

FIRM VALUE EFFECTS OF GLOBAL, REGIONAL, AND LOCAL BRAND DIVESTMENTS IN CORE AND NON-CORE BUSINESSES

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In this article, we investigate the effect of brand divestments on firm value. We integrate two common motives for focus-increasing brand divestitures—global branding and refocusing on core businesses—in a single common framework. In particular, we investigate the effects of divesting local/regional/global brands in core businesses and local/regional/global brands in non-core businesses on firm value. Analyzing 205 divestment announcements in the global food and beverages industry, we find that, in most cases, brand divestments destroy firm value. Only when firms divest local or regional brands in non-core businesses is the effect on firm value positive. Copyright © 2014 Strategic Management Society.

INTRODUCTION

Many multinational enterprises (MNEs) operating in the consumer packaged goods (CPG) industry, such as Unilever, Procter & Gamble, Nestle, and Diageo, own brand portfolios that span multiple country and industry markets. Starting around the early 1990s, these companies expanded their portfolios through acquisitions and new brand introductions in multiple geographies and industries. This was done to generate growth by reaching almost anyone around the globe. It led to a profusion of brands, most of them regional or national, with many brands making only a small contribution to companies' bottom lines. For example, Unilever managed a portfolio of 1,600

brands in 1999, with 80 percent of these brands generating less than 10 percent of their profits (Kumar, 2003).

From a management viewpoint, the proliferation of brands led to high costs and managerial complexity (Hill, Ettenson, and Tyson, 2005). Furthermore, it brought other ills, like inefficiencies in production, distribution, and marketing (Knudsen *et al.*, 1997; Laforet and Saunders, 1999). The troubles of supersizing brand portfolios were further exacerbated by a variety of retailer-related factors. The rise of private label brands, difficulties in getting supermarket shelf space, and growing retailer power promoted the need for a small set of strong brands rather than a larger set of smaller ones. Pulling back from gains achieved in the previous years, starting around the mid-1990s, many firms realized the undesired consequences of the proliferation of their brand portfolios and started brand portfolio rationalization (BPR) programs. A BPR program contains detailed plans to divest particular brands from the brand portfolio in order to release resources and reallocate

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them to meet the needs of the remaining brands in the portfolio (Aaker, 2004).

Companies followed different strategies in divesting brands, leading to diverse outcomes. P&G, for example, deleted several food and beverage brands to strengthen its focus on personal care and health care brands. An increased focus on laundry, baby care, hair care, and feminine protection brands let the company become the global leader in these businesses (P&G, 2003; USA Today, 2006). P&G's growth from the brands they kept outweighed the revenue losses from divested brands and, as a result, the company experienced both top- and bottom-line growth (P&G, 2004). In contrast with P&G's strategy of shifting focus across industries, Unilever shifted its focus toward the top brands in its portfolio. Unilever divested nearly 1,200 brands to enhance its resources behind a core portfolio of 400 brands. The divested brands were relatively small within the overall portfolio in terms of revenues, were available in only a few country markets, and had a small customer base. Most of the retained top brands, e.g., Knorr soup, Calvin Klein perfumes, Dove soap, and Magnum ice cream, had a strong international presence. The five-year makeover resulted in increased brand focus, improved global buying, cost savings, and debt reduction. Yet, it failed to deliver on its promises in terms of revenues and shareholder value (Unilever, 2004).

These and other brand divestment examples with diverse outcomes made the uncertainty about the value-creating effects of different types of focus-increasing brand divestiture strategies grow. The objective of the study reported in this article is to empirically investigate the effects of two types of focus-increasing brand divestitures (i.e., focus on core industries versus focus on global brands) on firm value.

Findings in two different research fields are relevant for our study. First, the *divestment literature* discusses divestitures of non-core business assets (not specifically brand assets, though) to overcome problems of overdiversification (Haynes, Thompson, and Wright, 2002) and to release resources to reinforce core assets. It shows the value-enhancing effect of these divestitures (Desai and Jain, 1999; John and Ofek, 1995). Although this type of divestment is in line with the P&G example discussed earlier, so far the emphasis in these studies has been on tangible assets. In our study, we focus on brands as intangible assets. Second, the *international branding literature* suggests the potential, mainly financial, advantages

of deleting local brands and subsequently enhancing released resources behind a few core, global brands (Kapferer, 2002; Schuiling and Kapferer, 2004). This is the strategy outlined in the Unilever case. So far, this literature fails to provide empirical evidence of possible firm value-enhancing effects.

We contribute to the international business literature by empirically investigating brand divestitures from a multidisciplinary perspective. We integrate the effects of the two focus-increasing strategies, i.e., to refocus on core businesses ('the P&G approach') and the global branding strategy ('the Unilever approach'), into a single common framework. Meyer (2006, 2009) argues that both forces are simultaneously redesigning conglomerates' business activities and discusses the potential benefits of switching to a so-called 'global-focusing' strategy. However, no empirical evidence yet exists on the potential positive effects of this strategy on the firm value. Our study addresses this gap and argues that the value-creating effects of brand divestitures depend on the divested brand's industry relatedness (i.e., the relatedness of the brand to the primary or core business activities of the company) and geographical scope (i.e., the geographical reach of the brand in terms of country markets). We distinguish four types of brand divestitures, i.e., divesting: (1) a local brand in a non-core industry; (2) a local brand in a core industry; (3) a global brand in a non-core industry; and finally (4) a global brand in a core industry.

To investigate the effects of these four types of brand divestments on firm value, we conducted an event study, i.e., a method that investigates whether the announcement of an event—in this study, the sale of a brand asset within the context of a BPR program—creates an abnormal change in the firm's stock price and, hence, firm value. The stock price is a forward-looking variable that reflects the present value of all current and projected earnings of the company. Any abnormal change in the stock price reflects the effect of the event on firm value. Our empirical findings provide evidence for our multidisciplinary perspective in studying the effect of brand divestments, which helps to understand how and why brand divestments affect firm value.

The remainder of this article is organized as follows: the next section presents our research framework, followed by hypothesis development. Subsequently, we describe the event study methodology and our data collection procedure. After presenting the results, we conclude with a discussion of the implications and areas for further research.

RESEARCH FRAMEWORK

Divestiture research

Research on divestitures focuses mainly on two issues: (1) the determinants of firm divestitures; and (2) the implications of these divestitures. To investigate, this research stream has adopted a variety of perspectives, such as the industrial organization, the financial accounting, and the corporate portfolio approaches (see Hamilton and Chow, 1993). The industrial organization approach considers a divestment activity as a rational response to changing dynamics of the general economic environment or the industry, such as divestments due to a permanent decrease in demand, low profits, or the entry of an aggressive competitor (Siegfried and Evans, 1994). Financial accounting studies focus on the effects of divestments on the financial position of the firm, such as its profitability (e.g., Haynes *et al.*, 2002) or shareholder wealth (Hite and Owers, 1983). Finally, corporate strategy scholars investigate how divestitures change the configuration of a firm's business portfolio (Brauer, 2006). Taken together, a diverse set of approaches spanning multiple levels of analysis (e.g., macro, industry, or firm) have been used to develop insights into the multidisciplinary characteristics of divestments. The adopted perspective is often based on the motives for the divestment activity and the relevant level of analysis. In line with the recent shift in interest toward the firm level rather than the macro or industry level (Brauer, 2006), this article builds on the corporate portfolio approach in investigating the effects of brand divestitures on shareholder wealth for firms with large brand portfolios.

The portfolio approach

Companies can be viewed as portfolios of assets, products, and activities (Benito, 2005), and within these portfolios, business units compete with one another for resources. As a consequence, firms should systematically review their portfolios from both a strategic and a financial perspective (Hamilton and Chow, 1993) and subsequently reallocate resources between businesses to match changing business/market opportunities, build new competitive advantages (Hamel and Prahalad, 1994), and improve the effectiveness of their resources (Kogut and Zander, 1992).

We can easily apply the *corporate* portfolio approach to *brand* portfolios for several reasons.

First, many corporations offer multiple brands within the same product category (Lei, Dawar, and Lemmink, 2008) to serve different customer segments (Keller, 2000). Therefore, they own and manage brand portfolios consisting of multiple brands (Aaker, 2004; Laforet and Saunders, 1999; Morgan and Rego, 2009). Second, in many cases, brand divestitures are undertaken as part of a BPR program, also called a portfolio restructuring strategy. The divestiture of a brand releases resources, which can be reallocated to the retained brands to improve their performance (Varadarajan, DeFanti, and Busch, 2006).

Brand characteristics and divestment motives

Within brand portfolios, firms own a variety of brands that are offered in different industries and in different geographical markets (Douglas, Craig, and Nijssen, 2001). These brands can be characterized along two dimensions: (1) the industry relatedness of the brand (see Y-axis in Figure 1); and (2) the geographical scope of the brand (see X-axis in Figure 1). Figure 1 graphically presents the research framework of our study.

The industry relatedness of a brand refers to the relatedness of a brand's product line to the primary business activities of a company. Our conceptual definition of a brand's industry relatedness is based on the notion of core businesses in the diversification and strategy literature. The largest, strategically most important business of the firm is referred to as its core business (Bowen and Wiersema, 2005). Due to several factors, such as managerial motives, increasing market power, or transferring underused resources to new businesses (Montgomery, 1994), firms might move into new businesses and follow different methods in how they leverage their core skills into new markets. In the diversification literature, expansion into markets related to a firm's present core activities and skills is often referred to as related diversification, whereas expansion into markets unrelated to a firm's previous activities is referred to as unrelated diversification (Rumelt, 1974). Relatedness has been discussed in the literature mainly at discrete levels by using concepts such as 'core' and 'non-core.' Operationally, it is defined by four-digit standard industrial classification (SIC) codes of the business in which the company has the largest percentage of its sales (e.g., Chatterjee and Wernerfelt, 1991). The distance of a business from the core business is typically defined by the similar-

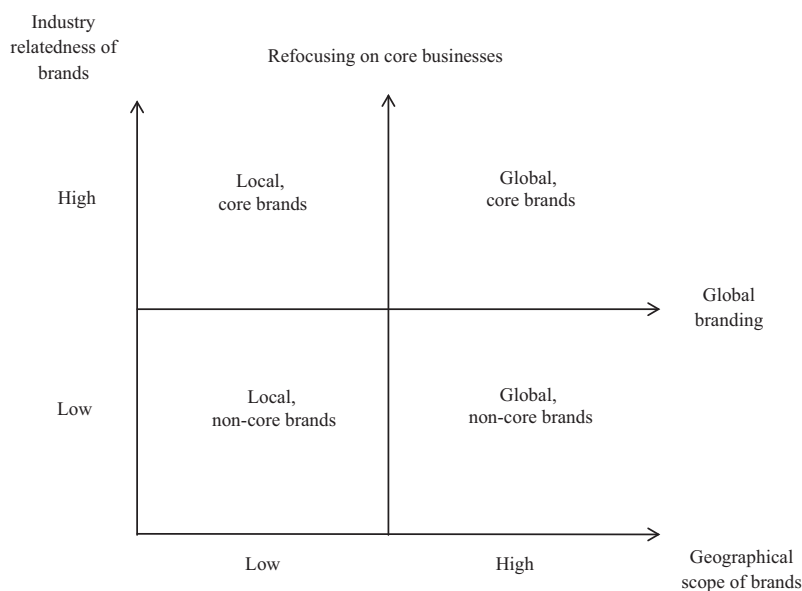


Figure 1. Characteristics of divested brands and motives for brand divestments

ity between the SIC code of the core business and that of the business in question. Relatedness is higher (lower) when two businesses share more (less) digits in their SIC codes (Caves, Porter, and Spence, 1980).

A brand's geographical scope refers to its geographical reach in terms of country markets. Various levels of geographical scope (i.e., local, regional, and global) can be distinguished. Global brands are marketed under the same name in multiple countries, with generally similar and centrally coordinated marketing strategies (Yip, 1989). Brands that are marketed in only one or a few country markets in a particular region are referred to as local and regional brands, respectively (Wolfe, 1991). Local brands have a low geographical scope, while global brands have a high geographical scope.

The decision to delete a particular brand may stem from various divestment motives, such as poor performance of a business unit (Duhaime and Grant, 1984), exiting declining industries (Davis, 1974; Harrigan, 1980), the entry of new competitors (Siegfried and Evans, 1994), competition in home markets (Hutzschenreuter and Gröne, 2009), and the necessity of meeting corporate liquidity requirements (Ofek, 1993). Refocusing on core businesses appears to be the most common motive (Hoskisson and Johnson, 1992; Kaplan and Weisbach, 1992). Firms experiencing performance declines usually adopt a 'refocus on the core business' strategy (John, Lang, and Netter, 1992). This is also prevalent in the

CPG industry, where many firms lost their focus and have experienced performance declines (Kumar, 2003). In the international branding literature, the adoption of global branding strategies and the development of international brand portfolios have been mentioned as the most important motives for MNEs slimming down their brand portfolios (e.g., Aaker and Joachimsthaler, 2000; Schuiling and Kapferer, 2004). Summarizing this, we consider two main reasons why companies divest brands: (1) to refocus on core businesses (e.g., the P&G case); and (2) to build (strong) global brands (e.g., the Unilever case). In Figure 1, we present these two divestment motives and their relationship with the brand characteristic dimensions graphically, resulting in four possible brand divestment options.

Brand divestment options

We expect brands in the upper-right quadrant of Figure 1, i.e., global, core brands, are the least likely to be divested, but it sometimes happens. For example, Diageo, the world's largest spirits company, sold Cinzano, the world's second best-selling global vermouth brand behind Martini, to the Campari Group. This was done to reverse a downward trend in the sales of their key brands such as Smirnoff vodka and Gordon's gin.

Another more likely option is to divest local, non-core brands (see Figure 1, lower-left quadrant). An example of such a case is the sales of Ambrosia, a

rice pudding brand that has a particular appeal to U.K. consumers, by Unilever. Similarly, H.J. Heinz Company, famous for its ketchup brand, sold its profitable but local and non-core ice cream brand, Tip Top, in New Zealand.

Interesting situations arise when the two strategic motives do not coincide. In order to focus on core businesses, companies may divest their non-core brands even if they have high international presence and geographical scope (i.e., brands in the lower-right quadrant of Figure 1). For example, P&G recently completed its attempt to quit the food and beverage industry by divesting its truly global Pringles snacks brand to focus on its core beauty and personal care businesses. Similarly, companies may divest brands in their core businesses to increase focus on their global brands (i.e., brands in the upper-left quadrant in Figure 1). For example, during the last decade, Diageo divested many of its local brewery and whiskey brands. These brands were strong in their home markets, but not travelling well across national boundaries. These sales allowed Diageo to concentrate its resources on its global brands like Guinness beer or Johnnie Walker whiskey.

In this article, we study the firm value effects of divesting brands from each of the four quadrants in Figure 1. In the next section, we develop the hypotheses for these effects.

HYPOTHESES

The value relevance of brands

Branding and brand portfolio management strategies are important for firm value. Particularly for firms operating in the CPG industry, the management of brand portfolios is an integral part of the execution of their marketing strategies (Aaker, 2004). Brands are recognized as intangible assets that have an effect on firm performance (e.g., Ailawadi, Lehmann, and Neslin, 2003; Barth *et al.*, 1998; Kallapur and Kwan, 2004). Brand portfolio characteristics, such as the number of brands in the portfolio and the competition and relatedness between these brands, also influence firm performance (Morgan and Rego, 2009).

Bahadir, Bharadwaj, and Srivastava (2008) show that, in the context of mergers and acquisitions, if a firm considers selling brand assets, the transaction value of these assets may be higher than the value-

in-use. The difference between these values depends on the brand portfolio diversity and marketing capabilities of both the acquirer and the seller. If a brand has a better fit with the brand portfolio and activities of the acquiring company, the value of the brand is enhanced within the new brand portfolio and such divergent valuations between the seller and buyer present opportunities for firm value gains for both parties. The divestiture of a brand also releases resources, which can be reallocated to the retained brands to improve their performance (Varadarajan *et al.*, 2006). The alternative allocation of released resources, such as launching new brands, enhancing core brands, or expanding the reach of global brands, may lead to (increased) growth (Carlotti, Coe, and Perry, 2004; Kumar, 2003).

We will now link the four brand divestiture options to firm value and argue that the value-creating effects of divestitures depend on the divested brands' industry relatedness and geographical scope.

The divestment of brands with low industry relatedness and low geographical scope

Caused by merger and acquisition activities, many corporations have experienced diversification in their operating businesses. Many MNEs extended their product range from their core businesses to other related, or even unrelated, businesses. Empirical studies in the strategic management literature provide evidence for negative effects of overdiversification on firm value (e.g., Lang and Stulz, 1994). This is because, at some point, the marginal costs of diversification exceed the benefits (Montgomery and Wernerfelt, 1988). Diversification then no longer improves firm performance, but creates problems of managing an overlarge set of business activities (Markides, 1995). In such cases, economies of scale and scope can be achieved through asset reduction, i.e., removing units or, in our case, brands, in unrelated businesses to increase the focus on core operations. This type of restructuring is associated with an increase in the firm's profitability (Markides, 1995) and enhanced firm value (Desai and Jain, 1999; John and Ofek, 1995). In line with these considerations, we expect that such firm value-enhancing effects also apply to divesting non-core brand assets.

MNEs not only operate in multiple industries, but generally also follow a multi-tier branding strategy, i.e., they market both local and global brands. This is

especially common when companies face difficulties in reaching price sensitive segments of the market (Schuh, 2007; Schuiling and Kapferer, 2004). A multi-tier branding strategy allows them to enjoy higher profit margins by simultaneously targeting premium segments with their global brands and by better satisfying fragmented consumer needs with local brands. However, offering (too) many brands also increases manufacturing costs (Hill *et al.*, 2005) and marketing expenditures (Ehrenberg, Goodhardt, and Barwise, 1990), and it may dilute brand loyalty (Bawa, Landwehr, and Krishna, 1989). The proliferation of brands also causes difficulties in managing brands in a coordinated way (Kumar, 2003). As the number of brands in the portfolio increases, investment and resource allocation decisions between brands becomes a tedious task, which might lead to a lack of support on smaller, non-core brands by top management talent. Given these considerations, firms adopt global branding strategies by changing the mix of their brand offerings in favor of global ones (e.g., Aaker and Joachimsthaler, 2000; Douglas *et al.*, 2001; Schuiling and Kapferer, 2004; Steenkamp, Batra, and Alden, 2003). Following such a global branding strategy fosters firms' intentions to divest brands with a lower geographical reach and invest released resources in enhancing global ones. Shifting toward global brands entails several cost-side benefits. It leads to savings in packaging and communication costs and it provides economies of scale due to the standardization of product platforms and marketing and communication strategies (Kapferer, 2002; Steenkamp *et al.*, 2003).

Divesting local brands in favor of global brands is also in line with consumer responses to local and global brands. In general, consumers pick global brands because of affective feelings (Dimofte, Johansson, and Ronkainen, 2008) or because these brands are associated with higher quality, esteem, and prestige (Holt, Quelch, and Taylor, 2004; Johansson and Ronkainen, 2005; Steenkamp *et al.*, 2003). Although Steenkamp and de Jong (2010) have shown that there is considerable heterogeneity in attitudes toward local and global products in the four largest economies, other studies have shown that a huge percentage of their respondents express strong preferences for global brands, both in developed and developing countries (Holt *et al.*, 2004; Strizhakova, Coulter, and Price, 2008).

In line with these arguments, we expect that the divestment of brands with a lower geographical

scope may lead to a more efficient use of retained brand assets when compared to the divestment of brands with a higher geographical scope. Given the expected firm value-enhancing effects of divesting non-core brands as well as local brands, we hypothesize:

Hypothesis 1: Divesting brands with low industry relatedness as well as low geographical scope will be positively related to the firm value.

The divestment of brands with high industry relatedness and high geographical scope

The divestment of global, core brands is least likely to occur because, according to the widely advocated global focus strategy, firms should aim for brand portfolios located in the upper-right quadrant of Figure 1 (e.g., Meyer, 2009). Nowadays, the marketplace has been witnessing a proliferation of brands, growing retailer power, and increasing competition of private labels. Therefore, companies need strong core brands more than ever. A large number of flagship brands within the brand portfolios of many companies are marketed in core businesses. These are important for firms in building up solid customer bases (Aaker, 1996; Keller, 1998) and, therefore, in the development of strong bargaining power in their relationships with retailers (Barwise and Robertson, 1992). Moreover, the removal of brands with high geographical scope will not result in cost advantages, because such brands already have cost advantages (as marketing efforts are standardized across countries). In fact, cost-based arguments mostly favor the globalization strategy. We, therefore, expect that divesting a global brand has negative supply-side consequences for firm value.

At the demand side, with the divestiture of any type of brand, firms run the risk of losing the market share of the divested brands because they may fail to migrate customers to the remaining brands in their portfolios. Also, the retained brands may not be able to deliver higher revenues to cover the loss of demand for the divested brands. This might be especially true for the divestment of global, core brands. By definition, the core business is the strategically most important business of the company. Most successful companies, which increase their revenues sustainably and profitably, often have strong core businesses in which they offer their most critical products to the potentially most profitable customers. Superior profitability may also be achieved

through high market power and market share dominance in core businesses (Zook and Allen, 2001). Therefore, firm performance is more sensitive to any loss of demand in core businesses as compared to non-core businesses. Also, companies generally have only one or a few global brands within a product category (Varadarajan, DeFanti, and Busch, 2006). Global brands are perceived to be more prestigious (Steenkamp *et al.*, 2003), familiar (Özsomer, 2007), of higher quality (Holt *et al.*, 2004), and of higher esteem (Johansson and Ronkainen, 2005). As a consequence, global brands usually target a premium segment with higher profit margins as compared to local brands (Meyer and Tran, 2006), leading to an increase in companies' profits (Kapferer, 2002). Therefore, we argue that firms run a greater risk of losing market share when they divest a global, core brand as compared to a local, non-core brand.

Following this reasoning, we hypothesize:

Hypothesis 2: Divesting brands with high industry relatedness as well as high geographical scope will be negatively related to the firm value.

The focus strategies combined

Hypotheses 1 and 2 discuss the consequences of divesting brands that have low (high) scores on both dimensions in our research framework (Figure 1). However, as mentioned before, companies may also divest brands that are scoring high on one of the dimensions, but low on the other, i.e., divesting local, core brands or global, non-core brands. The effects of divesting such brands on firm value are less clear. Divesting a local, core brand brings the cost advantages of divesting a local brand as indicated in the international branding literature, such as savings in packaging and communication costs. At the same time, it may negatively influence firm value due to destroying a core brand. Companies generally put a lot of managerial and financial effort into building strong core brands and making consumers loyal to these brands (Aaker, 1996). Destroying such brands will most likely give a negative signal to investors. Whether the cost advantages of divesting a local brand outweigh the disadvantages of divesting a core brand is not clear in advance. The same applies for the divestment of global, non-core brands. As we have argued, we expect that divesting a global brand has negative consequences for firm value, while divesting non-core assets are generally found to be

value enhancing (John and Ofek, 1995). We, therefore, refrain from formulating directional hypotheses for the divestment of local, core brands and that of global, non-core brands and will *empirically* investigate these effects.

METHODOLOGY AND DATA

Methodology

A firm's market value is likely to be influenced by a large number of firm-specific events and factors with long run implications, which are difficult to be adequately controlled for in cross-sectional research designs. A brand divestiture is such an event with long run implications and, therefore, we conducted an event study to analyze the forward-looking effects of it. Event studies allow for isolating and individually assessing the value created by events and have been used regularly in the strategic management literature (see Wright, Chiplin, and Thompson, 1993), as well as in the marketing and branding literature (e.g., Gielens *et al.*, 2008; Sood and Tellis, 2009; Wiles, Morgan, and Rego, 2012).

In our study, we investigate the stock price reaction to an announcement of a brand divestiture as part of a firm's BPR program. The stock price reflects the present value of all current and projected earnings of the company. Any abnormal change in stock price, i.e., the part of the return that is not due to systematic influences, also called abnormal return, is associated with the unanticipated information about an event that comes to the public realm through an announcement. As such, it provides a direct measure for the present value of all expected current and future profits triggered by the event, i.e., the brand divestiture (see Fama, 1970).

Using daily stock prices, a typical event study analysis involves extracting daily abnormal returns (ARs) for a time period around the event dates of interest, aggregating these ARs over an event window to compute the cumulative abnormal returns (CARs), and running additional regressions to explain cross-sectional variation in the CARs for a sample of events. The next subsections describe the basics of an event study and some design issues in our application. For a more extensive overview of the event study methodology, we refer to Brown and Warner (1985).

The abnormal return (AR_{it}) (see Equation 1) for a security i on day t is expressed as the difference

between actual return (R_{it}) and the predicted normal return ($E(R_{it})$). The predicted normal return is the return that would be expected if the event had not taken place. Typically, normal returns can be modeled using the market model. Alternative normal return models like multifactor and portfolio models have been proposed (for an extensive discussion of normal return models, see Kothari and Warner, 2006). In our study, we found that applying such alternative models yield highly similar results to those of the market model and we, therefore, decided to use the latter. The market model relates the expected return to a single factor being the return from a benchmark portfolio (R_{mt}) over an estimation period (see Equation 2). As a next step, the individual days' ARs are aggregated over an event window from t_1 to t_2 to find the CAR (see Equation 3).

$$AR_{it} = R_{it} - E(R_{it}) \quad (1)$$

$$E(R_{it}) = \alpha_{it} - \beta_i R_{mt} + \varepsilon_{it} \quad (2)$$

$$CAR_i[t_1, t_2] = \sum_{t=t_1}^{t_2} AR_{it} \quad (3)$$

Next, the CARs are averaged across N events into a cumulative average abnormal return (CAAR). The significance of the CAARs for different event windows is computed using the standardized test statistic described by Patell (1976). Assuming cross-sectional independence, the test estimates a separate standard error for each event, and each abnormal return is then standardized as follows:

$$s_{AR_{it}}^2 = \frac{\sum_{j=E_1}^{E_2} AR_{ij}^2}{T_i - 2} \left[1 + \frac{1}{T_i} + \frac{(R_{mt} - \overline{R_{m,Est}})^2}{\sum_{j=E_1}^{E_2} (R_{mj} - \overline{R_{m,Est}})^2} \right] \quad (4)$$

$$SAR_{it} = \frac{AR_{it}}{s_{AR_{it}}} \quad (5)$$

where T_i is the number of days in the estimation window starting at E_1 and ending at E_2 , $\overline{R_{m,Est}}$ is the mean market return over the estimation window.

For each event i , we estimated the expected returns for the market model using an estimation

period of 255 days (which equals one trading year), ending 30 days before the event date. We used adjusted share prices, as some firms had undergone stock splits from 1995 to 2010. To quantify the market rate of return, we collected index returns. For firms that had their common stocks included in multiple indices, we chose the index registered in the home country of the firm. Stock prices and information on indices were drawn from the Thomson Reuters database.

The choice of an event window is one of the most important design issues in an event study. Including pre-event days in the event window accounts for leakage of information prior to the official announcement, while including post-event dates ensures capturing the delayed impact of the announcement. However, using longer event windows increases the likelihood of confounding events and may lead to biased results. Therefore, we report the CAARs for several different narrow event windows around the event date, namely, $(-3,+1)$, $(-3,0)$, $(-2,+1)$, $(-2,0)$, $(-1,+1)$, $(-1,0)$, and $(0,+1)$. We use parametric (Patell Z test) and nonparametric (Wilcoxon signed-rank test) tests to determine the significance of the CAARs.

Sample design and descriptive statistics

The empirical setting of our study is the food and beverage industry. To construct a sample of brand divestiture announcements of multinational enterprises operating in this industry, we followed a step-wise approach: (1) we identified sample firms; (2) we collected brand asset divestiture announcements for those firms; (3) we screened the announcements for the objective of the divestment activity; and (4) we checked for confounding events. Next we describe in detail how we developed our sample.

First, we identified all publicly listed multinational enterprises that appeared in the 2010 list of the Global Food Market Database. This list ranks the Top 100 global food groups by revenue in the food and beverage industry. We then collected announcements of these firms by using the database of Lexis Nexis, which covers a multitude of information sources. Since many corporations started to engage in brand disposal activities in the late 1990s (Kumar, 2003), we started gathering announcements as of 1995 until 2010. Multiple search terms (e.g., sale, sell, sold, disposal, divesture, divestment, deletion, brand, rationalization, portfolio, focus) were used to identify relevant announcements. Afterward, we

scanned all articles to select the ones that included an announcement of brand asset divestitures. We then used Thomson One Banker's M&A Deals Analysis module to confirm that the transaction had actually been enacted. Announcements of pending or cancelled transactions were excluded.

To separate BPR announcements from divestitures with other strategic objectives, we used an approach similar to Markides' (1992) and Byerly, Lamont, and Keasler's (2003) to identify restructuring announcements. We screened all announcements for content and selected those that reported a brand portfolio restructuring strategy by looking for terms such as 'refocusing,' 'concentrate on (shifting focus to) core businesses,' 'concentrate on (shifting focus to) core brands,' 'concentrate on (shifting focus to) core markets,' 'concentrate on (shifting focus to) global markets,' or some other wording clearly revealing that the divestment was executed within the context of a BPR program and in order to focus on other brands in the portfolio. Finally, we examined our sample for confounding events and filtered out those with a confounding event from three days before to three days after the announcement. By doing this, we ensured that the stock price reactions could be attributed solely to the announced brand divestitures. This resulted in a sample of 205 BPR announcements.

Next, we classified the 205 events according to the geographic scope and industry relatedness of the divested brands. In Table 1, we describe the operationalization of these variables. We introduced

regional brands as a separate category because for many of the divested brands in our sample it was not possible to classify them as either local or global in an unambiguous way.

To determine the geographical scope of the divested brand, we adopted conceptual and operational definitions similar to those of Townsend, Yenyurt, and Talay (2009). We classify the divested brand as being a: (1) local brand; (2) regional brand; or (3) global brand. For all divested brands, we scanned Lexis Nexis to find information regarding the country markets where the divested brands were present. To determine the industry relatedness of the divested brands, we compared the standard industrial classification (SIC) codes of the divested units with the primary SIC codes of the divesting companies. This approach is in line with other studies in divestment research (e.g., Doukas and Kan, 2004; Schlingemann, Stulz, and Walkling, 2002). We distinguish between divestitures in core (i.e., high relatedness) business and non-core (i.e., low relatedness) business activities. The SIC codes for the divested units are collected from Thomson One Banker's M&A Deals Analysis module, while the primary SIC codes are collected from Bureau van Dijk's Orbis database.

Table 2 (Panel A) presents an overview of the sample sizes for the different levels of the divested brands' geographical scope and industry relatedness.

We observe a decrease in the number of divested cases, with an increase in the geographical scope and in the industry relatedness of the divested brand.

Table 1. List of variables, operationalization, and sources

Variable	Levels and operationalization	Sources
Geographical scope of the divested brand	Local brand: divested brand is present only in one country	Announcement dataset compiled from Lexis Nexis
	Regional brand: divested brand is present in multiple countries in one of the three parts (i.e., North America, Europe, Asia-Pacific) of the triad	
	Global brand: divested brand is present in multiple countries in at least two different parts of the triad	
Industry relatedness of the divested brand	Core business brand: divested unit and divesting company shares a common three-digit SIC code	Thomson One Banker M&A Deals Analysis Module, Bureau van Dijk's Orbis database
	Non-core business brand: divested unit and divesting company do not share a common three-digit SIC code	

Table 2. Brand divestitures: frequency and effect sizes among different levels of geographical scope and industry relatedness

Panel A: Frequency of different type of brand divestitures

	Local brands	Regional brands	Global brands	Total
<i>Core business brands</i>	51	22	8	81
<i>Non-core business brands</i>	57	36	31	124
<i>Total</i>	108	58	39	205

Panel B: Magnitude of effect sizes: mean scores in \$ millions (event window (-3, +1))

	Local brands	Regional brands	Global brands	Total
<i>Core business brands</i>	-104.36	-49.76	-299.72	-108.83
<i>Non-core business brands</i>	301.66	295.77	-35.96	215.54
<i>Total</i>	109.93	164.71	-90.07	87.38

About half of the cases involve the divestiture of local brands, followed by regional brands (28% of the cases). The divestiture of global brands occurs in less than 20 percent of the cases. Furthermore, 60 percent of the divested brands are non-core business brands, while 40 percent are core business brands. As expected, the divestment of brands with low relatedness and low geographical scope appeared most frequently. The divestments of brands with high relatedness and high geographical scope were rare events; the removal of global, core business brands appeared in only four percent of all cases in our sample. Overall, we observe a substantial number of non-core business, global brand divestitures and core business, local brand divestitures.

ANALYSIS AND RESULTS

Hypotheses testing

To test our hypotheses, we analyze the CARs for the divestiture of brands with three levels of geographical scope—i.e., local, regional, and global—and two levels of industry relatedness—i.e., core and non-core. Table 3 presents these CARs for varying event windows and different test statistics.

Hypothesis 1 states that the divestiture of brands with low relatedness and low geographical scope will enhance firm value. This is confirmed by the results in Table 3. For the divestment of local, non-core brands, we indeed find significant positive effects for all reported event windows. In contrast, but as expected, we find significant negative effects

on firm value for the divestment of global, core brands for all but one reported event window. This confirms Hypothesis 2.

For the divestment options in the off-diagonal quadrants in Figure 1, i.e., local, core brands and global, non-core brands, we did not formulate hypotheses in advance. The CARs in Table 3 reveal that both divestment options destroy value. The effects are strongest for the local, core brand divestments.

For the divestments of regional brands, we observe a similar pattern as for the divestment of local brands. The divestment of regional, core brands has a negative impact on firm value, while the divestment of regional, non-core brands has a positive effect. Both effects are significant for four out of the seven reported event windows.

In sum, the cumulative abnormal returns reported in Table 3 demonstrate that divesting core business brands has a negative effect on firm value regardless of the divested brand's geographical scope. Divesting non-core brands also has a negative effect in the case of global brands (for three event windows). However, the divestment of non-core brands has a positive impact on firm value in the case of local (for all event windows) and regional (for four event windows) brands. Our results clearly emphasize the importance of integrating the two strategic perspectives, i.e., the divested brand's industry relatedness and its geographical scope, in a single common framework.

The reported CARs in the analysis are measured as the percentage change in share price after it has

Table 3. Mean cumulative abnormal returns (CARs) with respect to geographical scope and industry relatedness

Panel A: Local brands (N = 108)

	Event window						
	(-3,+1)	(-3,0)	(-2,+1)	(-2,0)	(-1,+1)	(-1,0)	(0,+1)
<i>Core business brands (N = 51)</i>							
Mean CAR	-0.746	-0.458	-0.853	-0.565	-0.920	-0.632	-0.624
Z-value ^a	-1.95 [†]	-1.51	-2.18*	-1.75 [†]	-2.36*	-1.95 [†]	-1.93 [†]
% of positive CARs	29.41	33.33	29.41	31.37	25.49	23.53	29.41
Z-value ^b	-2.54*	-1.99*	-3.29***	-2.79**	-3.42***	-2.94**	-3.07**
<i>Non-core business brands (N = 57)</i>							
Mean CAR	0.824	0.716	0.830	0.723	0.906	0.798	0.567
Z-value ^a	1.78 [†]	1.96 [†]	1.99*	2.16*	2.42*	2.78**	1.87 [†]
% of positive CARs	59.65	59.65	66.67	70.18	66.67	71.93	61.40
Z-value ^b	1.74 [†]	2.13*	2.66**	3.29***	3.31***	4.03***	2.04*

Panel B: Regional brands (N = 58)

	Event window						
	(-3,+1)	(-3,0)	(-2,+1)	(-2,0)	(-1,+1)	(-1,0)	(0,+1)
<i>Core business brands (N = 22)</i>							
Mean CAR	-0.667	-0.442	-0.730	-0.505	-0.813	-0.588	-0.652
Z-value ^a	-1.38	-0.96	-1.85 [†]	-1.45	-2.35*	-2.05**	-2.32*
% of positive CARs	31.82	27.27	31.82	36.36	31.82	27.27	36.36
Z-value ^b	-1.87 [†]	-1.38	-1.74 [†]	-1.06	-2.35*	-1.67 [†]	-1.80 [†]
<i>Non-core business brands (N = 36)</i>							
Mean CAR	0.861	0.607	1.053	0.800	0.799	0.545	0.525
Z-value ^a	1.70 [†]	1.05	2.22*	1.58	2.22*	1.51	1.81 [†]
% of positive CARs	61.11	55.56	61.11	55.56	66.67	55.56	58.33
Z-value ^b	1.87 [†]	1.12	1.96*	1.24	2.31*	1.45	2.00*

Panel C: Global brands (N = 39)

	Event window						
	(-3,+1)	(-3,0)	(-2,+1)	(-2,0)	(-1,+1)	(-1,0)	(0,+1)
<i>Core business brands (N = 8)</i>							
Mean CAR	-1.386	-1.453	-1.458	-1.525	-0.858	-0.925	-0.076
Z-value ^a	-1.88 [†]	-2.04*	-2.06*	-2.32*	-1.70 [†]	-2.01*	-0.92
% of positive CARs	12.50	12.50	12.50	12.50	0.00	25.00	37.50
Z-value ^b	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Non-core business brands (N = 31)</i>							
Mean CAR	-0.333	-0.424	-0.542	-0.633	-0.658	-0.749	-0.158
Z-value ^a	-0.30	-0.66	-1.12	-1.67 [†]	-1.66 [†]	-2.50*	-0.67
% of positive CARs	48.39	48.39	48.39	48.39	48.39	41.94	45.16
Z-value ^b	-0.43	-0.41	-0.94	-0.71	-0.55	-0.61	-0.61

[†] $p < 0.10$. * $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$.

^aPatell z-statistic (Patell, 1976) is used to test for the statistical significance of CARs.

^bZ-values are derived from Wilcoxon's signed rank test statistic.

been adjusted for changes resulting from general market movements. To provide insight into the magnitude of the monetary value of the implied performance effects, we calculated the monetary effect sizes across all events belonging to a particular type of brand divestment (see Table 2, Panel B). Effect sizes in monetary value are calculated by multiplying the CAR for the longest event window (-3, +1) with the market capitalization of the firm, which is calculated by multiplying a company's number of outstanding shares with the current market price of one share. In our analysis, the number of outstanding shares stays constant during the event window, because we excluded announcements with confounding events such as stock splits, dividends/distributions, and right offerings. Therefore, the percentage change in the market price of one share can be directly translated to a percentage change in the market capitalization of the firm.

The results in Table 2 (Panel B) are in line with the reported mean CARs for each type of divestment. Deleting core brands leads to an average decrease in market capitalization of \$108.83 million, while deleting non-core brands leads to an average increase in market capitalization of \$215.54 million. Deleting non-core, global brands, however, entails a decrease in market capitalization of \$35.96 million. Only in the case of deleting a local or regional, non-core brand, do we find a positive effect on the market capitalization.

In a subsequent cross-sectional analysis, we controlled for the effect of the divested brand's relative size, calculated as the ratio of the prior year sales of the divested brand relative to the prior year sales of the divesting firm. The data on brand sales were mainly gathered from the announcements, but, in some cases, companies' financial reports were used. We do not find a statistically significant effect for the relative size of the divested brand and, moreover, controlling for this effect does not change the main findings of our study.

Post hoc analysis

Our results show that, on average, firms experience negative abnormal returns due to the divestment of core brands, even if the removed brand has a low geographical scope (i.e., local and regional brands). Apparently, the advantages of divesting a local (or regional) brand do not outweigh the disadvantages of divesting a core brand or, alternatively, divesting local (and regional) brands may entail severe disad-

vantages. However, in practice, many firms experience proliferation not only in their non-core businesses, but in their core businesses as well. Furthermore, as shown in Table 2 (Panel A), removing core business brands with low geographical scope is one of the most common forms of focus-increasing divestitures (i.e., about 36% of all cases in our data). Therefore, it is important to understand why divesting local and regional brands in core businesses have, on average, negative effects. We next offer two explanations.

First, certain local brands may have a very particular 'appeal' to local customers; they may be perceived as highly esteemed, and familiar and, therefore, have a strong and loyal consumer base (Schuiling and Kapferer, 2004). Moreover, local brands may have strong appeals in their home markets due to their perceived local iconness, i.e., the extent to which a brand is perceived as a symbol of the local culture and tradition. In food categories, which are the focus of this article, local icons are perceived to be of higher quality. Further, a close connection to national identity, local culture, and heritage may enhance a brand's prestige which, in turn, may increase the purchase likelihood of the local brand (Özsomer, 2012). Therefore, a local brand's contribution to top-line performance might seem limited, but once-divested companies may fail to migrate these brands' customers to other core business brands. As a result, benefits of such divestitures may not go beyond cost saving, and revenues also suffer. A second explanation may be that, due to an information advantage, companies can better identify consumer needs and their buying behaviors in their 'home regions' than in away regions. For example, there might be a negative effect of cultural distance on products related to national identity (e.g., food) or products carrying country-specific quality associations (e.g., wines) (Ghemawat, 2001). Better understanding of the local culture, tastes, and needs helps local brands in delivering higher quality and higher prestige products (Özsomer, 2012). Companies have an apparent advantage in building and managing local brands in their home regions because assets (like knowledge of the local culture) are accumulated relatively more easily in home markets than in away markets. Moreover, home region brands tend to be managed more effectively and monitored more closely by the best managers because of geographic proximity to the head office. Therefore, in their home regions, they can offer brands that meet consumer needs more effectively. After the divesti-

Table 4. Cross-sectional regressions (sub sample N = 73) of local and regional brands in core businesses

	Dependent variable						
	CAR (-3,+1)	CAR (-3,0)	CAR (-2,+1)	CAR (-2,0)	CAR (-1,+1)	CAR (-1,0)	CAR (0,+1)
<i>Independent variable</i>							
Intercept	0.816 (0.61)	0.843 (0.57)	0.448 (0.52)	0.474 (0.44)	0.042 (0.41)	0.068 (0.35)	-0.059 (0.38)
APPEAL	-1.331* (0.55)	-1.252* (0.51)	-1.139* (0.47)	-1.060** (-0.39)	-1.063** (0.37)	-0.983** (0.31)	-0.664* (0.34)
HOME REGION	-1.720** (0.56)	-1.416** (0.53)	-1.304** (0.48)	-1.000* (0.41)	-0.769* (0.38)	-0.465 (0.32)	-0.591 [†] (0.35)
LOCAL	0.204 (0.60)	0.230 (0.56)	0.101 (0.51)	0.128 (0.43)	0.058 (0.40)	0.084 (0.34)	0.142 (0.37)
Adjusted R ²	0.16	0.14	0.14	0.14	0.13	0.13	0.06
F-statistic	5.67***	4.93***	5.02***	4.90***	4.66***	4.46***	2.49*

[†] $p < 0.10$. * $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$.

For each independent variable, unstandardized coefficients are reported. The numbers in parentheses are standard errors.

ture of such brands, retained brands may not regain the lost market share. Moreover, in such cases, any top-line drop due to the loss of divested brands' demand is likely to have negative effects on bottom-line performance, since companies usually have higher profit margins in their home regions (McGahan and Victor, 2010).

We ran cross-sectional regressions to examine the effect of these two variables on the abnormal returns due to divesting core brands with low geographical scope. For this purpose, we took the subsample of 73 announcements of the divestment of local and regional core brands (see Table 2, Panel A). To operationalize brand appeal to consumers, we used information from the announcement. We looked for terms such as 'well known,' 'iconic,' 'familiar,' or 'esteemed' to code our dummy variable 'Appeal,' which takes the value of '1' when the divested brand is appealing to consumers. To operationalize the variable 'Home region,' we categorized brands according to the geographical markets in which they were present and then compared this to the geographical location of the company. If these two geographical locations were the same, the dummy variable was coded as '1.' We also include a dummy variable to indicate whether the brand is local (=1) or regional (=0). The results of these regression analyses are reported in Table 4.

In line with our expectations, the results indicate that divesting a brand with a particular appeal to consumers has a significant negative effect on firm

value. The same applies for the divestment of a home region brand. Home region brands may address customer needs better than away region brands and we, therefore, argue that divesting home region brand assets can be more risky than divesting away region brand assets.

CONCLUSION

Discussion of findings

In this article, we have empirically investigated the effects of focus-increasing brand divestitures using a multidisciplinary perspective. Previous studies on divestitures focused on the effects of divesting either non-core business assets (strategic management/divestment literature) or local brands (international branding literature). This study contributes to both literatures by investigating the stock market's reaction to a firm's brand divestment activities and by showing that both brand divestment characteristics, i.e., core versus non-core and local/regional versus global, in parallel determine the value-creating/destroying effects of such divestments. Moreover, in line with Meyer (2006), who discusses the benefits of a global focus strategy, this is the first study that provides empirical evidence for the positive effects of such a strategy. We show that divesting brands scoring low on both industry relatedness and geographical scope (i.e., the local/regional, non-core

brands) increases firm value, while the opposite is true for brand divestments that score high on both dimensions.

We show that divesting non-core brands in order to focus on core brands creates firm value, but only if the divested brands are local or regional ones. We cannot see the same positive effect for divesting global, non-core brands. Actually, for three out of the seven event windows, we find a significant negative impact of divesting a global, non-core brand. For the other event windows, we also find a negative parameter, though not significant. Our results suggest that divesting a non-core brand does not always enhance firm value. Although the divestment of a non-core, global brand happens in a minority of the cases in our sample (15%), it is an interesting finding and contributes to the divestment literature. So far, this literature showed only value-enhancing effects of divesting non-core assets (Daley, Mehrotra, and Sivakumar, 1997; Desai and Jain, 1999; John and Ofek, 1995). By also taking into account the geographical scope of the divested brand asset, we develop a more nuanced picture.

Divesting a global brand appears, on average, to lead to negative reactions from investors, whether the brand is a core or non-core business brand. Apparently, the value of global brands, due to the economies of scale in production, R&D, and marketing as well as the economies of scope, is high (Hankinson and Cowking, 1996), leading firm value to decrease when divesting such brands.

As far as we know, this is the first empirical study showing that the strategy advocated in the international branding literature to divest brands with low geographical scope in order to focus more on strong global brands (see e.g., Kumar, 2003) will not always create positive firm value. When taking into account the industry relatedness of the divested brand, we see a different picture. The divestment of local and regional, core business brands appears, on average, to destroy firm value. Although global brands offer numerous advantages, such as cost efficiencies, they may fail to appeal to local tastes. The attitude toward local products is still ubiquitous in many countries (Steenkamp and de Jong, 2010). Local brands, especially in core businesses, generally have high brand equity because they are well known in their markets and develop a true local value by responding to local needs. Consequently, local consumers often have strong relationships and emotional ties with these brands (Steenkamp *et al.*, 2003; Schuiling and Kapferer, 2004). If a company sells a

local, core business brand to another company, consumers may be hesitant to give up their favorite local brands just because the owner has been changed. Alternatively, replacing them with global brands may not warrant customers' switching to this global brand. For example, when P&G gave up the local dishwasher detergent 'Fairy' for its global brand 'Dawn' in Germany, the company's market share in dishwashing detergent fell. The global brand that replaced 'Fairy' received an unanticipated negative reaction from consumers who were strongly tied to the once popular 'Fairy' brand; even reverting to the original 'Fairy' brand name did not bring the brand back to its former glory (Kapferer, 2008).

The results of our *post hoc* analyses provide more insight into this negative effect of divesting local/regional, core brands, and show that if the divested brand is appealing, this negatively influences the abnormal return. Furthermore, the divestment of core brands with limited geographical scope has more dramatic consequences when undertaken in home regions. One possible explanation is that companies are more likely to offer very effective brands in their home regions than in away regions because they are better informed about these home regions consumers' needs and preferences. Home regions are often the markets where companies have been active the longest time. Such tenure of operations has been found to be positively related to organizational knowledge (Benito and Gripsrud, 1992). This makes it more likely that they build strong and loyal customer bases and enjoy higher profit margins for home region brands than for brands in foreign regions.

Managerial implications

Our findings yield important implications for managers who are responsible for brand portfolios and who consider brand divestments. In practice, brand managers are often reluctant to make brand divestment decisions. The reasons can be many, including fear of losing jobs, being hesitant in admitting failure of a brand, or the managers' emotional ties with the divested brands. Moreover, most brand managers give high consideration to developing strategies to enhance their brands' performance, but they may have little or no concern about whether other businesses of the company have more profitable uses for the resources of their brands.

Our study clearly shows that in certain instances, focus-increasing brand asset sales may increase firm

value. However, our results also demonstrate that divesting brands can be risky as well. If we look at the strategies of P&G and Unilever as outlined in the beginning of this article, we conclude that both strategies bear the risk of destroying firm value. P&G divested non-core brands in order to focus on their core businesses, and they even divested global brands (e.g., Pringles) for this purpose. We show that such divestments certainly do not lead to positive reactions from investors and might even entail a negative impact on firm value. Unilever divested mainly local and regional brands in order to reduce the number of brands and shifted its resources to fewer important global brands. Our study shows that this strategy increases firm value only if non-core brands are divested, and destroys value if core brands are divested.

Our study indicates a single pathway when companies are faced with problems of proliferated brand portfolios, i.e., refocusing and internationalization forces to act in the same direction. More specifically, looking from a firm value perspective, non-core business brands with low international presence should be the primary candidates for divestitures, while divesting core or global brands should be avoided.

To summarize, companies should rationalize their offerings toward a portfolio that follow a multi-tier branding strategy in core businesses. Many leading CPG companies offer a collection of local, regional, and global brands in their core businesses. For example, Kraft Foods' portfolio of brands includes several local (e.g., Opavia biscuit in Czech Republic), regional (e.g., LU biscuit in Western Europe), and global (e.g., Oreo biscuit all over the world) brands in their core snacks and confectionary business. Similarly, Diageo's portfolio of brands include some local beer brands such as Serengeti Premium in Tanzania, regional brands such as Tusker in Africa, and a global Smithwick's brand that is sold in North America, Europe, and Australia. Another company that successfully manages a portfolio of local and global brands is Anheuser-Busch InBev (Steenkamp and de Jong, 2010). Such an approach allows them to enjoy higher profit margins by targeting premium segments with global brands and to enjoy greater market share by better satisfying fragmented consumer needs with their local brands. This is especially important in their home regions. Companies have higher earning margins in both core businesses and home regions. In other words, simplification should be avoided in industry and country

markets where earning margins are high. Otherwise, the possible demand losses after divestitures may hurt bottom-line growth. For non-core business activities, companies should pursue a global branding strategy only.

Future research

This study focused on brand asset sales in the food and beverages industry. First, future research could focus on similar divestitures in other industries to determine whether our results generalize beyond the current setting. Second, we used stock prices to operationalize the change in the firm value and, therefore, we focus on the return at the aggregate firm level. Future research could reveal the performance effects of brand divestments by linking them to a multitude of other financial performance indicators, such as revenues, operating margins, advertising expenses, and employee efficiency. Third, due to data considerations, we used only a limited number of variables that characterize the brand portfolios and divested brands. However, a wider range of brand- (e.g., strategic role, age, modifiability) and brand portfolio-level factors (e.g., degree of cannibalization, intra-portfolio competition, the number and strengths of the retained brands in the selling firm's portfolio) could moderate the effects of focus-increasing brand divestiture decisions. The study by Varadarajan *et al.* (2006) provides a comprehensive list of such factors that trigger these decisions. Further research could assess their value relevance. Finally, an interesting extension could be looking at abnormal returns in the stock value of the acquiring firms to find out how acquiring firms benefit from core/non-core and local/global brand acquisitions.

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