

# Do proactive and reactive causes to delete a brand impact deletion success? The role of brand orientation

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# **Do proactive and reactive causes to delete a brand impact deletion success? The role of brand orientation**

## **ABSTRACT**

One critical decision concerning a firm's brand portfolio management is brand deletion (BD). Although many organizations have recently undertaken drastic BD programs and pruned their brand portfolios, the literature on this topic remains extremely scarce and fragmented. Our work focuses on studying the impact of BD causes –previously classified as proactive versus reactive– on BD success. How the firm's brand orientation affects the incidence of proactive versus reactive deletions is also explored. Implicitly, we suggest that brand orientation exerts a positive indirect effect on BD success through increased successful BDs due to proactive causes. We test our research proposal on a sample comprising 155 cases of BD. Findings indicate that brand orientation contributes to BD success through the proactive adoption of BDs focused on taking advantage of brand opportunities, such as searching for a better strategic fit or avoiding opportunity costs. Moreover, brand orientation prevents deletions by reactive or problematic causes, deletions which, after all, do not generate success. In sum, brand oriented firms seek to prevent rather than fix any problems derived from maintaining inadequate brands in their portfolio.

## **Keywords:**

Brand portfolio management, brand deletion, proactive causes, reactive causes, brand orientation, brand deletion success.

## **1. Introduction**

During the 1990s, due to a favorable economic environment and corresponding market expansion, marketing managers fostered the proliferation of products and brands, expanding their business portfolios. An expanded brand portfolio and a wide range of goods enables firms to better meet the varied needs of different market segments and to pre-empt the entry of new firms into the market (Morgan and Rego 2009; Keller 2013; Rosenbaum-Elliott et al. 2015). However, a recent increase in market competition has reinforced the need to reduce costs in order to be competitive in price terms (Winit et al. 2014).

Since maintaining a wide-ranging brand portfolio is costly, companies are consolidating and retracting their brand portfolios by using a brand deletion (BD) strategy, defined as removing the brand from a firm's portfolio (Shah 2013; Shah et al. 2017), so as to increase their competitiveness. Both academics and practitioners alike are increasingly aware of the importance of an efficient and effective allocation of resources and the heightened pressure to justify the return on marketing investments (Kumar 2015). By reassigning resources from discontinued weak brands to a smaller set of stronger brands that display greater potential for value creation, the BD strategy should help to avoid inefficiencies due to the dispersion of efforts and contribute to enhance marketing effectiveness (Kumar 2003; Hill et al. 2005; Varadarajan et al. 2006).

P&G is a paradigmatic example of a company that has recently undertaken an extensive BD program to proactively revise its portfolio of businesses and brands. Consequently, the company launched an ambitious brand consolidation program that eliminated roughly 100 brands in 2015 alone, mainly from food and beverage industries, to strategically focus on strong brands in personal and healthcare industries (P&G 2015). The financial group Santander also carried out a proactive deletion of brands by

removing several important local brands (Abbey National in the United Kingdom; Banesto in Spain) to strengthen its strong global brand Santander (Interbrand 2018). GM reacted to the economic downturn in the US in the early part of the 21<sup>st</sup> century by deleting emblematic brands such as Pontiac or Saturn (Maynard 2009).

These examples illustrate the relevance of the BD strategy. Despite the major impact of BD on company strategy in recent decades, scholarly research is so scarce and fragmented that a body of knowledge on this topic is virtually unidentifiable. To add to the scant research, we focus on BD causes as the starting point of BD, which can thus directly influence BD strategic success (Harness and Marr 2004; Gounaris et al. 2006; Varadarajan et al. 2006; Shah 2017). With the exception of Shah's (2017) descriptive research, prior research does not consider the cause–performance relation of BD strategy. Rigorous empirical evidence is required to ascertain why firms delete certain brands and how different causes are linked to BD success, defined as the level of satisfaction with the results obtained and the accomplishment of the firm's goals established during BD decision-making.

With this background in mind, the first aim of this work (see Figure 1) is to expand the scant literature on BD by analyzing the impact of BD causes on BD success. As very little is known to date about such relations, we take product elimination literature as the baseline. It should be stressed that we resort to product elimination literature due to its close link with BD, based on their essence (Varadarajan et al. 2006; Avlonitis and Argouslidis 2012). However, there are notable differences between the two. One key difference lies in the asset to be deleted. Products usually follow the four stages of their life cycle (Kumar and Krob 2005) and give way to other superior products. For example, Sony cassette player gave way to Sony mp3 player, and Samsung smartphones relieved Samsung cell phones. Meanwhile, brands can bear new product generations

without substitution or removal (Bellman 2005). Moreover, brands go beyond products by focusing on a clear set of values rather than product functionality-orientation (Aaker and Joachimsthaler 2000). This set of values is transmitted both inside and outside the company, helping to build a firm's image and reputation (Zerfass and Sherzada 2015). Thus, brands show a higher strategic focus than products (Shah et al. 2017). Deleting a brand has a greater impact in the firm than eliminating a product due to its role in a company's image and reputation construction (Kumar 2003; Varadarajan et al. 2006). In sum, although we use product elimination literature as a reference, further research is needed on the decision to delete a brand since it has its own specific features.

Inspired by product elimination literature and the fragmented body of knowledge on BD, we consider two broad categories of BD causes: proactive and reactive. Proactive BD is guided by strategic considerations (see the previous P&G and Santander examples) whereas reactive BD is a response to a crisis or problem (for example, Pontiac and Saturn deletions). Following Avlonitis (1987) and Harness et al. (1998), we propose that proactive causes of BD lead to better elimination results than BDs driven by reactive triggers because proactive BD is more likely to identify vulnerable brands before they substantially affect the brand portfolio whereas reactive BD initiates the removal of a brand only after a problem arises. Building on previous literature, we consider three major proactive causes (lack of alignment with the firm's strategy, opportunity costs, and adoption of a brand portfolio rationalization policy) and three main reactive causes (inadequate response to customer needs, lack of competitive advantage, and brand economic/financial problems). Paradoxically, a large number of organizations seem unable or reluctant to proactively remove brands from their portfolios, partly due to a fear of customer and/or worker resistance, management inertia or vested interests (Kumar 2003; Rajagopal and Sanchez 2004; Yakimova and

Beverland 2004; Varadarajan et al. 2006; Kimpakorn and Tocquer 2009), which may harm the company image and reputation. As Strebinger (2014) notes, real-life branding strategies are rarely defined in a consistent manner based on a priori considerations, rather tending to follow a “mix and match” approach, with branding decisions being made on a case-by-case basis. Thus, in many instances, deleting a brand is a forced response to a critical situation that leads to unplanned brand portfolio pruning, i.e., more often than not, firms undertake reactive BDs when there is no other choice. This fact raises the question of why some companies adopt their brand management decisions reactively or in piecemeal fashion, while others are more proactive and are able to act before problems occur within the framework of a coherent strategic plan.

Organizational culture, in particular its strategic orientation, is an important antecedent of decision-making (Weatherly and Beach 1996). Among the diverse strategic orientations considered in the literature (e.g., market orientation, innovation orientation, entrepreneurial orientation), the present study emphasizes brand orientation as a key trait of a firm’s culture that plays a relevant role in its brand portfolio management. A brand-oriented company is very conscious of the importance of brands as valuable assets and key sources of competitive advantage (Urde 1999; Baumgarth and Schmidt 2010; Hodge et al. 2018). This importance is recognized throughout the organization in such a way that marketing strategy essentially focuses on developing and building strong brands. Thus, brand-oriented companies regularly supervise their brands and have a clearer and panoramic view of their brand portfolio, which enables them to anticipate potential difficulties and which brings consistency and effectiveness into their brand management (Urde et al. 2013; Santos-Vijande et al. 2015; Lee et al. 2017). Accordingly, the second aim of our research is to examine the role brand orientation plays as an antecedent of BD strategy. As depicted in Figure 1, the proactive or reactive

nature of the BD is conditioned by the level of brand orientation, with brand-oriented firms tending to adopt a more proactive stance in the BD decision-making and with reactive causes being more prevalent in firms with a lower brand orientation. Thus, the present research not only helps expand knowledge on the BD strategy, but also contributes to the literature on brand orientation. As pointed out by Annes-ur-Rehmann et al. (2016), it has been more than two decades since the concept of brand orientation was introduced, despite which it remains an emerging and relatively new paradigm for brand management. As a result, further investigation is necessary to uncover and understand the mechanisms through which brand orientation translates into superior performance.

## **2. Theoretical background**

Consistent with the resource-based view of the firm, brands are business assets that can generate sustainable competitive advantage (Morgan 2012; Kozlenkova et al. 2014). Specifically, brands are a potential source of value creation through the loyalty they inspire, their reputation, perceived quality, what they are associated with, as well as other aspects such as copyright (Aaker 1991). Yet its mere creation is not enough to ensure that a brand becomes a valuable resource and a source of competitive advantage; the firm must adequately manage this resource (Kozlenkova et al. 2014). Brand management is a cross-functional capability which “concerns the systems and processes used to develop, grow, maintain and leverage a firm’s brand assets” (Morgan 2012: 107). Thus, how proficiently a firm handles brands is a unique capability that helps achieve sustainable competitive advantage (Aaker 1991; Morgan 2012). Firms generally manage their brands together in a portfolio, establishing connections among them (Chailan 2008). When these connections seek to define a coherent brand portfolio and adjust the brand portfolio strategy to the firm’s strategic objectives, sustainable

competitive advantage emerges (Aaker 1991; Aaker and Joachimsthaler 2000; Kapferer 2008; Christodoulides and De Chernatony 2010).

Morgan (2012) emphasizes resource reconfiguration as a dynamic marketing capability which, together with market learning and capability enhancement, enables the firm to adapt to its dynamic market environment. Resource reconfiguration “involves the firm’s ability to retain, eliminate, and acquire resources in ways that fit with the requirements of the firm’s environment” (Morgan 2012: 109). These reconfiguration processes may of course affect the brand portfolio, and we assume that firms need to adjust their brand portfolios in order to adapt to the ever-changing external and internal circumstances, achieve the company’s strategic goals and secure good market and financial performance (Hill et al. 2005). As explained in the Introduction, after decades in which brand portfolio expansion was a dominant strategy among companies and corporations worldwide, recent years have witnessed a shift in this trend. Increasing market competition and the growing power of retailers, with the subsequent strengthening of private brands and the struggle to place manufacturer or national brands on supermarket shelf space, have forced many firms to cut costs in order to be price competitive and to prune their brand portfolio so as to focus on a more limited number of brands with a more solid position (Depecick et al. 2014; Winit et al. 2014).

Thus, companies are using BD in order to adapt their brand portfolio and fit the requirements of the firm’s environment. BD becomes a strategic decision that should help the firm to increase or at least to maintain its competitiveness. In this sense, organizational theory offers two approaches related to strategic decision-making: strategic choice and environmental determinism (Gopalakrishnan and Dugal 1998). On the one hand, strategic choice portrays managerial action as anticipating and preventing external dynamics (Parker et al. 2010). Hence, corporate strategy is focused on intended



or envisioned competitive positions and results, and strategies are thus designed to accomplish those goals, with actions and monitoring adopted to achieve them (Gopalakrishnan and Dugal 1998; Kanfer and Ackerman 1989). On the other hand, environmental determinism suggests that managerial action adapts the organization to the external situation, focusing on reacting to its dynamics (Bateman and Crant 1993). Thus, decision strategy is merely reactive, and depends entirely upon environmental forces (Varadarajan et al. 1992). As discussed in the elimination literature, strategic choice and environmental determinism are operationalized by proactive or reactive causes. In line with the strategic choice approach, proactive causes are those that motivate elimination as a result of strategic considerations about firms' desired future (Avlonitis 1987; Avlonitis et al. 2000; Harness 2003). Reactive causes are those that trigger elimination as a result of a response to adapt the organization to a problematic situation (Avlonitis 1987; Gounaris et al. 2006).

As part of the firm's marketing strategy, whether BD is a proactive decision seeking to seize opportunities or a forced reaction to address problems will to a large extent be determined by organizational culture (Deshpande and Webster Jr 1989; Weatherly and Beach 1996). As the backbone of its culture, a firm's strategic orientation, i.e., its guiding principles, influences its marketing efforts and strategy (Hatch and Schultz 2001; Morgan 2012). Translating this consideration to the context of brand management, brand orientation is a cultural trait that acknowledges brands as key resources within the company, emphasizing the need to build strong brands and conferring on them a leading role in corporate strategy (Wong and Merrilees 2007; Santos-Vijande et al. 2013). That is, brand-oriented companies show a greater awareness of the value of brands as a source of competitive advantage (Calderon et al. 1997). As a mindset of the company which places brands as strategic hubs, "the core of

brand orientation is customer satisfaction within the limits of the core brand identity” (Urde et al. 2013: 16). Thus, brand orientation itself constitutes a crucial resource that marketing capabilities transform in order to achieve the firm’s goals (Morgan 2012). Brand orientation is the seed and an essential component of a holistic brand management system which drives the firm to strategically manage its brand portfolio, thus ensuring marketing efforts are consistent with the desired image and positioning of brands in the portfolio, and that resources are appropriately allocated (Beverland et al. 2007; Santos-Vijande et al. 2013). When organizational culture is characterized by strong brand orientation, the firm is prone to regularly evaluate the evolution of image and value of its brands, and short-termism is less likely to affect brand portfolio strategy. Brand orientation is expected to safeguard consistency and effectiveness, such that BD decisions are more judicious and help to configure or reconfigure the brand portfolio, thus building an architecture with a well-organized ensemble of brands that serve as a source of sustainable competitive advantage (Chailan 2008).

### **3. Hypothesis development**

Figure 1 shows the research model based on our two research aims: (1) the relationship between BD causes and BD success, and (2) the relationship between brand orientation and BD causes.

<INSERT FIGURE 1 ABOUT HERE>

#### ***3.1. Relation between BD causes and BD success***

Previous research identifies three triggers for proactive BD: strategic fit, opportunity cost, and brand portfolio rationalization. Finally, companies may consider BD to balance the brand portfolio given that they incur costs by maintaining underperforming brands and by keeping a large number of brands in the portfolio that may result in cannibalization, overlaps between brands, and a lack of liquidity due to high portfolio

management costs or diseconomies of scales (Kumar 2003; Varadarajan et al. 2006; Shah 2015).

As regards reactive causes, elimination literature highlights three problem triggers: inadequate response to customer needs, lack of competitive advantage, and poor economic/financial performance. First, when brands are unable to fulfill commitments to customers or to meet customers' needs or are not properly adapted to customers, companies may drop these brands due to customer demand (Varadarajan et al. 2006; Shah 2015, 2017) or customer rejection (Argouslidis and McLean 2001; Gounaris et al. 2006). Second, an inadequate response to customers' needs may reflect the extent to which a brand lacks competitive advantage; that is, its value is reduced relative to competitors' brands (Lassar et al. 1995). Finally, companies may engage in a BD strategy due to a decline in economic/financial performance (Avlonitis 1987; Hart 1988; Gounaris et al. 2006). Thus, low performance brands, i.e. brands that suffer economic/financial problems, or a decrease in profitability (Varadarajan et al., 2006; Shah 2017) are clear candidates for BD.

As previously suggested, we posit that proactive causes of BD (i.e., BDs guided by strategic considerations) lead to better elimination results than BDs driven by reactive triggers (i.e., those precipitated by problems or a crisis situation). Companies that ground their BD decision on proactive circumstances are more likely to actively identify brands susceptible to withdrawal before they negatively impact the brand portfolio. Proactive decisions require initiative (Greenglass 2002), a desire for improvement (Parker et al. 2010), an anticipation of future situations (Grant and Ashford 2008), and monitoring in order to foresee potential problems, needs or changes (Argouslidis and McLean 2001; Frese and Fay 2001; Gounaris et al. 2006). Proactive causes likely lead to a successful elimination because they suggest positive business activities that can

enhance firms' gains (Harness 2004). That is, removing a brand from the portfolio based on proactive causes contributes to superior performance (Kumar 2003; Harness 2004; Varadarajan et al. 2006). In contrast, companies relying on reactive causes to make a BD decision are prompted only after problems arise. This type of BD is likely to yield modest outcomes by lessening negative results or, at best, by cutting losses. The delay in acknowledging the need for change may mean that the required change is so great and complex that it is unattainable, which makes any attempts at strategic renewal unsuccessful (Agarwal and Helfat 2009). For example, due to organizational inertia, corporations often fail to undertake adequately and in a timely manner the brand portfolio re-engineering required after mergers and acquisitions (Rahman and Lambkin 2016). Companies that engage in reactive BDs have less time to scrutinize and reflect on the underlying causes, envision alternative solutions, and project adequate responses to the identified challenges.

Product elimination literature has examined the relation between proactive and reactive causes and deletion success. Avlonitis (1987) was the first to attempt to understand the link between causes and success in an elimination context. He found that if a company relied on proactive triggers to initiate BD this then determined the success of the BD strategy. Following Avlonitis (1987), Gounaris et al. (2006) empirically validated that successful elimination is linked to the treatment of elimination as a strategic issue; that is, companies who successfully engage in elimination strategies a priori consider how freed up resources can be effectively reallocated and take into account beforehand how the market would react. Therefore, considering all the previous arguments and empirical literature from product elimination, we state our first hypothesis in two parts:

**H1a** Proactive causes are positively related to BD success.

**H1b** Reactive causes are negatively related to BD success.

### ***3.2. Relation between BD orientation and BD causes***

As stated in the theoretical background, brands are business assets with the potential to generate competitive advantage and become a source of value creation for the firm. Firms must therefore invest in creating and managing valuable brands within their portfolios to achieve competitive advantage (Leiser 2003). At the same time, firms must demonstrate an ability to renew their strategies and reconfigure their resource base and portfolio of businesses, products and brands in order to adapt to an increasingly dynamic market environment (Agarwal and Helfat 2009; Morgan 2012). Organizational culture will no doubt affect this renewal and reconfiguration process (Weatherly and Beach 1996). The firm's strategic orientation, and in particular its brand orientation, will guide and shape its brand portfolio management and the decisions concerning which brands should be retained and which should not (Kumar 2003; Hill et al. 2005; Varadarajan et al 2006; Morgan 2012; Shah 2015). Thus, brand orientation itself becomes an important cultural resource which helps the firm to act more strategically, i.e., guided by a clearer and consistent purpose. When companies place the brand at the center of the business model, their actions are guided to actively ensure brand value in a more efficient manner (Urde 1999; M'zungu et al. 2010; Urde et al. 2013; Renton et al. 2016). Companies with a high level of brand orientation consider brands as key sources of competitive advantage (Urde 1999; Baumgarth and Schmidt 2010; Hodge et al. 2018). Accordingly, they regularly supervise their brands and so are able to anticipate potential difficulties. Hence, we posit that brand-oriented companies are more likely to engage in proactive rather than in reactive BDs, and thus to secure greater longevity (Wong and Merrilees 2008; Hirvonen et al. 2013).

Consequently, brand-oriented firms try to protect their brands by avoiding problems that might reduce their value. As such, brand-oriented firms must continuously monitor the

value of their brands to in order to pinpoint future market trends, shifts in customer needs and preferences, as well as other opportunities and threats. This orientation enables them to devise better strategies for ongoing adjustment to prevent future problems derived from the natural evolution of the market (Yakimova and Beverland 2005; Santos-Vijande et al. 2013; Lee et al. 2017). These strategies include BDs based on a proactive commitment to pursuing such opportunities to develop a more coherent and stronger brand portfolio, as well as to avoid dispersing resources that may diminish competitive advantage. In contrast, firms lacking a brand orientation tend to adopt a short-term focus and fail to critically reflect on current brand marketing practices and the long-term prospects of their brands (Yakimova and Beverland 2005). Thus, these firms are not likely to be fully aware of their brands' value. They probably focus less on monitoring and detecting threats and opportunities linked to their brands. Even if they do, they may disregard warning signals from the market that would suggest the need for BD before problems occur. Therefore, these organizations are more prone to act reactively. Hence, we state our second hypothesis in two parts:

**H2a** Brand orientation is positively related to BDs motivated by proactive causes.

**H2b** Brand orientation is negatively related to BDs triggered by reactive causes.

## **4. Methodology**

### ***4.1. Data collection***

Since no official records of BDs are available, we firstly used the Amadeus database to find companies with at least one brand registered in the Spanish Patent and Trademark Office (SPTO) and with over 50 staff. We identified 4,075 companies from a variety of industries meeting these two criteria. Within each industry, one in every three firms were randomly selected to be contacted. We first qualified each of these companies by

sending them a participation form in which they had to name a BD carried out in the last five years. We excluded 792 companies because they had either not deleted any brand recently or were a branch of a business group whose parent company had already been included in our sample. Thus, we found 570 fully eligible firms which were formally invited to participate in our research project. After a thorough process, 232 firms manifested their willingness to participate and 338 companies declined to participate because they were too busy or did not wish to share what they considered to be sensitive information even though confidentiality was guaranteed.

Subsequently, eight in-depth interviews were conducted with potential participants in our study. The managers interviewed were key informants directly involved in one or more BD decision-making processes. They worked in companies in diverse manufacturing and services sectors, covering both large and medium-sized companies, which helped us to obtain multiple perspectives about the BD phenomenon and reduce information bias. These interviews served to assess the relevance and adequacy of our survey as well as to refine and pre-test the questionnaire with potential respondents.

We sent the final version of our survey to the 232 companies who agreed to participate in our research. The mailing also included two letters from Interbrand and the Leading Brands of Spain Forum (FMRE), manifesting their support and interest in our research project, and a letter of thanks offering participants full access to the executive report with the main results as well as a free invitation to join an executive seminar on brand portfolio management. After a painstaking follow-up effort, 155 valid responses on BD cases were collected from 111 organizations, which represents a response rate of 48%. The average number of years that brands in our sample were in the market before deletion was 21, and the geographical scope in which the deleted brands were targeted is primarily Spain. Respondents were mostly marketing or brand managers, although we

also received responses from executives in the top management team (e.g., CEO or corporate manager) or heads in other departments such as finance, legal or quality. The sample is shown in Table 1.

<TABLE 1 ABOUT HERE>

As shown in Table 2, we examine whether our sample is representative of the target study population. A comparison through a proportion test of the number of firms in the sample and in the population for each industry reveals that the wholesale and retail trade sector is underrepresented in the sample. BD strategy probably occurs less frequently in this sector since many of the companies involved are wholesalers with small brand portfolios, sometimes containing a single brand, and who tend to use brands merely to identify products or services rather than as strategic resources. In contrast, we find the information and communication sector to be overrepresented. Companies in this sector may have been encouraged to join our work because they knew one of Spain's leading broadcasting company –*Atresmedia group*– agreed to our request to participate in our research, thus triggering a snowball effect.

<TABLE 2 ABOUT HERE>

We use correlation analysis to evaluate the quality of the data collected. Specifically, we examine the correlation between the data supplied by respondents on the size of the company (i.e., number of employees and turnover) and data from the Amadeus database. Very high correlations are observed (0.88 for employees and 0.89 for sales figures), suggesting that respondents are reliable. Following Armstrong and Overton (1977), we also examine nonresponse bias by comparing the mean scores of the responses given by early respondents (25%) and late respondents (25%) to the items considered in this study. No significant differences ( $p < 0.05$ ) were found.



Moreover, most researchers agree that common method bias (CMB) is a potential problem in behavioral research when a single informant is used (Podsakoff et al. 2003). We addressed the possible threat of common method variance (CMV) by following the guidelines proposed by Podsakoff et al. (2003). At the design stage, we use 7-point Likert scales for brand orientation and BD causes, and 10-point Likert scales for the items of BD success (Podsakoff et al. 2003). We also ensured the quality of informants by considering only key executives with full knowledge and decision-making power in the BD decision. Informants' involvement in the process of BD decision-making and level of awareness of the causes and issues concerning the decision were scored at 5.75 and 6.38 out of 7 points, respectively.

Finally, we ensured respondent anonymity by thoroughly checking the wording to avoid biased connotations, and physically separated the measurement of the DVs and IVs in the questionnaire (Rindfleisch et al. 2008). At the data analysis stage, we use Harman's one-factor test procedure, which led to nine factors in the unrotated factor structure, explaining 78.66% of total variance, with the first factor accounting for only 20.7%. According to Fuller et al. (2016), these results indicate that little CMV is observed in our data. More importantly, such a small CMV is highly unlikely to substantially bias the estimated relations. Furthermore, we observe low positive and negative correlations among the model constructs, which indirectly show that CMB is not a concern.

#### ***4.2. Construct measurement***

After thoroughly reviewing the BD literature, we find that no scale has previously validated the causes of BD. As such, we use two resources to develop our scales: Shah's (2013) descriptive research and a review of product elimination literature (Avlonitis 1993; Mitchell et al. 1997; Harness et al. 1998; Avlonitis et al. 2000; Argouslidis and McLean 2003; Papastathopoulou et al. 2012). In particular, for strategic fit we use items from

Papastathopoulou et al.'s (2012) research on service elimination. We adapt Avlonitis (1993) to create the opportunity cost scale. We rely on Shah (2013) and Gounaris et al. (2006) to develop the brand portfolio rationalization and inadequate response to customer needs scales, respectively. We build a scale for lack of competitive advantage following Shah (2013). Finally, for the scale on economic/financial problems, we adapt items from scales validated to measure product economic performance problems (Mitchell et al. 1997; Avlonitis et al. 2000; Shah 2013). We operationalize the scale for brand orientation using the scales previously validated by Wong and Merrilees (2007), Huang and Tsai (2013), and Gromark and Melin (2011). BD success is measured through a scale reflecting the extent to which the company is satisfied with the results derived from the deletion. By using this measure, we avoid the problems related to inherent dissimilarities between industry related to returns as well as contextual or *ad hoc* motives to delete a brand within particular industries, shown when using objective data (Schmalensee 1985; Rumelt 1991). In addition, using a perceptual measurement of BD success reduces causal ambiguity, which it is often reflected through more general indicators of organizational performance, such as financial-economic performance (Dean and Sharfman 1996; Elbanna and Child 2007; Shepherd and Rudd 2012).

Finally, as shown in Table 4, we include three control variables. In line with Varadarajan et al.'s (2006) proposition, we control for the effects of having previous experience in similar strategies. Given that past experience results in an accumulation of relevant information (Finkelstein and Hambrick 1996), this leads to a positive impact on strategic performance (Golden and Zajac 2001). We use a single-item scale to measure experience in BD, adapted from Dayan and Elbanna (2011). We also control for the effects of two factors that may weaken the success of a brand deletion: market gap and staff problems. In line with Shah (2017), if removing a brand from the portfolio leaves a

market gap that competitors may fill, the company may experience a negative change in market share by strengthening a competitor's sales, leading to a loss of competitive advantage (Varadarajan et al. 2006). As such, the BD strategy is considered unsuccessful. We use a 7-point Likert scale adapted from Avlonitis (1993) to measure market gap. Finally, workers in the company may jeopardize BD success when the brand they are working in is deleted if they do not feel a sense of continuity (Rousseau 1998). BD may thus reduce worker commitment if they do not perceive new opportunities following BD (Varadarajan et al. 2006; Heskett et al. 2008). Hence, they may engage in counterproductive actions, such as negative word of mouth, which may ultimately harm BD success. We use a 7-point Likert scale adapted from Argouslidis (2007) to measure workers' problems.

## **5. Analysis and results**

### ***5.1. Scale validation***

To statistically validate the measurement scales of proactive and reactive causes, we first run an exploratory factor analysis on the 17 cause-related items using principal component analysis (PCA) with Oblimin rotation (IBM SPSS Statistics 23). We used an oblique rotation because we expected the factors to be correlated. This analysis yielded a four-factor solution with eigenvalues greater than 1, which accounts for 74.0% of total variance. This solution consists of three factors, each covering one of the three previously proposed proactive causes (strategic fit, opportunity costs, and brand portfolio rationalization) and one factor, named "brand problems", with high loadings on all the nine items, in contrast to the three reactive causes suggested. Subsequently, we assess the scales' reliability and validity by verifying that Cronbach  $\alpha$  and composite reliability (CR) values were all above 0.7 and that average variance extracted (AVE)

exceeded the recommended minimum of 0.5 (Bagozzi et al. 1991). Table 3 provides the dimensions of the proactive and reactive BD causes.

<TABLE 3 ABOUT HERE>

Reliability and validity of brand orientation, BD success, and control variables scales were also assessed by computing Cronbach- $\alpha$ , composite reliability (CR) and average variance extracted (AVE) values. Table 4 shows that the values of all the constructs exceed the recommended standards.

<TABLE 4 ABOUT HERE>

We follow Fornell and Larcker (1981) to evaluate discriminant validity. As shown in Table 5, the square root of each construct's AVE is greater than its correlation with any other construct. An inspection of the cross-loadings matrix also indicates that lack of discriminant validity is not an issue in our study. Furthermore, as recommended by Henseler et al. (2015), we also examined heterotrait–monotrait (HTMT) ratios of correlations. We did not observe any HTMT ratio above the threshold of 0.85, and none of the corresponding confidence intervals included the value 1, which means that the criteria for establishing adequate discriminant validity suggested by Henseler et al. (2015) are met.

<TABLE 5 ABOUT HERE>

## ***5.2. Hypothesis testing***

As in other brand management research studies (Lee et al. 2008; Andrei et al 2017; Kapferer and Valette-Florence 2018), we use partial least squares (PLS) path-modeling given that: (1) it does not require multivariate normal data, and (2) it is appropriate in the early stages of theory development (Hair et al. 2012). We estimate our model using SmartPLS v.3.2.7 (Ringle et al. 2015). To determine the significance of the model parameters, we use bootstrapping with 5,000 randomly generated subsamples.

Figure 2 shows that the results support H2a, namely, brand orientation is positively linked to a BD strategy triggered by proactive factors ( $\beta = 0.25, p < 0.01$ ;  $\beta = 0.25, p < 0.01$ ;  $\beta = 0.21, p < 0.01$ ). The results also support H2b: brand orientation is negatively and significantly linked to brand problems ( $\beta = -0.29, p < 0.01$ ). The findings also support the direct and positive effects of lack of alignment to strategy fit and opportunity costs on BD success ( $\beta = 0.28, p < 0.01$ ;  $\beta = 0.19, p < 0.05$ ). However, brand portfolio rationalization does not significantly affect BD success ( $\beta = 0.07$ ). Thus, H1a is partially supported. Finally, brand problems do not have a significant impact on BD success ( $\beta = -0.10$ ), and thus H1b is not accepted.

<FIGURE 2 ABOUT HERE>

Our model implicitly suggests that brand orientation has a positive indirect effect on BD success by increasing successful BDs due to proactive causes. Thus, we estimate the specific indirect effects attributable to each proactive cause. Following the Preacher and Hayes (2008) procedure, we used a bootstrapping approach. The indirect effect that brand orientation exerts on BD success results is 0.16 ( $p < 0.00$ ). To better understand the relations within the proposed model, we test for the statistical significance of specific mediating effects following Nitzl et al. (2016) by computing the bootstrapping results for the combination of each indirect effect, which forms the multiple mediation model. This test confirms that brand orientation exerts a significant indirect effect on BD success through two proactive causes: lack of alignment to the strategy fit ( $\beta = 0.07, p < 0.01$ ) and opportunity costs ( $\beta = 0.05, p < 0.05$ ).

## **6. Discussion and managerial implications**

Drawing on the resource-based view of the firm, the dynamic capabilities concept, as well as organizational theories about strategic decision-making, we explore a critical decision within brand portfolio management: the deletion of a brand. As an expression

of the resource reconfiguration capability (Morgan 2012), the BD strategy, increasingly used among companies and corporations worldwide, enables firms to enhance their competitiveness by reallocating resources from the deleted brands to the brands remaining in the portfolio. Thus, companies may proactively consider this strategy motivated by achieving greater alignment with the firm's strategy, avoidance of opportunity costs, and rationalization of the brand portfolio, which would help them to consolidate and strengthen the competitive position of the retained brands. However, many firms disregard the benefits of the BD strategy or, overwhelmed by the obstacles, only act reactively, conceiving BD as a last resort response to a severe crisis or to problems.

In the present study, we analyze the impact of the different BD causes on BD success and examine the role of brand orientation as an antecedent factor of the BD strategy which conditions the proactive or reactive nature of the BD. As a mindset of the company which places brands as strategic hubs (Urde et al. 2013), brand orientation in our research is viewed as a relevant resource which drives the firm to strategically manage its brand portfolio and to design a well-defined brand architecture. Thus, brand orientation helps it to proactively undertake BD as a means of seizing opportunities and of preventing BD from only occurring as a forced reaction aimed at addressing problematic situations. Accordingly, we propose two positive indirect effects of brand orientation on BD success.

Our empirical findings confirm that brand orientation is positively related to strategic fit and opportunity cost, two proactive causes which are, in turn, positively related to BD success. Deleting a brand that does not align with the corporate strategy provides positive results in that it increases corporate strategy coherence and points to managerial effectiveness (Zajac et al. 2000). When managers avoid opportunity costs and allocate

freed-up resources from a deleted brand to more profitable areas, they provide evidence of achieving their duties by contributing to the improvement of firm performance (Varadarajan et al. 2006; Shah 2017). Thus, the BD strategy is seen as successful (Kumar 2003; Harness 2004; Varadarajan et al. 2006). Overall, firms that place brands as key assets at the center of their strategy are more likely to undertake BDs based on proactive motives and thus to properly anticipate future problems.

Contrary to our expectations, even when brand orientation is positively related to deletion by a process of brand portfolio rationalization, the impact of this cause on brand deletion success is non-significant. This lack of significance may be attributable to the double nature of this construct (Gounaris et al. 2006). Brand portfolio rationalization is probably the most reactive of the proactive motivations for BD. Rationalization of the number brands the company has in the market may be based on a proactive intent to increase brand portfolio efficiency (i.e., before problems generated by an underperforming brand arise), but it also may be a reactive decision to stop financial bleeding caused by inefficient costs ascribed to the brand that is subject to deletion.

Our findings provide evidence of the strong negative relationship between brand orientation and the incidence of reactive causes (synthesized as brand problems triggering the BD). That is, a firm's brand orientation prevents reactive deletions based on already-existing problems. However, given that the relationship between the incidence of brand problems and BD success is not statistically significant, having a high brand orientation does not contribute to a more successful deletion through this mechanism. Thus, a reactive BD strategy does not have a positive effect on BD success because reactive BD decisions are triggered by problems and crises. Although adopting a reactive BD strategy may lessen negative results, it does not add to the perception of

success. Therefore, a proactive BD strategy should be favored over a reactively triggered strategy, and brand orientation favors a proactive attitude.

This research provides interesting and timely insights for marketing and brand managers dealing with BD strategic decisions in the context of brand portfolio management. The ever-increasing need to adopt a value-adding BD strategy to enhance company competitiveness is unquestionable in the present competitive environment in which efficiency is imperative and where maintaining a wide brand portfolio proves extremely costly.

We offer two recommendations. First, we recommend that managers regularly reflect on what role their brands play in the firm's competitiveness. Active brand portfolio management can help managers to identify brands as candidates for deletion before problems such as low profitability or poor quality-price ratios arise (Kumar 2003; Hill et al. 2005). In addition, judicious brand portfolio management can help to identify strategic opportunities where BD contributes to firm performance by releasing resources that can be redeployed to enhance other business activities and establish solid bases for the company's future. In contrast, BDs triggered by a problematic situation are not the best option since this kind of deletion simply helps to reduce losses and to mitigate problems, which is necessary but is not deemed to be a great success. In sum, in line with Agarwal and Helfat (2009), who posit that proactively undertaking strategic renewals enables firms to cope with market changes, we advise managers to embrace a proactive perspective to brand portfolio management rather than a reactive, problem-based approach aimed primarily at cutting financial losses.

Second, to facilitate the implementation of a proactive perspective to brand portfolio management, we recommend that firms revise their strategic orientation and place the brand at the center of the firm's strategy; in other words, to embrace a brand orientation



culture. Brand-oriented firms constantly monitor the value of their brands to pinpoint future market trends, shifts in customer needs and preferences, and other opportunities or threats. Brand-oriented firms are more committed to nurturing their brands' value and tend to act proactively in order to sustain a consistent branding policy (Urde et al 2013), which results in a clearer, more adapted to the environment and more solid brand architecture (Rajagopal and Sanchez 2003). To develop brand orientation within the company, the latter should promote a long-term focus and greater identification with the organization among employees, thus fostering a shared vision about the importance of brands and greater commitment with the protection of their value (Huang and Tsai 2013). Encouraging brand orientation would enable firms to successfully follow our first recommendation to adopt a proactive perspective to brand portfolio management and avoid a reactive-based approach.

## **7. Limitations and future research**

We are aware of certain limitations in this work. First, given the diversity of brands and sectors included in our study, the use of real figures for the research variables, such as brand revenue or market share, seems inadequate and problematic since they might be meaningfully interpreted only within the same industry. As a result, we use perceptual measures, which may be a source of bias. As a result, our conclusions should be interpreted with caution. Furthermore, similar to many strategic marketing studies, we collect data about each BD case from a single respondent. Although we ensured respondents were well-informed about BD decision-making and that no major CMB problems were indicated, assessing the views of multiple respondents from each firm would be preferable.

Second, the information used in this study is cross-sectional and retrospective. Thus, our results may be affected by hindsight bias. Since it might be assumed that the amount of

retrospective misinterpretations increases progressively, we asked participants to respond to the survey questions with respect to a recent brand deletion, i.e. those carried out in the last five years. This requirement reduces the hindsight bias effects by decreasing retrospective misinterpretations.

Finally, although the relevance of brand orientation in brand portfolio management is obvious, the BD strategy could also be affected by other strategic orientations, such as innovation and entrepreneurial orientations and, especially, market orientation in its two forms, proactive and responsive (Narver et al. 2004; Urde et al. 2013). Brand orientation should not be seen as an excluding alternative that is incompatible with other strategic orientations. Indeed, Urde et al. (2013) claim that brand and market orientations can be synergistically combined. Nevertheless, it would no doubt be interesting to explore how other strategic orientations which were not considered in our study might shape a firm's brand portfolio management and its BD strategy.

We suggest several other lines of further research. For example, the relationship between the proactive and reactive BD causes and the decision-making approach (i.e., whether the BD decision is based on rationality, intuition, and/or political aspects) should be considered. When important consequences are at stake, as in the case of BD, decision makers tend to act rationally (Papadakis et al. 1998) and are more prone to monitor the brand portfolio to foresee problems (Gounaris et al. 2006). In addition, decision makers' intuition grounded on past BD decisions can allow them to work diligently before a problem arises (Parker et al. 2010). On the other hand, BD decisions driven by a political approach based on the defense of self-interest (Dean and Sharfman 1996; Elbanna and Child 2007) may result in a distortion of brand architecture and cause a delay in decision-making, thus resulting in a less successful outcome, even when approached proactively.

Future research should also take into account the relation between BD causes and the deletion implementation. Thus, companies with a proactive BD strategy are likely to have a clear implementation plan that provides time and guidelines for the necessary adjustments in the brand portfolio. Such a plan should include a proper communication program and would help to overcome qualms and obstacles, such as the status quo bias or the emotional attachment of certain stakeholders, which would smooth execution. In contrast, a reactive strategy may jeopardize BD success due to the lack of time required to adequately plan the deletion execution. Such firms are likely to compromise the implementation because managers have only partial knowledge of the underlying causes triggering BD, thus giving rise to speculations about the suitability of the BD strategy and resulting in less successful or unsuccessful outcomes. In sum, future research should develop a more comprehensive and holistic model of the BD process that includes decision-making and implementation variables, which could also be affected by the firm's brand orientation. Empirically testing this holistic model would shed some more light on the determinants of BD success.

### **Conflict of interest statement**

On behalf of all authors, the corresponding author states that there is no conflict of interest.

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**TABLE 1**  
**Sample characteristics**

<b>Brand characteristics</b>					
<b>Deleted brand</b>	<b>N</b>	<b>% of total</b>	<b>Geographical scope</b>	<b>N</b>	<b>% of total</b>
Created	108	69.70	Local/regional	23	14.80
Acquired	47	30.30	National	95	61.30
			International	37	23.90
TOTAL	155	100.00	TOTAL	155	100.00
<b>Firm characteristics</b>					
<b>Industry</b>	<b>N</b>	<b>% of total</b>	<b>Market targeted</b>	<b>% of total</b>	
Manufacturing	39	35.10	Consumer	55.70	
Service	72	64.90	Industrial	44.30	
TOTAL	111	100.00	TOTAL	100.00	
<b>Number of employees</b>	<b>N</b>	<b>% of total</b>	<b>Turnover</b>	<b>N</b>	<b>% of total</b>
<50	5	3.60	<= 10	6	2.70
<250	32	28.83	<= 50	26	23.42
>251	71	63.96	>50	67	60.36
N.A.	3	2.70	N.A.	12	10.81
TOTAL	111	100.00	TOTAL	111	100.00
<b>Brand architecture</b>			<b>N</b>	<b>% of total</b>	
Branded house			29	26.13	
Mixed brands (endorsed brands or sub-brands)			32	28.83	
House of brands			50	45.05	
TOTAL			111	100.00	
<b>Key informant position</b>					
			<b>N</b>	<b>% of total</b>	
Marketing or brand manager			88	56.77	
Top management team (CEO, corporate manager...)			46	29.68	
Other managers (e.g., finance, legal, quality...)			21	13.55	
TOTAL			155	100.00	

TABLE 2  
**Population and sample distribution by industry: Proportion test**

NACE Code	Population		Sample	
	N	% of total	N	% of total
10,11,12,13,14,15. Manufacture of food, tobacco and wearing apparel.	82	14.39	19	17.12
20,21,22,23,24,25. Manufacture of chemical, pharmaceutical, plastic and metal products.	68	11.93	12	10.81
26,27,28,29,30,31,32,33. Manufacture of electronic and optical products and machinery and furniture.	23	4.04	5	4.50
35,36,38,41 Electricity supply, water collection and waste management.	6	1.05	2	1.80
45,46,47. Wholesale and retail trade	190	33.33*	24	21.62*
49,52,53,55,56. Transportation, storage and housing services.	18	3.16	3	2.70
58,59,60,61,62,63. Information and communication.	19	3.33*	12	10.81*
64,65,66,69,70. Financial, insurance and professional activities.	129	22.63	24	21.62
71,73,74,77,79,81,82,85,86. Scientific, technical support education and health activities.	35	6.14	10	9.01
<b>TOTAL</b>	<b>570</b>	<b>100.00</b>	<b>111</b>	<b>100.00</b>

\* Significant differences:  $p < 0.05$ .



TABLE 3

**Proactive and reactive BD causes dimensions**

	Mean (S.D.)	Factor loading (from PCA)	Outer loading
<b>Strategic fit</b> ( $\alpha=0.85$ )		$\gamma=1.93$ (11.35%)	CR= 0.91; AVE=0.77
This brand did not fit the corporate strategy.	4.83 (2.01)	0.79	0.92
Corporate management was making decisions on future that did not cover this brand.	5.21 (2.02)	0.76	0.92
The brand was not aligned with the identity of the company.	4.22 (2.19)	0.82	0.79
<b>Opportunity costs</b> ( $\alpha=0.88$ )		$\gamma=1.57$ (9.26%)	CR= 0.94; AVE=0.89
It was deemed that the resources allocated to this brand would be more profitable in other areas or projects within the company.	4.72 (1.93)	0.86	0.92
The company had much better investment alternatives than keeping the resources in this brand.	5.06 (1.96)	0.86	0.97
<b>Brand portfolio rationalization</b> ( $\alpha=0.90$ )		$\gamma=3.80$ (22.37%)	CR= 0.92; AVE=0.59
The company was trying to reduce the costs of managing its brand portfolio.	3.95 (2.25)	0.81	0.87
It was trying to achieve economies of scale in brand management.	3.98 (2.20)	0.89	0.91
The company was attempting to concentrate on a few leading brands.	5.05 (2.12)	0.89	0.84
It was avoiding dispersing its efforts in many small brands.	4.83 (2.15)	0.85	0.87
<b>Brand problems</b> ( $\alpha=0.90$ )		$\gamma=5.27$ (31.03%)	CR= 0.92; AVE=0.59
In terms of differentiation and costs it did not have a clear competitive advantage.	3.63 (1.89)	0.84	0.86
The perceived quality-price ratio for the brand was worse than that of competitors.	2.90 (1.62)	0.64	0.73
This brand did not fit customer needs.	2.60 (1.65)	0.84	0.82
Customers were not satisfied with the brand.	2.50 (1.52)	0.86	0.80
This brand did not meet the market trends at that moment.	3.25 (2.04)	0.87	0.87
Customers favored more modern brands.	3.12 (1.88)	0.73	0.83
This brand was suffering economic-financial problems.	2.95 (2.03)	0.48	0.50
The company was not very satisfied with the profitability of its investments in this brand.	3.51 (2.14)	0.82	0.66

NOTE. Items were measured with a 7-point scale where 1 is “totally disagree” and 7 “completely agree.”

PCA: Principal component analysis. Rotation method = Oblimin. Total variance explained: 74.0%.

$\alpha$ : Cronbach's alpha,  $\gamma$ = eigenvalue. CR: Composite Reliability. AVE: Average Variance Extracted.

TABLE 4  
**Brand orientation, BD success and control variables**

	Mean (S.D.)	Outer loadings
<b>Brand orientation</b> ( $\alpha=0.92$ )		CR= 0.94; AVE=0.65
The brand is the core in our company's mission and strategy development.	5.67 (1.32)	0.82
Our company builds upon its brands so as to generate competitive advantage.	5.81 (1.29)	0.86
All members of the company are aware that the brand differentiates us from competitors.	5.81 (1.36)	0.84
Our company is concerned about creating and developing valuable brands.	5.86 (1.34)	0.86
The management team regularly evaluates its brands' performance.	5.39 (1.53)	0.86
The management team reviews the value of the brands.	5.32 (1.45)	0.78
The management team has formal estimates on the value of its brands as company assets.	4.81 (1.83)	0.67
The management team has key performance indicators (KPI) that help to assess the brands' contribution to the company's results.	4.66 (2.05)	0.72
<b>BD success</b> ( $\alpha=0.92$ )		CR= 0.95; AVE=0.86
The deletion of this brand has been good for the future of the company.	8.31 (1.87)	0.9
The company achieved the goals for which the decision was made.	8.42 (1.67)	0.90
The deletion decision is considered a complete success.	8.18 (1.96)	0.94
<b>Experience in BD</b>	5.69 (2.54)	
<b>Market gap</b> ( $\alpha=0.89$ )		CR= 0.88; AVE=0.71
The company's market share would be damaged.	3.07 (1.80)	0.77
A gap would be left in the market that competitors could seize.	2.98 (1.81)	0.76
The sales of competitors' products would be strengthened.	2.99 (1.77)	0.98
<b>Worker problems</b> ( $\alpha=0.85$ )		CR= 0.91; AVE=0.77
There was no clear working alternative for those members of the company who dealt with the brand deleted.	2.52 (1.75)	0.87
It would harm the firm members' sense of belonging to the company.	2.15 (1.61)	0.92
Those members of the company working with the brand would see their future threatened.	2.52 (1.84)	0.84

NOTE. Items were measured with a 7-point scale where 1 is "disagree" and 7 "agree."  
 $\alpha$ : Cronbach's alpha. CR: composite reliability. AVE: average variance extracted.

TABLE 5  
Correlation matrix and discriminant validity

	1.	2.	3.	4.	5.	6.	7.	8.	9.
<b>1. Brand orientation</b>	<b>0.80</b>	0.24	0.26	0.22	0.29	0.19	0.31	0.13	0.08
<b>2. Strategic fit</b>	0.25**	<b>0.88</b>	0.44	0.42	0.19	0.40	0.12	0.05	0.07
<b>3. Opportunity costs</b>	0.25**	0.41**	<b>0.94</b>	0.40	0.11	0.32	0.09	0.03	0.11
<b>4. Brand portfolio rationalization</b>	0.21*	0.37**	0.35**	<b>0.87</b>	0.17	0.24	0.08	0.21	0.10
<b>5. Brand problems</b>	-0.29	0.16	0.02	0.12	<b>0.77</b>	0.06	0.22	0.14	0.19
<b>6. BD success</b>	0.19*	0.36**	0.30**	0.22**	-0.02	<b>0.93</b>	0.06	0.02	0.25
<b>7. Experience in BD</b>	0.27**	0.06	0.08	0.05	-0.21**	0.03	<b>n.a</b>	0.10	0.03
<b>8. Market gap</b>	0.02	-0.05	-0.01	0.13**	-0.03	-0.02	0.09	<b>0.84</b>	0.38
<b>9. Worker problems</b>	-0.04	0.01	0.08	0.05	-0.08*	-0.24**	0.03	0.28**	<b>0.87</b>

NOTE: the diagonal elements (in bold) are the values of the square root of the AVE. The values below the diagonal are the zero-order correlation coefficients. The elements above the diagonal (in grey) are the values of HTMT ratio.

\*p < 0.05. \*\*p < 0.01.

FIGURE 1  
Research model

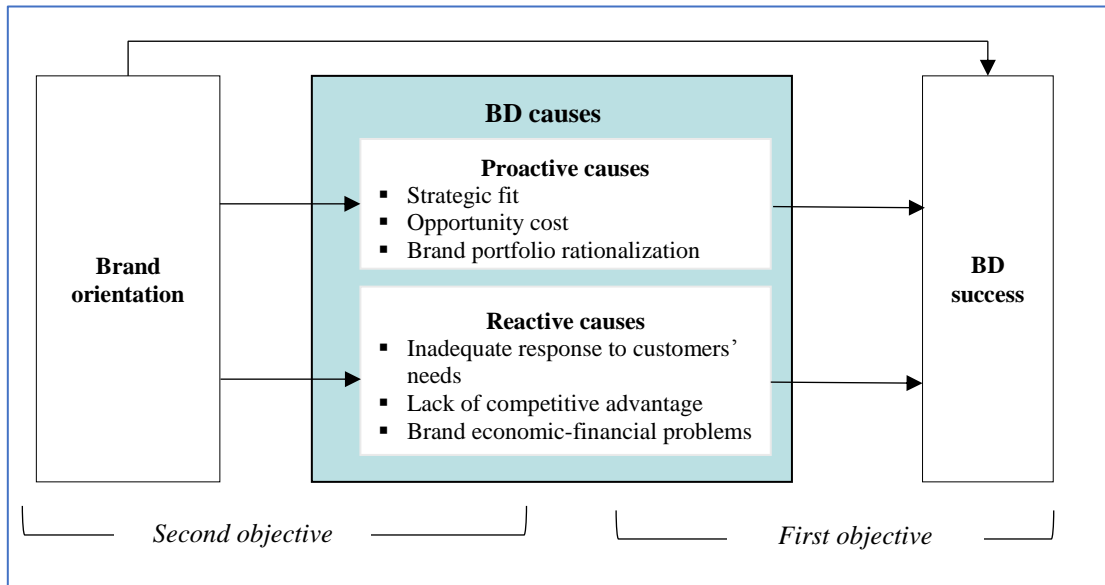
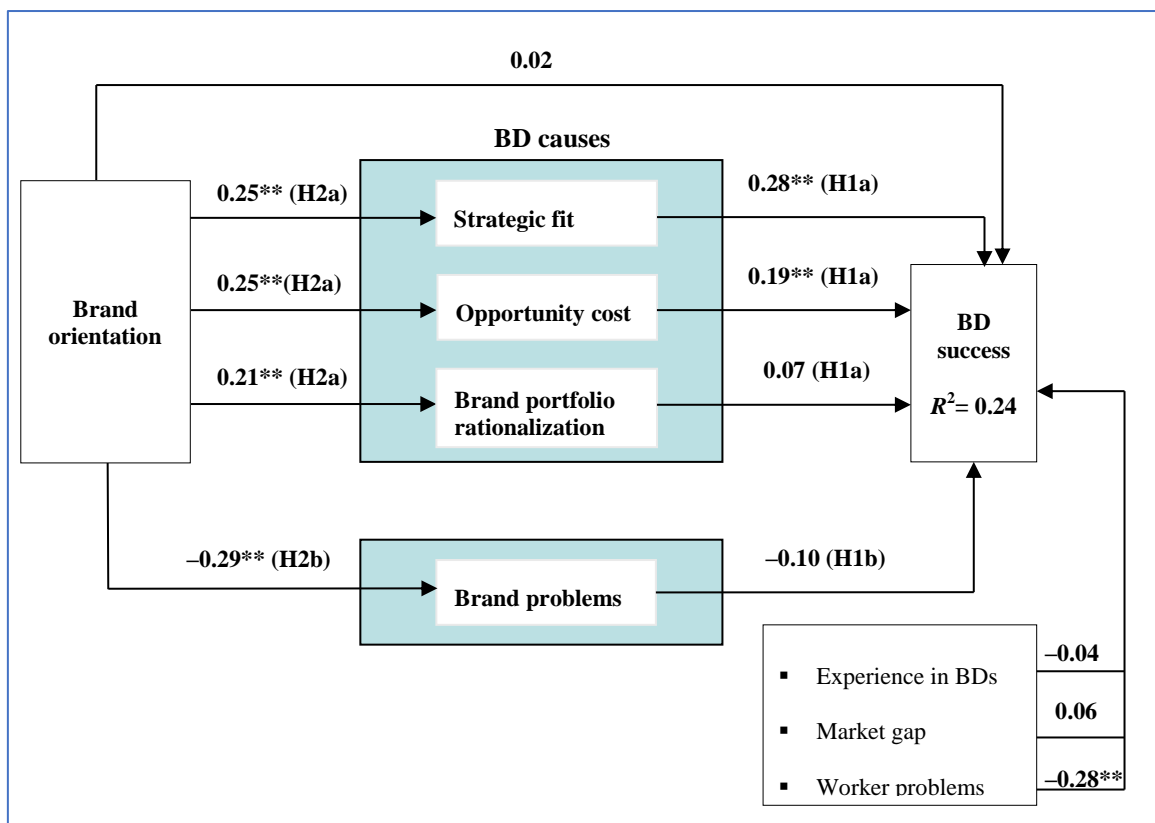


FIGURE 2  
Standardized parameter estimates



\* $p < 0.05$ . \*\* $p < 0.01$ .