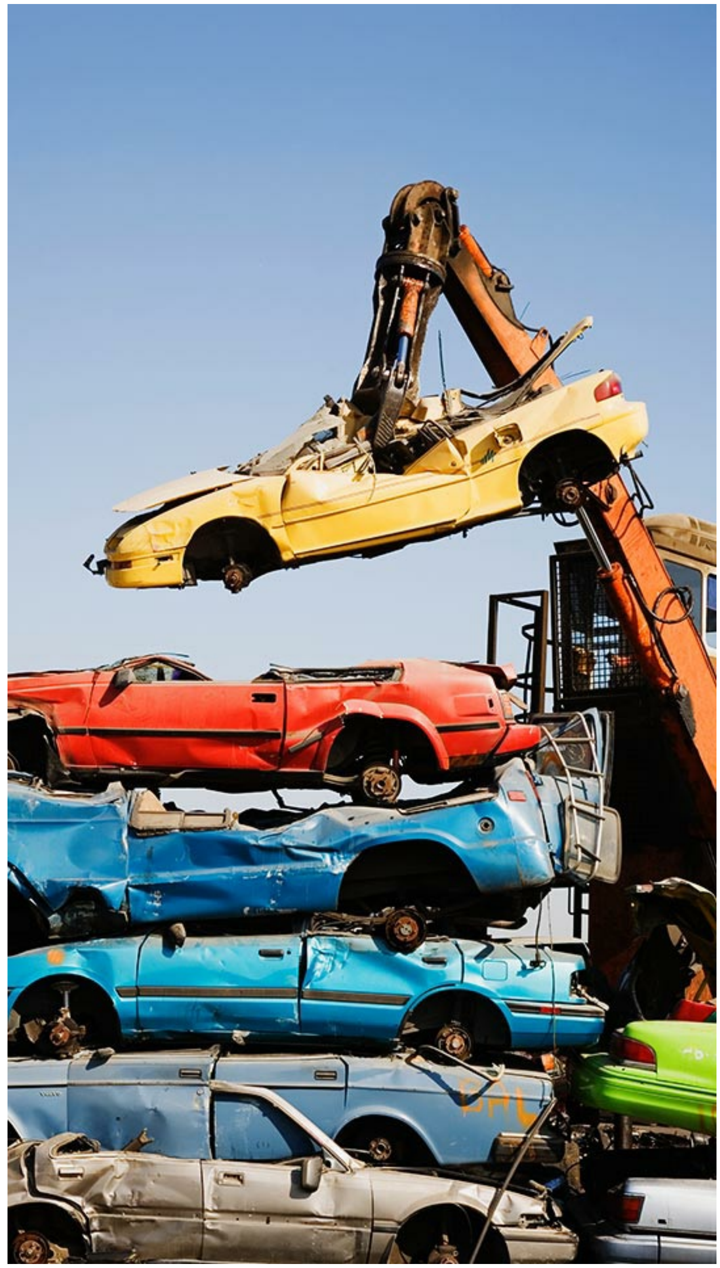
Know When to Kill Your Brand



Killing off brands is not a popular or pleasant thought, but we should consider it more often than we do. It can be tough to admit that it's time to pull the plug. Some executives may be reluctant to admit – perhaps for sentimental or political reasons — that their brand is sucking out more value from the company than it creates. Others may simply see no alternative to trying to keep the brand going at any cost, even if that means aggressive discounting, cheap licensing, or other tactics that erode long-term brand value.

Perhaps the source of the problem is that it's not clear when a brand should be euthanized. Profitability isn't a useful metric. Most corporations generate 80% to 90% of their profits from fewer than 20% of the brands they sell and many promising start-ups can fail to generate a profit for several years.

A better litmus test for keeping or killing a brand may be *purpose*. In a 2011 HBR article, Rosabeth Moss Kanter explains that companies are "vehicles for accomplishing societal purposes — by producing goods and services that improve the lives of users; by providing jobs and enhancing workers' quality of life; by developing a strong network of suppliers and business partners; and by ensuring financial viability."

In his book, Start with Why, Simon Sinek says that purpose should provide direction when deciding a company's future: "Instead of asking, 'WHAT should we do to compete?' the questions must be asked, 'WHY did we start doing WHAT we're doing in the first place, and WHAT can we do to bring our cause to life considering all the technologies and market opportunities available today?'"

Purpose might have informed the management of two failed brands – Blockbuster and Radio Shack — differently. The first Blockbuster store opened in 1985 and quickly became a popular provider of video games and movies to be used on all the new VCRs people were buying at the time. Through the early 2000's, Blockbuster served a valuable purpose to customers as well as movie studios, game makers, and other content producers – providing direct consumer access to entertainment content. But as Netflix and online media channels developed, Blockbuster was no longer unique in fulfilling that purpose, and the way it fulfilled it became anachronistic. The brand died a slow death, beginning when Blockbuster filed for bankruptcy in 2010 and then ultimately when its acquirer, Dish Network, decided to shut down all video rental operations in 2013.

Because Blockbuster could no longer deliver on its purpose in a relevant way, its managers should have euthanized that brand long before it drained shareholder value and became the butt of jokes. There may have been another business that they could have started, utilizing the company's assets (real estate, technology, staff, etc.) and creating a different brand — or they could have shut down the company and sold off their assets sooner when they would have been more valuable.

Blockbuster's executives didn't act quickly enough, but Radio Shack's leaders might have too ruthless in killing their brand. In 1921, two brothers started the company to serve the ham radio market. It continued to provide electronic parts and equipment for the next several decades and flourished in the 1970s and early 80s, becoming a top spot for electronics hobbyists. Eventually, though, Radio Shack expanded into phones and computers for mainstream consumers and its downfall followed. Competition from big box retailers and Amazon as well as CEO problems certainly contributed to the brand's demise, but Radio Shack's biggest misstep was its failure to stay true to its original purpose — equipping electronics DIY-ers and tinkerers. Today, fulfilling that purpose would look different, but it would still be important. The maker movement continues to expand, and demand for lower-cost electronic parts, products, and accessories remains strong. Radio Shack could have also fulfilled its purpose through services and content.

Unlike Blockbuster, Radio Shack's original purpose still retains potential — if only its managers had realized that and seized it. Unfortunately the company has been taken over by groups that haven't expressed any intention of leveraging the Radio Shack brand, and so the brand will be put to death prematurely.

When dealing with a struggling brand, managers should ask themselves if their brand is staying true to what it was made to do. Is their brand's purpose is still relevant? And are they still able to deliver on its purpose in a way that increases differentiation and competitive advantage? If the answer to either of these questions is "no," can the company pivot to a new purpose that makes use of its existing assets?

The owners of Service Merchandise and Woolworth's have both benefitted from this line of thinking.

Service Merchandise had risen to prominence during an era when catalog showrooms played an important role in making housewares, electronics, and other goods accessible to mainstream America. But by the 1990's, big box retailers had taken over the market and the Service Merchandise brand no longer offered meaningful differentiation. After a few unsuccessful efforts to restructure, the company leaders decided to kill the brand and close their stores. Two years later, one of the company founder's sons sensed the brand could fulfill a more focused purpose — making discount jewelry and gifts accessible — and decided to resurrect the brand as an e-commerce play. Had the previous leadership licensed the brand off or let it deteriorate more than it had, the new owner might not have been able to re-deploy the brand – either because it wouldn't have been available or because it wouldn't have had enough equity to leverage.

A decline in the relevance of Woolworth's purpose is what led the owners of that brand to euthanize it. Sensing the weakening appeal of general merchandise stores, the company leaders closed many Woolworth's-branded units and converted others into closeout retailers branded The Bargain! Shop.   They also acquired athletic shoe retailers whose importance rose as people became more fitness-oriented and more casual in their dress. Eventually they shut down the Woolworth's brand so they could focus on the Foot Locker brand and renamed the corporation Foot Locker, Inc. Discontinuing the Woolworth's brand was likely a difficult decision, given its 100-year history and its status as the pioneer of the five-and-dime concept, but it was the right thing to do to maintain brand integrity.

We all love a good comeback story, and corporate turnarounds can turn CEOs into stars. But sometimes the right decision is the more painful one. If your brand is struggling, take a hard look at your purpose, not just your balance sheets. Fulfilling a meaningful purpose in a compelling way can be as life-giving to brands as it is to people.