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DOES **SIZE** MATTER?

Assessing brand portfolio size and its relationship with penetration and sales

by

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RESEARCH ABSTRACT

The thesis investigates the relationship between brand portfolio size, that is, the number of stock-keeping units (SKUs) within the portfolio, and brand performance in-market in terms of the number of buyers and sales.

With the proliferation of products available in most categories, brand owners face many challenges to ensure that buyers select products from their brands. One such challenge is to decide how large their portfolio should be. Those supporting large portfolios cite reasons such as: catering for differing tastes and preferences, guarding shelf-space, and strengthening the brand's market position. At the other end of the spectrum, reasons for simple selections include: resource realignment and avoiding 'choice overload' for consumers. Others argue that the size of the range does not matter as much, as long as the options are clearly categorised to match shoppers' mental structures and buying behaviour patterns. Overarching these arguments whether to provide large or small product selection is the need to understand how portfolio size is connected to brand growth.

This thesis explores the connection between portfolio size and brand performance, through two studies across 14 consumer-packaged goods' product categories. ***Study 1*** explores twelve product categories in the UK in 2009-2011 covering more than 4,500 national and private label brands with a total of over 47,500 SKUs, to see whether portfolio size is linked to brand penetration and market share.

Study 2 delves deeper into each product portfolio, by examining 695 brands with 7,743 SKUs across four product categories in the UK (2010-2012) and the US (2004-2006). The aim is to investigate the portfolio characteristics (e.g. the number of pack sizes, flavours/scents) related to brand penetration and market share, and the patterns of contribution from each SKU to the overall brand.

The thesis contributes three main discoveries and one method to academia and practice.

First, the thesis finds that ***the larger the brand, the larger its portfolio***. Changes to portfolio sizes are positively correlated to brand penetration and market share changes, through a non-causal relationship.

Second, ***portfolio size and its composition are category specific***, suggesting that a blanket optimal portfolio size across different product categories is unlikely. Similarly, the importance of a given feature (size, scent/flavour or format) varies across categories. The second study also contributes a method to compare the level of contribution from each SKU in the portfolio towards the overall brand penetration and market share.

Finally, the findings show that ***the top-selling SKU contributes a large proportion of brand buyers and sales***. In each product portfolio across four categories, the top-selling SKUs are typically purchased by four out of ten brand buyers and accounts for one-third of the brand sales.

The main implications are that brand owners should focus on top-selling products and improve their availability in the market, rather than being distracted by adding new SKUs at the expense of the core products. Furthermore, while large brands tend to have more SKUs, it is not possible to say adding more SKUs leads to higher market share – likewise, adding additional SKUs does not result in the brand buyers buying more of the brands, as they predictably exchange one SKU over another within that brand's portfolio.

Keywords

Portfolio management, consumer behaviour, brand growth, portfolio size