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Strategic Orientations and Brand Portfolio Management – A FMCG Case Study

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Abstract

Purpose: This study explores FMCG firms' corporate brand strategy orientations and strategic brand portfolio management and how their choice of orientation and portfolio management has evolved over time. Additionally, it investigates profitability as one of the factors influencing an optimal strategic orientation. The broader aim of this research paper is to contribute to previous research by exploring strategic orientations' impact on corporate consumer brands in practice.

Design/methodology/approach: A qualitative case study approach including three major FMCG firms: Procter & Gamble, Unilever and Orkla. Secondary data is primarily obtained through annual reports, firm's websites, and articles.

Findings: The findings based on the case study firms suggest that firms become more profitable the closer they are to the origin in the strategic orientation and brand portfolio management matrix. All case firms have done such change of strategic orientation during the past years, although to different extent. Brand portfolio growth should preferably come from organic growth over mergers and acquisitions to increase profitability. If mergers and acquisitions are conducted, they should be done within the brand's core segments to increase profitability.

Research limitations/implications: The study regards three firms, creating a need for future research to determine whether the findings and proposed frameworks can be generalized.

Originality/value: Previous literature has explored strategic orientations mainly in relation to individual brands or on a conceptual level. This paper is the first of its kind to apply the strategic orientation concept exclusively to corporate brands and explore its evolvement over time.

Keywords: Strategic Orientation, Brand Orientation, Market Orientation, Brand Portfolio Management, Strategic Brand Management, FMCG, B2C

Paper type: Research paper

Introduction

Brands are one of the most important assets of a company (Kotler & Keller, 2006). Managing a brand portfolio successfully implies identifying and implementing the ideal corporate brand architecture (Urde, 2003), optimizing the portfolio scope in terms of number of categories and brands. Keeping multiple brands under the same corporate roof enables firms to better meet consumer demand. The brand portfolio further creates barriers for market entry (Rosenbaum-Elliott et al., 2018) and reduces costs and complexity through efficiencies of scale (Kapferer, 2012). Such competitive advantages have become increasingly crucial for survival in the increasing competitive landscape and fragmented and internationalized consumer markets (Winit et al., 2014). While all FMCG firms face a high degree of external pressure, they have been recognized to follow different strategies to remain relevant and profitable. Which orientations have they applied, and what motivates such strategic measures?

This study is based on the topics of strategic orientation and brand portfolio management, and how they relate to each other as well as to profitability. The paper first establishes the case study firms' current brand portfolio management compared to during their major strategic changes, then discusses their strategic orientations based on the empirical results and links it to their financial performance in terms of profitability. Finally, it addresses

findings to the optimal strategic orientation and recommendations for such evaluation.

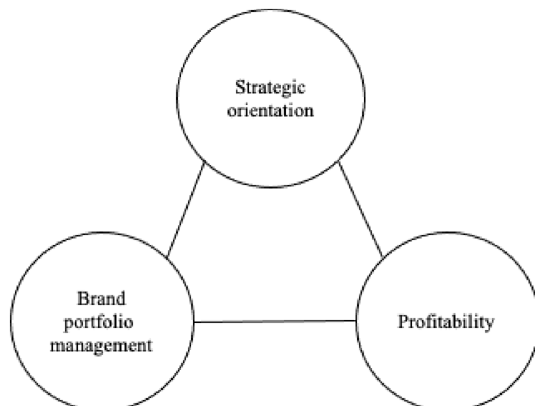

Figure 1: The study's main themes

The study has been limited to solely focus on corporate brand strategies and not product brands. Moreover, it will only cover the strategic orientations market orientation, brand orientation as well as the hybrid orientations *brand* and market orientation and *market* and brand orientation.

Literature Review

Strategic orientation

Strategic orientations guide the firm's marketing and strategy choices. It affects how the internal culture impacts the firm's market interactions and ultimately firm performance (Noble, Sinha & Kumar, 2002). This paper will focus on the strategic orientations market orientation and brand orientation as well as the hybrid versions of *brand* and market orientation and *market* and brand orientation.

Market orientation

An organization with a market oriented approach bases its strategy on an outside-in perspective (Urde, Baumgarth & Merrilees, 2011). Thus, the brand image is a key element for success, meaning how consumers perceive the brand (Kapferer, 2012). Essential to firms with a market orientation are the consumers' needs and wants in the market. The approach is centered around generating superior value for the consumer through the generation of market intelligence of current and future customer needs and wants, and the factors affecting them. Furthermore, the orientation emphasizes competitors' capabilities and strategies (Kohli & Jaworski, 1990; Slater, Mohr & Sengupta, 2010). A consequence of market orientation is profitability. (Kohli & Jaworski, 1990).

Brand orientation

An organization with a brand orientation bases its strategy on an inside-out perspective (Urde, Baumgarth & Merrilees, 2011). Its processes "revolve around creation, development and protection of the brand identity" (Urde, 1999, p.117). This brand identity, such as the organization's mission, vision, and core values, is used to attract consumers and is considered to be the brand most important resource for gaining competitive advantage (Urde, Baumgarth & Merrilees, 2011). Success is obtained through a continuous relationship and multiple touchpoints between the brand identity and its target consumers as well as other stakeholders. While both the market and brand orientation have the common aim of satisfying consumers' needs and wants, the brand orientation strategy does so "within the limits of the core brand identity" (Urde, Baumgarth & Merrilees, 2011, p.4). Previously conducted research has concluded that there is a positive correlation between brand orientation and corporate performance (Gromark & Melin, 2011).

Change of orientation

The strategic orientation is not static. Many organizations' strategic orientations change over time, impacted by culture, competencies and resources, among other factors. Such change impacts the entire organization's prioritizations and market engagement. External and internal pressure may make such shifts necessary for continued growth (Urde, Baumgarth & Merrilees, 2011).

Firms can evolve towards the hybrid versions *brand* and market orientation or *market* and brand orientation over time (Urde, Baumgarth & Merrilees, 2011). For firms using a *market* and brand orientation market orientation is initially related to, hereby prioritizing the view of the market and the consumer. However, firms demonstrating this orientation also recognize the importance of their brand identity and the brand's internal side. On the contrary, firms driven by a *brand* and market orientation relate to brand orientation at first, with their core brand values being the foundation in the satisfaction of consumer demands. However, added to this is the firm's recognition of the importance of their brand image and the external aspects of the brand (Urde, Baumgarth & Merrilees, 2011).

The change of strategic orientation tends to be gradual. When evolving their orientation, firms starting off with a strong brand orientation or market orientation are likely to evolve towards a hybrid orientation. Moreover, the use of a firm's historical emphasis as the guiding component in their new orientation is likely. As a result, firms commonly move from either a brand orientation to a *brand* and market orientation or from a market orientation to a *market* and brand orientation (Urde, Baumgarth & Merrilees, 2011). Finally, it is important to note that market demands need to be balanced with sound principles of brand management.

Strategic orientations for corporate strategy

A company managing a large brand portfolio may have different strategic orientations for the corporate brand and its individual brands (Urde, Baumgarth & Merrilees, 2011). It can be explained by the different roles of the product brands and the corporate brand. The product brand is defined by what it does, while the corporate brand is defined by whom it is (Keller & Richey, 2006).

The choice of strategic orientation impacts the strategic management of the portfolio, such as portfolio growth, rationalization and prioritization.

Brand portfolio management

Brand portfolio management means managing multiple individual brands under the same corporate umbrella in a coordinated manner and in line with the overarching multi-brand strategy. A key motivation for a brand portfolio with multiple brands is the ability to better meet the needs of consumers in segmented markets. However, there is a development towards a reduction in the size of portfolios. Reasons for portfolio rationalization include profit maximization due to economies of scale (Aaker, 2004). Since it is difficult to keep a large number of brands in the retail market at the same time, only the brands with the best market shares are retained (Kapferer, 2012).

When managing the brand portfolio, it is important to consider the brand scope. The brand scope encompasses the dimension of the brands within the portfolio, i.e., the product categories, subcategories and markets that these brands cover (Aaker, 2004). The global portfolio strategy is another key aspect. It "specifies the structure of the brand portfolio and the scope, roles, and interrelationships of the portfolio brands" (Aaker, 2004, p.23). To reflect a strong global strategy, a brand portfolio should demonstrate overall coherence and must thus be well structured (Kapferer, 2012). To ensure relevance, a systematic and regular review of the brand portfolio is crucial (Aaker, 2004).Thus, synergies within the portfolio, potential growth opportunities, and the performance of each brand based on financial indicators such as profitability and market share are critically evaluated (Aaker, 2004). In order to ensure an ideal allocation of investments, the brand's position in the portfolio should be considered, as well as factors such as ROI and brand value (Aaker, 2004; Kapferer, 2012).

There are different strategies for brand portfolios to grow, either through organic growth from already established businesses, through mergers and acquisitions (M&As) or through brand extensions. While the benefits of M&As include the opportunity to grow faster, the expenses for the value of the brands acquired make the return on invested capital lower than in the case of a firm's organic growth. The effect of organic growth on the firm's size often takes longer and requires more effort, however, the value that this approach creates in the long term is often higher than when firms grow through M&As (Birshan, Meakin & West, 2017). Research has shown that firms' who grew organically had higher shareholder returns. Yet despite the benefits of organic growth, some companies are constrained in their internal growth.

Brand architecture
Brand architecture implies structuring the brand portfolio and defining the brand roles and relationships (Aaker & Joachimsthaler, 2000). Corporate brands are at the highest level of brand hierarchy (Brexendorf & Keller, 2017). Firms can choose different brand architectures based on intended brand levels, their linkage and the visibility of the corporate brand (Kapferer, 2012). This case study's firms are all applying the house of brand strategy, meaning that each product brand has its own identity. It is the most independent strategy enabling the firm to operate with unconnected, competing brands in the same market (Aaker, 2004). All brands in the portfolio can benefit from the strategy due to the potential mutual enrichment from the corporate brand's equity to the product brands, and vice versa (Brexendorf & Keller, 2017).

Recently, corporate brands operating as a house of brands have become more visible. Unilever started applying its logo to all products and marketing in 2005 (Kapferer, 2012) and P&G in 2011 (Hendy, 2011), both motivating it by a desire to leverage on the corporate brand value. Orkla also features its logo on all its products.

Corporate brand positioning
The positioning of a brand means putting emphasis on the specific characteristics that make the brand different from its competitors and make the brand attractive to the public (Kapferer, 2012). Corporate brand positioning specifically, is the management process at the corporate level, driven by internal and/or external necessities resulting in the formulation of a deliberate position for the corporate brand in its target markets and in key stakeholders' minds (Koch & Gyrd-Jones, 2019).

Methodology

Research design
This paper is structured into three in-depth case studies. The approach is applied due to its ability to fulfill the primary purpose of the paper, to explore the impacts of strategic orientations, by its possibility to obtain a deeper understanding of the complex phenomena and its impact on firm performance (Leavy, 2014). The qualitative data is supplemented by quantitative data to analyze the results of the firm's chosen strategic orientation over time. By measuring variables related to brand portfolio management and performance, the firms can be compared, and relationships unveiled (Leavy, 2017).

Sample selection
The sample selection is crucial for all case studies (Leavy, 2014). We therefore purposefully selected the three firms. The selection criteria were based on their brand portfolio management strategies and FMCG market dominance. Both Unilever and P&G are among the top five largest FMCG companies globally based on revenue (BCG, 2020). Furthermore, they have undergone substantial, debated portfolio rationalizations during the past decades. Orkla is the largest FMCG group

and food and beverage producer in Scandinavia (Orkla, 2021) which, opposite to the other two firms, applies a prominent acquisition strategy. The three firms show different approaches to portfolio management, while all still being in the same industry and aiming for profitability and growth. This makes them interesting to investigate further in relation to the paper's purpose of impacts of strategic orientation.

Data collection

The data collection is focused on variables indicating how the firm's brand portfolio strategy has evolved through acquisitions and divestitures. Qualitative data based on literature, e.g. annual reports and interviews, was obtained to understand the strategic basis for the choice of strategic orientation.

We based the time extraction of qualitative data on the time period when the firm has made major strategic changes to its portfolio. Further, we collected data from the most recent fiscal year for each firm to enhance the paper's relevance. Comparing the firm's strategies from the same year excludes multiple external variables, such as state of the market, affecting the strategies and performance, increasing the reliability of the results.

Quantitative data was extracted from every year since the firms' major change of strategy and one year prior to provide a more accurate, long-term evaluation of the performance consequences of the strategy. For Unilever the strategic change happened in 1999, P&G 2014 and Orkla 2011. We included a quantitative measure of profitability, where operating margin in percentage was chosen in order to find indications of the result of the firm's strategic orientations and brand portfolio changes. The operating margin should rather be seen as an indication of performance, than an absolute measure, as the study does not cover all parts impacting profitability. Organic growth is also included to provide insights to the overall performance of the brand portfolio.

Data analysis

The qualitative data was categorized into market orientation and brand orientation based on the orientations' premises. We then determined each firm's orientation based on where empirical data was most evident. To ensure comparability, similar brand identity aspects have been analyzed for all firms such as brand mission and vision.

For the data comparisons, the companies' performance and organic growth were analyzed from 2014 and onwards, since that was the last year of major strategic changes to the firms (P&G). Before 2014 Orkla also used a different manner of presenting data in their annual reports, which would have lowered the credibility of the comparison analysis.

Lastly, we combined the qualitative and quantitative data results to determine general patterns to allow for more reliable conclusions.

Strategic orientation and brand portfolio management matrix

Our developed framework visualizes the strategic orientation of a firm in combination with the brand portfolio strategy of a firm. It illustrates the firm's positions at the time of major strategic changes as well as at the current date. The horizontal axis demonstrates the strategic orientation of the firm, stretching from market orientation, via *market* and brand orientation and *brand* and market orientation, to brand orientation. The vertical axis shows the firm's brand portfolio strategy, from acquisition strategy to divestment strategy. The placement is based on the firm's expressed strategic approach to acquisitions, and not on the actual acquisition costs. The end points of each axis should not be seen as the extreme points of the strategic orientations or the brand portfolio strategies. The matrix

should rather be seen as an exhibit of how the firms are placed in relation to each other. Lastly, the third variable, i.e. the size of the circles, demonstrates the corporate brand scope in terms of number of brands.

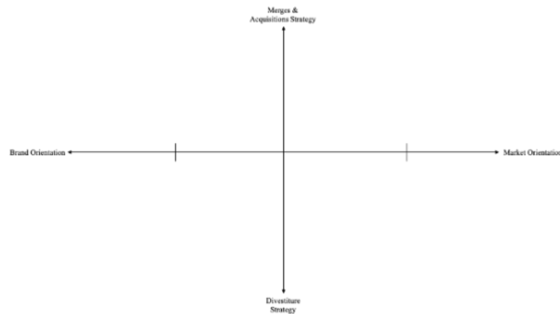

Figure 2: Strategic orientation and brand portfolio management matrix

Empirical Results and Analysis

Procter & Gamble

Procter & Gamble (P&G) is one of the world's largest consumer goods companies, with 65 leading brands in 10 different product categories within five main business units, i.e., fabric & home care, baby, feminine & family care, beauty, health care, and grooming. The firm is present in 180 countries worldwide (Procter & Gamble, 2022). Procter & Gamble's net sales in 2021 amounted to $76,1 billion (Procter & Gamble, 2021). In 2014, the firm made a major strategic shift when it announced its new strategy of a strong and focused portfolio. Part of this strategy involved Procter & Gamble continuously rationalizing its portfolio, abandoning around 100 brands and focusing on the remaining 65 brands (Procter & Gamble, 2022).

Strategic orientation: Procter & Gamble

Up until Procter & Gamble announced its strategic brand portfolio change in 2014, the firm demonstrated a market orientation. Procter & Gamble's strong focus on "building consumer preferred brands and products that create value for consumers and shareowners. Everything begins with consumer understanding [...]" according to CEO Alan G. Lafley (Procter & Gamble, 2014, p.1) showcases an outside-in approach. This is also reflected in the firm's motivation for innovations: "We are consumer led. Their needs and wants come first. We meet those needs with differentiated brands and better-performing products" (Procter & Gamble, 2014).

However, with the shift to a highly rationalized brand portfolio, Procter & Gamble incorporated elements of brand orientation into its strategy. The strategic change intended for Procter & Gamble to "compete in businesses that are structurally attractive and best leverage our core capabilities", however, other factors such as "significant savings potential" also influenced that decision (Procter & Gamble, 2014).

Following the change in Procter & Gamble's brand portfolio strategy in 2014, the firm to date demonstrates a market and brand orientation. Procter & Gamble shows market orientation within the categories they operate, in which the "strategic choices are focused on winning with consumers" (Procter & Gamble, 2021, p.15). This is further supported by principles such as "we are externally focused" and "the consumers who purchase and use our products are at the center of everything we do" (Procter & Gamble, 2021).

However, this market orientation is influenced by Procter & Gamble's internal brand identity. With a narrow brand portfolio that focuses on its top brands, its core capabilities and categories that "leverage P&G's strengths", the firm operates within a scope closely aligned with its corporate brand identity. A vital element of P&G's identity is the strive for superiority across the entire value chain. This emphasis on superiority and leadership position is expressed in the

firm's mission to "provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come" as well as in its vision to "be, and be recognized as, the best consumer products and services company in the world (Procter & Gamble, 2022).

Brand Portfolio Management: Procter & Gamble

In 2014, Procter & Gamble announced a fundamental change in its portfolio management strategy. The new strategy, based on the motto of a "focused company of leading brands", included a strong and streamlined portfolio and involved a significant rationalization of the existing portfolio (Procter & Gamble, 2014, p.2). Subsequently, the firm discontinued nearly 100 brands that showed unsatisfying profitability (Procter & Gamble, 2014). The new, streamlined portfolio included the 70 to 80 top brands that "generate nearly 90% of current P&G sales and more than 95% of current profit" (Procter & Gamble, 2014, p.2). CEO Lafley stated at the time, "we are creating a new P&G - a company that will grow sales faster and more sustainably, will create value more reliably, and will be far simpler to manage" (Procter & Gamble, 2014, p.5), demonstrating a search for efficiencies of scale.

Following the strategic change in brand portfolio management in 2014, Procter & Gamble's strategy to date is to appeal to consumers with a strong and focused portfolio (Procter & Gamble, 2021). The firm has continued to streamline its brand portfolio and now focuses on its 65 strongest brands. Procter & Gamble's integrated strategy embraces "a strong, focused portfolio positioned to win with consumers, made up of daily-use products where performance plays a significant role in brand choice" (Procter & Gamble, 2021, p.4). The brand portfolio currently covers 10 categories in which P&G has the most experience and which "leverage P&G's strengths and where we have leading or significant market positions, and we remain very confident in their growth and value creation potential" (Procter & Gamble, 2021, p.4).

Acquisitions: Procter & Gamble

After 2014, Procter & Gamble continued to keep its brand portfolio narrow. This means that acquisitions are only made occasionally and strategically when they serve to strengthen the firm's position in growing markets within Procter & Gamble's expertise. For example, with the major acquisition of Merck KGaA in the fiscal year of 2019, Procter & Gamble aimed at "selectively strengthening its portfolio with acquisitions designed to augment current offerings which significantly enhances the firm's international presence in personal health care" (Procter & Gamble, 2019, p.4). However, few such strategic acquisitions have been conducted by Procter & Gamble in recent years.

Unilever

Unilever is one of the world's largest consumer goods companies, with over 400 brands within five business groups, i.e. Beauty & Wellbeing, Personal Care, Home Care, Nutrition and Ice Cream. Unilever is present in over 190 countries (Unilever, 2021) and its turnover amounted to €52,444 million in 2021 (Unilever, 2021). In 1999, Unilever announced its Path to Growth strategy, a five-year long business plan starting from 2000 focused on decreasing its brand portfolio size (Unilever, 1999).

Strategic orientation: Unilever

In 1999, at the time of the announcement of its Path to Growth strategy, Unilever's purpose evolved around meeting the everyday needs of people and "to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life" (Unilever, 1999, p.1). Hereby, Unilever demonstrated a market oriented approach; "with our deep understanding of local markets and our commitment to innovation,

we continue to meet and to anticipate the changing needs of our consumers" (Unilever, 1999, p.8). Moreover, within its Path to Growth strategy, Unilever's focus on brands which had been chosen based upon the strength of their consumer appeal and likelihood of sustained growth further demonstrates their market oriented approach (Unilever, 1999).

From 2010 onwards, Unilever has evolved its strategic orientation to its now applied *brand* and market oriented approach, shifting its corporate identity towards sustainable living and repositioning the company to become purpose-driven (Unilever, 2010; 2021). Today, Unilever's purpose, "to make sustainable living commonplace", is at the core of the brand's identity, resulting in sustainability being fundamental in everything they do and the firms' ambition "to be the global leader in sustainable business" (Unilever, 2021, p.8). This purpose is realized by taking action on current social and environmental issues and "enhancing people's lives with innovative, sustainable and high-quality product (Unilever, 2022). At the same time, Unilever focuses on understanding the wants and needs of its consumers (Unilever, 2021), and "constantly evolving alongside our consumers' ever-changing lives and tastes" whilst "innovating for people, for society and for our planet" (Unilever, 2022). Hereby, they combine their strong sense of purpose, which is fundamental in everything they do, with great attention to consumer wants and needs.

Brand portfolio management: Unilever

In 1999, Unilever announced their strategic decision to focus on fewer, stronger brands as they felt they did not have the resources to effectively continue the 1600 brands they owned at the time (Melin, 2002), starting from 2000. The firm decided to sell or discontinue 1200 brands that did not meet their performance standards or were no longer considered relevant to the strategy. Thus, 400 leading brands remained, chosen "both on the basis of the strength of their current consumer appeal and their prospects for sustained growth", enabling Unilever to create "centers of excellence" (Unilever, 1999, p.4). This enabled the firm to "concentrate product innovation and brand development on a focused portfolio". By reducing its brand portfolio, Unilever expected to be able to allocate "resources where they can be most effective, reduce overheads and streamline the Corporate Center" (Unilever, 1999, p.5).

Today, in line with its purpose driven brand identity, Unilever has created a sustainability business strategy, the Unilever Compass, helping the firm to "deliver superior performance and drive sustainable and responsible growth". By innovating its existing offer, focusing on the development of new brands and expanding its portfolio by acquisitions, Unilever aims at making products healthier and more sustainable (Unilever, 2019). Unilever wants to develop its portfolio into high growth spaces (including prestige beauty, functional nutrition and plant-based foods), seen as "key to accelerating the company's long-term growth profile and in delivering enhanced value to shareholders" Unilever, 2021 p.4). Furthermore, Unilever prioritizes investment in key growth markets of the future and decisively moves its portfolio into areas representing attractive spaces to "position the company for faster growth in the coming decades" (Unilever, 2021, p.7), mainly areas that touch upon consumers' increasing wish for natural products and brands driven by purpose (Unilever, 2018).

Acquisitions: Unilever

Whilst organic growth is the firm's first priority, Unilever considers acquisitions to "continue to play an important role" in accelerating the company's growth (Unilever, 2021, p.6). As aforementioned, the firm focuses on key growth markets of the future as well as high growth spaces, whilst remaining true to their purpose by "anticipating and meeting consumers'

needs with [their] products and purpose-led brands" (Unilever, 2021, p.20). For example, with its acquisitions aimed at expanding its portfolio into plant-based foods that are healthier and have a lower environmental impact, thereby also responding to the growing vegetarian trend among consumers (Unilever, 2022). Besides the large acquisition of Best Foods in 2000 (Unilever, 2022), Unilever acquired few companies until 2009. From 2010 onward, when the firm started changing its strategic orientation, Unilever started acquiring more. Besides the acquisition of Best Foods in 2000, acquisitions were at its highest in 2020, when Unilever acquired GlaxoSmithKline in India and 20 other predominantly Asian markets. This is in line with the firm's strategy to evolve its portfolio into higher growth segments, increasing Unilever's presence in functional nutrition (Unilever, 2020).

Orkla

Orkla is the leading supplier of branded consumer goods in Scandinavia, holding 300 brands within five business areas: foods, confectionery & snacks, care, food ingredients and consumer investments (Orkla, 2021). The Norwegian firm is primarily present in Northern Europe, however, retails in over 100 countries worldwide. Its operating revenue is 50,4 billion NOK (Orkla, 2022). In 2011, Orkla experienced its most substantial change of strategic direction in recent times, transforming from both a fast-moving consumer goods company as well as an industrial company to a pure consumer goods player. This strategic change resulted in multiple acquisitions and divestitures (Orkla, 2011).

Strategic orientation: Orkla

At the time of the strategic change in 2011, Orkla demonstrated a strong market orientation. This is explained in its goals "Orkla aims to outperform and create greater value than its competitors" (Orkla, 2011, p.24). The orientation is further proven as the superordinate brand management strategy is discussed: "at Orkla Brands, consumer and market insight is combined with technological expertise to develop popular, innovative products" that "consumers and retailers can't do without" (Orkla, 2011, 16). "Orkla Brands follows consumer trends" further expresses their market orientation strategy (Orkla, 2011, p.61).

Orkla is still demonstrating its market orientation today, stating that they "always put our customers and consumers first and work resolutely and continuously to understand their desires and needs. This is pivotal to our Goals and strategy efforts to live up to our mission" (Orkla, 2021, p.8). Furthermore, Orkla compares itself to its market and competitive environment, arguing that they "aim to outperform and create greater value than our competitors and other comparable companies" (Orkla, 2021). In recent years the firm has branded its company identity as striving to become a "sustainability leader", which is also manifested in its new core values: "we will live up to our values of being brave, inspiring and trustworthy by offering strong and sustainable brands everywhere we are present" (Orkla, 2021, p.51). Orkla realizes this ambition by developing "healthier products that promote public health" and targeted efforts to promote "sustainable consumption" (Orkla, 2021, p.7), which are not necessarily driven by consumer demand. Thus, the brand identity is influencing the strategic orientation to a larger extent than in 2011, making the market orientation more moderate.

Brand portfolio management: Orkla

In 2011, Orkla sold off its industrial businesses to become a pure FMCG company. The major strategic change was based on the fact that the company "had become too broad-based to be able to fully support the development of all our business areas" and that the portfolio thus had to be "simplified" (Orkla, 2011, p.11). The decision on which business areas to keep

was based on where "the Group has the greatest potential for value creation" (Orkla, 2011, p.4). Within these areas, the firm began an aggressive acquisition strategy, according to which "Orkla will not become a smaller, but a more focused, company" (Orkla, 2011, p.5). The criteria for the acquired brands indicate a market orientation, stating that they should hold "strong market positions" (Orkla, 2011, p.5).

Today, Orkla is focusing on strengthening its brand portfolio with "innovations in response to trends and consumer needs" (Orkla, 2021, p.24), The firm "aims to enter new, fast-growing markets", prioritizing the growing segments plant-based, consumer health and out of home, which again demonstrates a market orientation to its portfolio. Many acquisitions lay outside of Orkla's current market presence, for example within the seaweed business. Orkla's CEO Nils Selte expresses that Orkla will continue to develop "leading consumer-oriented brands" (Harvey, 2022).

Acquisitions: Orkla

Acquisitions are still "key components of the Group's value creation" (Orkla, 2021, p.47). Orkla sees its extensive portfolio (+300 brands) as an advantage since it "considers it important to have a dynamic portfolio" and since the diversified portfolio "reduces the risk of significant profit fluctuations" (Orkla, 2021, p.9 & p.33). However, Orkla simultaneously expresses a wish to "simplify and rationalize" its operations and "reduce portfolio complexity and create cross-group synergies" (Orkla, 2021, p.8).

Orkla has executed an aggressive acquisition strategy for over a decade, motivated by skill upgrading and profit and market growth (Orkla, 2014).

Profitability

P&G demonstrates the highest profitability with an average operating margin of 19%. The drop in 2019 is explained by the major acquisition of the pharmaceutical company Merck KGaA (Procter & Gamble, 2019). Unilever is not far behind with its average operating margin of 17%. The spike in 2018 is a result of price and volume growth, especially in emerging markets and among purpose-driven brands (Unilever, 2018). Orkla exhibits by far the lowest operating margin average of 10%. Contributing factors to this are the low-profitable business unit Food Ingredients, high complexity and lack of synergies and economies of scale (Orkla, 2020).

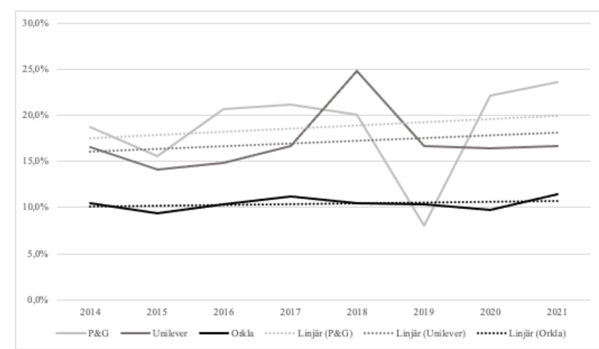

Figure 3: Operating margin (%) for case study firms

Organic growth

P&G and Unilever both experienced a similar organic growth in the time period of 2014 to 2021, P&G at an average of 3,1% and Unilever at 3,3%. However, P&G's organic growth has seen a lot of fluctuations, while Unilever's has been more stable. Orkla's average organic growth in the same time period is substantially lower with 1,7%.

All companies experienced large growth over the period 2020-2021, driven by an overall increase in demand for their product categories during Covid-19.

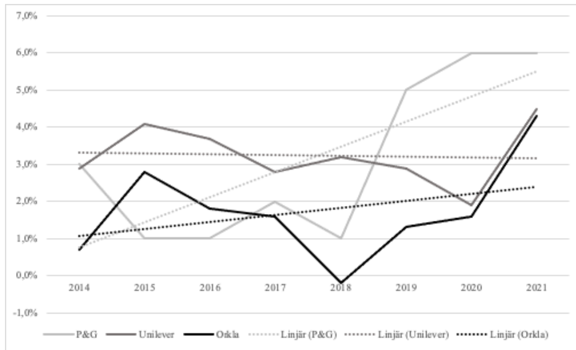

Figure 4: Organic growth (%) for case study firms

Implementing the strategic orientation and brand portfolio management matrix

By applying the strategic orientation and brand portfolio management matrix to the three case study's firms, conclusions about their strategic orientations in combination with their brand portfolio strategies can be drawn. Therefore, two snapshots reflecting important strategic changes of each company are included. Common for all is an evaluation of their fiscal year of 2021 strategies. For P&G the year of 2014 has been illustrated based on their strategic change of streamlining the portfolio. 1999 is the year in the matrix representing Unilever's strategic change, Path to Growth. 2011 has been chosen to represent Orkla's shift of strategy as that was the year, they announced they would become a full consumer-oriented firm.

Procter & Gamble's strategic orientation changed from market orientation in 2014 to *market* and brand orientation in 2021. At the same time, its brand portfolio strategy changed from a divestiture strategy of reducing the brand portfolio starting from 2014 to a strategy in which few strategic acquisitions are conducted in 2021. The size of the brand portfolio decreased accordingly from around 175 brands in 2014 to 65 brands in 2021. Unilever changed from market orientation in the year 1999 to brand orientation in 2021. Over the years, the firm further changed its brand portfolio strategy from a divestment strategy in 1999 to a purposeful acquisition strategy in 2021. While the brand portfolio comprised 1600 brands in 1999, in 2021 it consisted of around 400 brands. Starting from a strong market orientation in 2011, Orkla has changed slightly over the years to a more moderate market orientation in 2021. The firm has further scaled back its aggressive acquisition strategy from 2011 whilst still following a dominant acquisition strategy in 2021. Orkla's brand portfolio size has increased from 56 brands in 2011 to 300 brands in 2021, mainly through acquisitions.

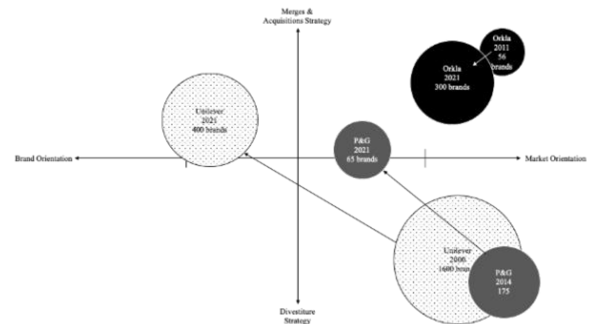

Figure 5: The strategic orientation and brand portfolio management matrix with case study firms

The matrix only shows Orkla's B2C Brands and excludes Orkla's industrial businesses which started their divestiture process in 2011.

Conclusion

The purpose of this study was to explore FMCG firms' corporate brand strategy orientations and strategic brand portfolio management and how their choice of orientation and portfolio management has evolved over time. Based on the analysis of three major FMCG firms, conclusions can be drawn in regard to firms' corporate brand strategy orientations, their brand portfolio strategies and profitability, as summarized in figure 5:

The following main findings are presented: firstly, strategic orientations and how they have changed over time, secondly development of brand portfolio size and thirdly profitability and strategic orientations.

Firstly, all firms have become more brand oriented since their respective strategic change, resulting in new positionings for the corporate brands. P&G has tied its brand identity to the functional value of superiority and a narrow selection of categories in which it has its strengths. Both Unilever and Orkla are building a brand identity based on symbolic values. Innovation and acquisitions should be purpose-driven to fit Unilever's new identity. For Orkla, they should contribute to sustainability, either in terms of environment or health. The change of strategic orientation towards a more brand oriented approach may be explained by the increasingly competitive and fragmented market, pressuring the firms to become more profitable and thus seek for synergies in the portfolio. An additional factor may be consumers' increasing expectations of corporate ethical behavior. The increased visibility of the corporate brand in consumer communication creates a greater need for an attractive brand identity which in turn impacts brand orientation and brand portfolio management.

Secondly, at the time of the major strategic change, P&G and Unilever chose to decrease their brand portfolio size in terms of the number of brands, while Orkla decided to increase its brand portfolio size. During this time, all firms showed a strong market orientation, and the desire for brand portfolio change was mainly or partly motivated by external factors, both consumer needs and an aim to become more profitable. The reduction of size for P&G and Unilever can be seen as a seek for synergies and economies of scale (Aaker, 2004). The same applies to Orkla's decision to sell off its industrial businesses and purely focus on consumer brands. However, Orkla simultaneously increased its consumer brand portfolio through a large number of acquisitions. The increase can be explained by the firm's goal to become a fully consumer-oriented brand after its strategic change in 2011, a process that was sped up by multiple acquisitions. Through acquisitions Orkla has obtained the skills and knowledge which they lacked before the strategy change. Moreover, it has provided the company with immediate high market shares, which goes in line with their aim of managing a portfolio of the most preferred consumer brands. Thus, the acquisitions have enabled Orkla of market and portfolio expansion in a faster manner than organic growth would have allowed for. However, the large, spread portfolio has led to a lack of synergies and possibilities of economies of scale, as shown in the firm's low profitability in comparison to the other firms.

Furthermore, there are differences in the firms' approaches in managing their current brand portfolios. P&G grows its portfolio moderately through innovations and acquisitions within their core categories in which they have the most resources, capabilities and experience. Orkla on the other hand is constantly looking to expand its portfolio to new categories, as proven by the firm's acquisitions in the seaweed market. Due to Orkla's market orientation, the search for market opportunities and growth is driving the brand portfolio management. Unilever positions itself between the other firms, allowing for portfolio expansion both within and outside its brand core, as long as it meets the demand for purpose according to the Sustainable Living Plan. The need for acquisitions for P&G and Unilever can also be expected to be lower than for Orkla since their average organic growth is higher. It is further supported by how they are more brand oriented than Orkla, suggesting that innovation and growth within the current portfolio brands is more prioritized. This

strategy offers better opportunities for long term growth and profitability (Carlotti, Coe & Perrey, 2022).

Thirdly, a correlation has been found between profitability and strategic orientations for corporate brands. P&G and Unilever, both currently applying hybrid orientations, have experienced significantly higher average profitability (19% and 17% respectively) than the market oriented Orkla (10 %) during the investigated time period. Companies applying the hybrid approach are considerate of both market needs and brand identity simultaneously. Such agility within the areas of expertise provides the strongest foundation for growth and profitability, which corresponds with Urde, Baumgarth and Merrilees' (2011) findings. The finding that Orkla's strategy is the least profitable, is in line with (Gromark & Melin, 2011) research, stating that brand oriented brands are the most profitable.

The findings based on the firm's current strategic orientation, their profitability and brand portfolio strategy can be summarized as depicted in figure 6:

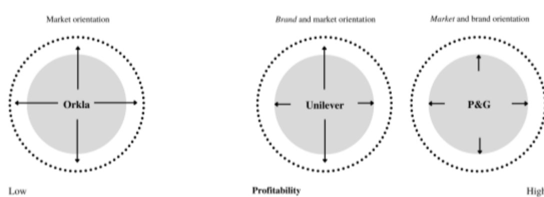

Figure 6: Main case study findings

In conclusion, firms become more profitable the closer to the origin they are in the strategic orientation and brand portfolio management matrix. By applying a hybrid strategic approach, the corporate brand bases its direction both on external and internal factors, resulting in more considerate strategic decisions. Keeping acquisitions and divestitures at a low level and within the core categories, allows for a greater focus on organic growth of the existing brand portfolio, as well as utilization of synergies and economies of scale. Based on the findings, such strategy results in the highest chances of profitability and growth for firms operating in the FMCG industry.

Theoretical contribution

Previous literature has explored strategic orientations mainly in relation to individual product brands or on a conceptual level. This research is among the first of its kind to apply the strategic orientation concept exclusively to corporate brands and thereby filling a literature gap in strategic orientation. Furthermore, it is one of the first to explore the evolvement of the strategic orientation and brand portfolio strategy concept over time. Moreover, this research contributes to earlier conducted research of strategic orientations by Urde, Baumgarth and Merrilees (2011), by taking both profitability, strategic orientation and the brand portfolio strategy into account.

Managerial implications

The research paper imparts valuable guidance to brand managers as it addresses findings influencing the optimal strategic orientation and recommendations for this evaluation. Three main implications can be derived from the case study.

First, the research paper explains the case study firms' change of strategic orientation towards a more brand oriented approach over time and gives reasons and incentives for their respective strategic changes. Tying the corporate brand to a specific core value provides guidance for the brand portfolio management, and therefore tends to lead to a strategic change towards brand orientation.

Second, this research paper provides a better understanding of the brand portfolio size and how it can be managed through acquisitions and divestitures. Growing through acquisitions within the brand core results in higher profitability due to

opportunities of synergies and economies of scale.

Third, the findings prove relevant to brand managers in relation to profitability and strategic orientations. Plotting out the firm's strategic orientation (stretching from brand orientation to market orientation) and dominance towards brand portfolio management through acquisitions or divestitures to the strategic orientation and brand portfolio management matrix, helps brand managers visualize their current strategy. A correlation between profitability and placement close to the origin of the matrix was concluded, advising brand managers on how to change their strategy to increase profitability.

Further research and limitations

This paper only investigates three firms. The small sample constitutes a key limitation for the study. Although the firms have been selected carefully, the results can not necessarily be generalized. By researching a larger number of firms, the results would be able to be verified and applied to a larger context. Additional areas for future research might be to further quantify the performance indicators with additional variables. Based upon our research, a correlation between strategic orientation and profitability was found. However, this should be further investigated to draw general conclusions as profitability is affected by additional factors not included in this study. Furthermore, it would be interesting to investigate if firms follow similar phases, e.g. linear or circular, of brand portfolio management, and outline their main characteristics and internal as well as external triggers.

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