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All Aboard the Brand Carousel! Companies Spin Off Brands at Accelerating Pace

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Remember riding the carousel when you were a kid? The horses, painted every shade of the rainbow, went up and down and around, spinning seemingly out of control. You grabbed for rings as you whirled by – and sometimes you even got the golden one. That's a little bit like what seems to be going on in the food and beverage industry these days. Things are moving very quickly – maybe even too quickly in some cases. Everybody's grabbing – or spinning off brands. It shouldn't be about "collecting" rings, but going for the best. Companies unload brands where they don't see growth, to focus on growing others. And companies snare brands they're convinced they can grow. Where it will stop, nobody knows!

Let's take a look at a few recent cases of companies reaching for and getting rid of rings or brands that they no longer wanted. The carousel took a big spin when Campbell Soup Co. last week sold Bolthouse Farms to Los Angeles-based private equity company Butterfly Equity for $510 million. That's about one third of the $1.55 billion that Campbell paid for the company in 2012. Butterfly saw the brand come spinning by at a price it liked- and grabbed it.

Campbell, meanwhile, was looking to sell and focus on other brands. With Bolthouse Farms, Butterfly gets organic drinks, dressings and carrots, for a fraction of what Campbell paid. Campbell reduces its debt and gets to focus on what CEO Mark Clouse said are other "iconic bands and strong market positions." Butterfly gets what it hopes will be a golden ring.

This is just the latest turn of the brand carousel where big brands are being spun off faster than you can say "merry-go-round." In another example, Kellogg recently decided to sell off its cookie brands to Ferraro for $1.3

billion. Those product lines last year racked up nearly $900 million in sales and a $75 million operating profit. Ferraro gets itself on the fast track to growth, while Kellogg CEO Steve Cahillane gets to "reshape and focus our portfolio." Sound familiar?

Ferraro gets a business, not just a brand, in the form of Keebler, Mother's, Famous Amos, Murray's, Murray's Sugar Free, and cookies manufactured for Girl Scouts of the U.S.A. Kellogg gets rid of brands outside of its core business – and may be able to focus more resources on what it sees as its big winners: the golden rings.

While growth and profits are big factors, vision is another big element in these deals. Companies want brands they can believe in – and where they see growth. Where one company sees stagnation, another sees opportunity. Think about how General Mills decided to go into the pet space in 2018 by buying Blue Buffalo for $8 billion. General Mills sees potential in a new sector. The J.M. Smucker Co. bought Ainsworth Pet Nutrition, makers of Rachael Ray and Nutrish pet food, for about $1.7 billion. CEO Mark Smucker said this would speed up the "growth profile" of the company's pet food sales. Pet food seems to be a new golden ring for General Mills and J.M. Smucker. Or at least that's what they hope.

Sometimes companies get rid of one brand, convinced another in the same sector is a better bet. That's what happened in 2017 when Starbucks sold its Tazo tea brand to Unilever for $384 million to focus on premium tea brand, Teavana, a member of the billion-dollar brand club. Starbucks bought Tazo in 1999 for $8.1 million, so it took a big payday with the sale. And it said it will focus its efforts where the results have been the best. Quality, not quantity, can be king.

Sometimes companies hope to score big with a brand, by taking it global. Mondelez reportedly as of this week was in talks to buy Campbell Soup's Arnott's brand, based in Australia, and Danish butter-cookie producer Kelsen Group. While the deal has run into issues, both saw this as a good fit. Campbell is busy putting brands on the market. Mondelez has been busy buying. The company last year bought Tate's Bake Shop for $500 million. Mondelez, because of its reach, could take these businesses and fit them into its global approach. That little golden ring, in other words, could grow a lot bigger.

All these deals point to something else related to the brand carousel. Who's riding it and who's putting rings up for sale? Just as one ride was never enough when you were a kid, you can often expect companies that make a bid for a brand to do the same again. And those who sell may do so again soon. Campbell's said the "process to divest Campbell International is ongoing." Pay attention to which companies ride the brand carousel – and which grab for rings. Then let's wait a while and see who gets the gold – and who misses, even if they may go for another deal soon. Meanwhile, expect a lot of excitement for people watching the carousel spin.