

## **Akzo-Nobel UK: Managing the Brand Portfolio**

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### **Introduction:**

“We have to get the Trade side of the business into a winning situation!” declared Leif Abildgaard, managing director of Akzo Nobel UK. Abildgaard was referring to the division of his company that sold paint to professionals through a network of traditional paint merchants, builders merchants, and the company’s own distribution outlets. Abildgaard added, “We are currently losing market share and profitability is too low.”

When Abildgaard first arrived at Akzo Nobel in 1997, he faced a similar situation in the company’s Retail business, which sold paint to the domestic, do-it-yourself market primarily through large retail chains. At the time, profitability was so poor in Retail that the company almost lost the entire business. Thanks to sound marketing strategies, a willingness to take risks, and a little luck, Abildgaard managed to revive the business. Akzo Nobel had even achieved market leadership position in colored paint by June 1999. Outlining his future plans for Retail, Abildgaard proclaimed, “We want to maintain the momentum we have gained, but we also want to frustrate our competitors by continuing to be a moving target.”

However, Abildgaard’s first priority was to drastically improve the performance of the Trade business. To boost profitability, he decided to reduce the number of brands in the portfolio. Although the company had successfully discontinued Retail brands in the past, no attempt had ever been made to discontinue Trade brands. The decision seemed particularly risky since market research had shown that, unlike the Retail business, which targeted domestic users whose buying criteria were color and price, the Trade business consisted of professionals who tended to be brand loyal. Fully aware that brand loyal customers might switch to paints manufactured by competitors if their brand was discontinued, Abildgaard pondered which brands to keep and which ones to remove from the Trade portfolio.

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