

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The text is centered in the white space between these shapes.

# **DEVELOPING A BRAND EQUITY MEASUREMENT AND MANAGEMENT SYSTEM**

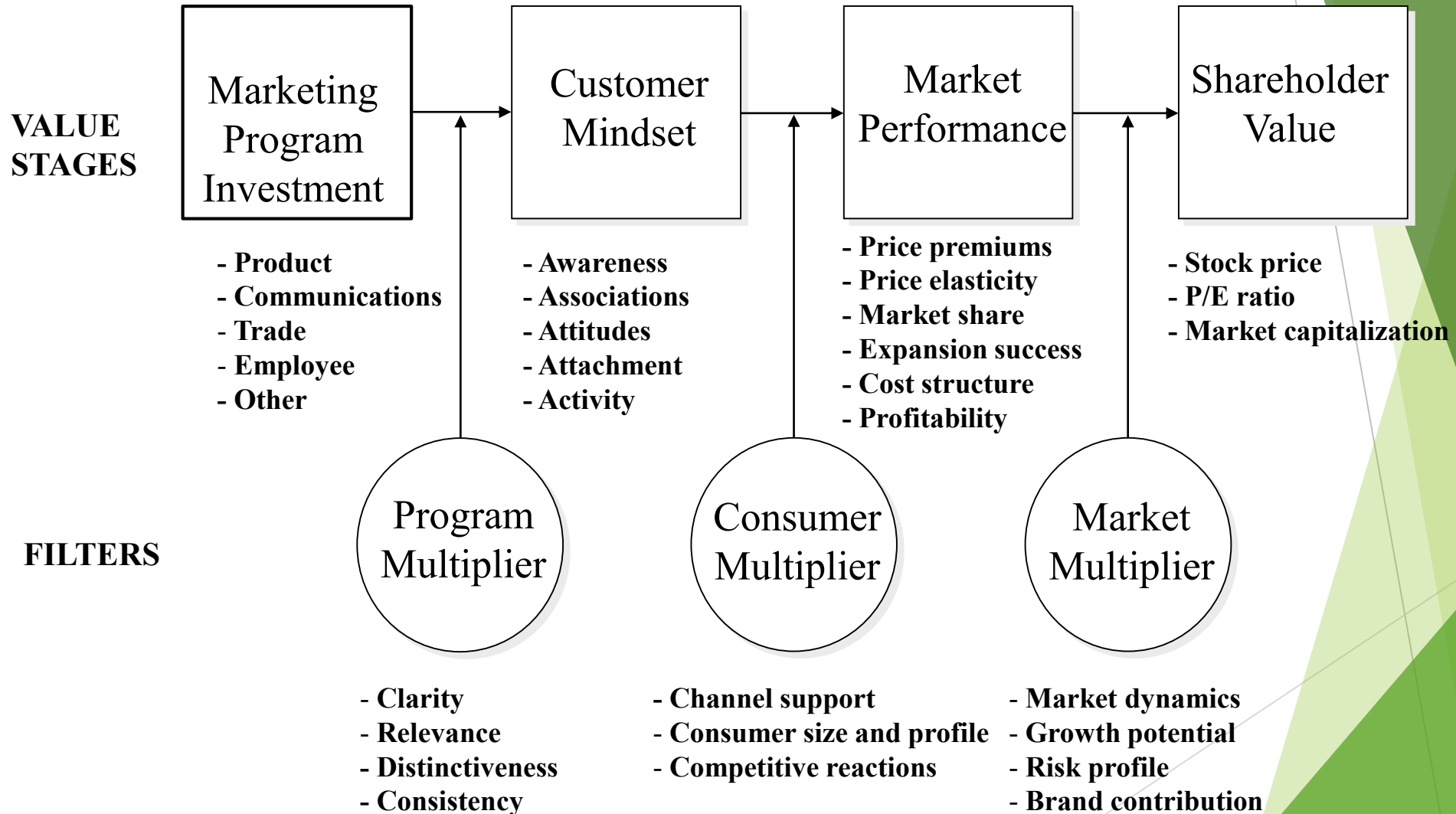
# The New Accountability

- ▶ Virtually every marketing dollar spent today must be justified as both effective and efficient in terms of “return of marketing investment” (**ROMI**).
- ▶ Some observers believe that up to **70%** (or even more) of marketing expenditures may be devoted to programs and activities that cannot be linked to short-term incremental profits, but yet can be seen as improving brand equity.

# The Brand Value Chain

- ▶ Broader perspective than just the CBBE model
- ▶ The brand value chain is a structured approach to assessing the sources and outcomes of brand equity and the manner by which marketing activities create brand value.

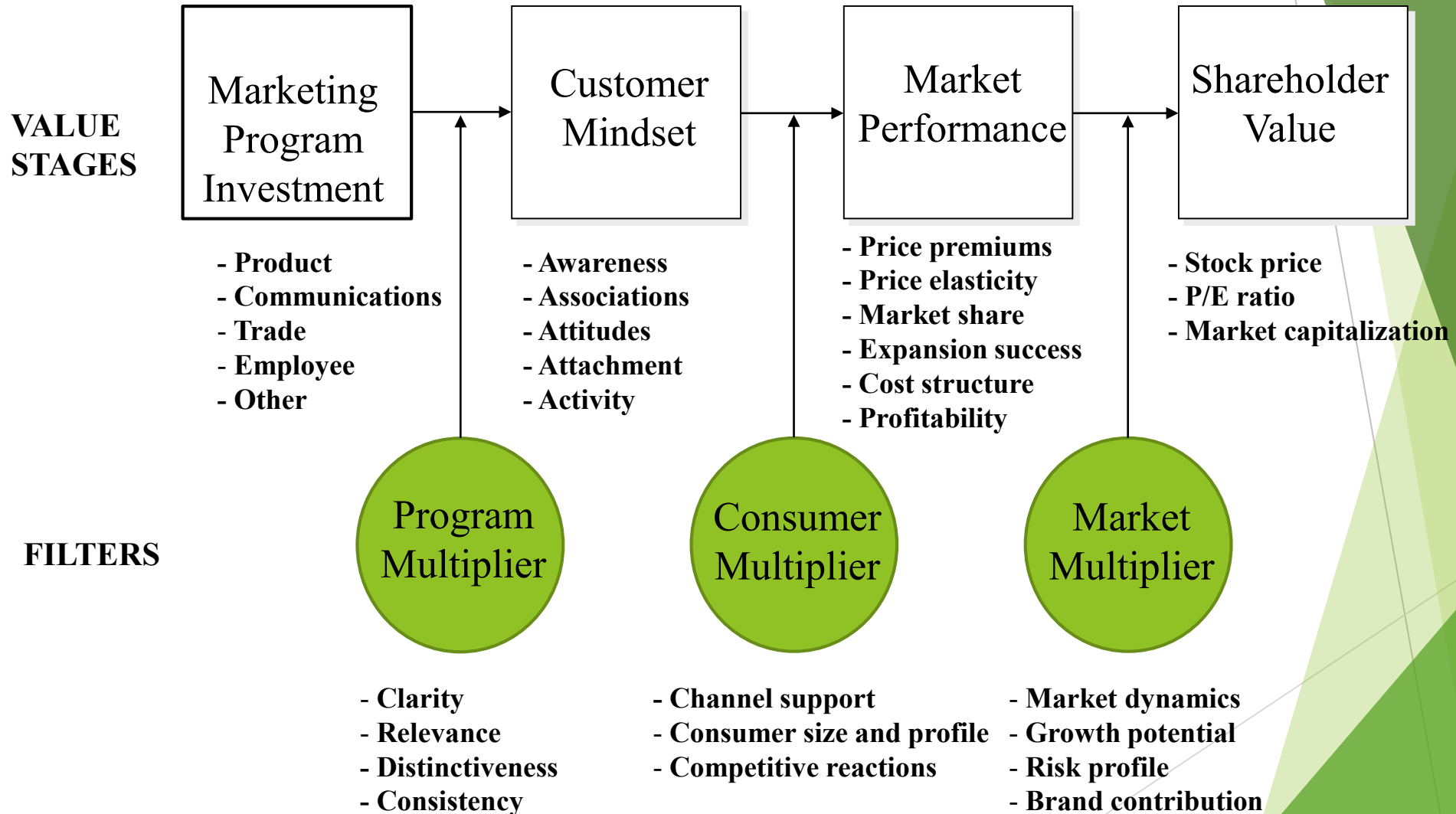
# The Brand Value Chain



# The Brand Value Chain

- ▶ The brand value chain has several basic premises. Fundamentally, it assumes that the value of a brand ultimately resides with **customers**.
- ▶ Based on this insight, the model next assumes that the brand value creation process begins when the **firm invests in a marketing program** targeting actual or potential customers.
- ▶ The marketing activity associated with the program then affects the **customer mindset** with respect to the brand - what customers know and feel about the brand.
- ▶ This mindset, across a broad group of customers, then results in certain outcomes for the brand in terms of how it **performs in the marketplace** - the collective impact of individual customer actions regarding how much and when they purchase, the price that they pay, and so forth.
- ▶ Finally, the investment community considers this market performance and other factors such as replacement cost and purchase price in acquisitions to arrive at an **assessment of shareholder value** in general and a **value of the brand** in particular.

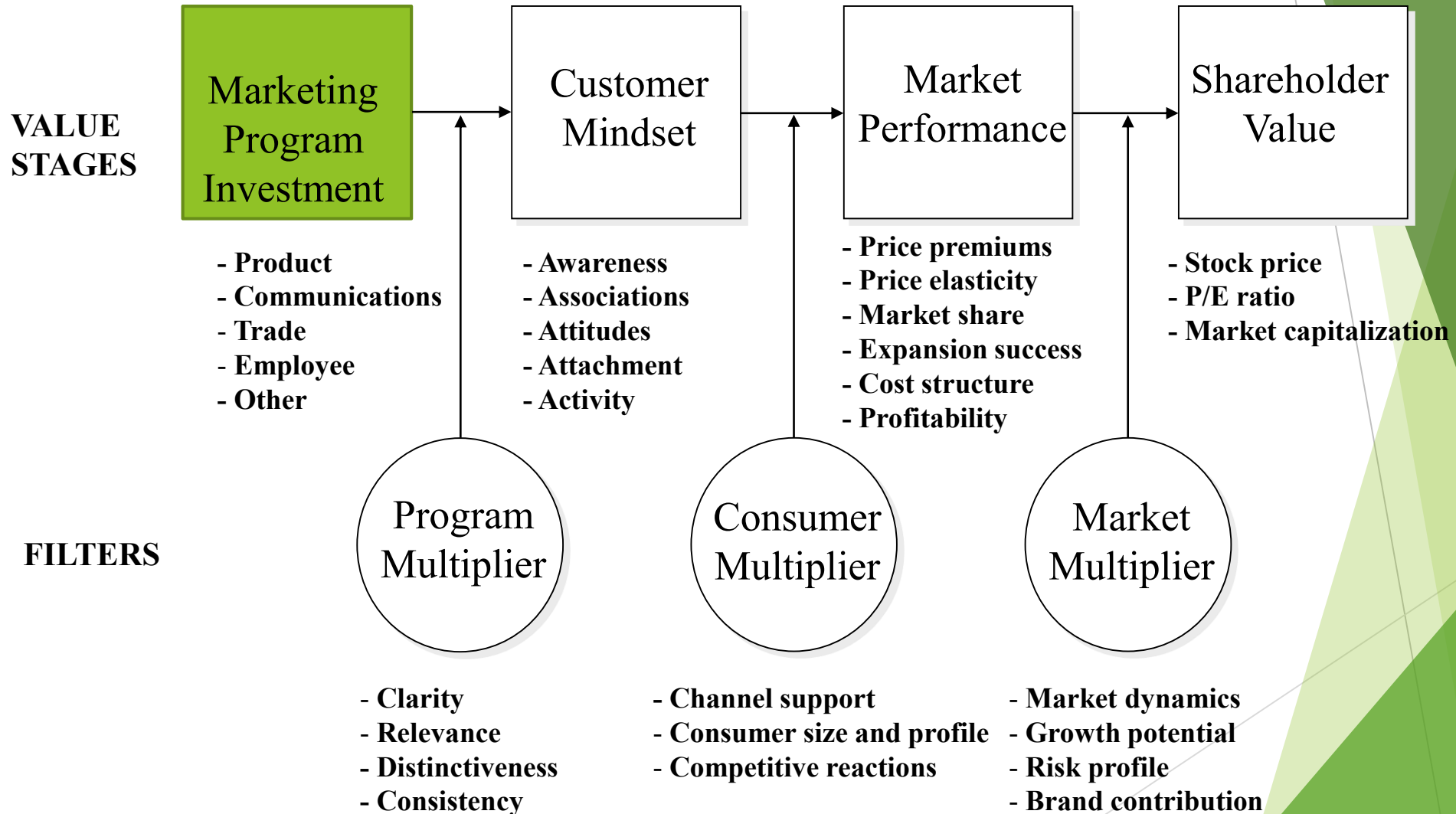
# The Brand Value Chain



# The Brand Value Chain: MULTIPLIERS

- ▶ The model also assumes that a number of linking factors intervene between these stages.
- ▶ These linking factors determine the extent to which value created at one stage transfers or “multiplies” to the next stage.
- ▶ Three sets of multipliers moderate the transfer between the marketing program and the subsequent three value stages: the program quality multiplier, the marketplace conditions multiplier, and the investor sentiment multiplier.

# The Brand Value Chain





# VALUE STAGE: Marketing Program Investment

- ▶ Any marketing program investment that potentially can be attributed to brand value development, either intentional or not
- ▶ Specifically, some of the bigger marketing expenditures relate to **product research, development, and design; trade or intermediary support; marketing communications** (e.g., advertising, promotion, sponsorship, direct and interactive marketing, personal selling, publicity, and public relations); and **employee training**.
- ▶ The extent of financial investment committed to the marketing program, however, does not guarantee success in terms of brand value creation.
- ▶ The ability of a marketing program investment to transfer or multiply farther down the chain will thus depend on qualitative aspects of the marketing program via the program quality multiplier.

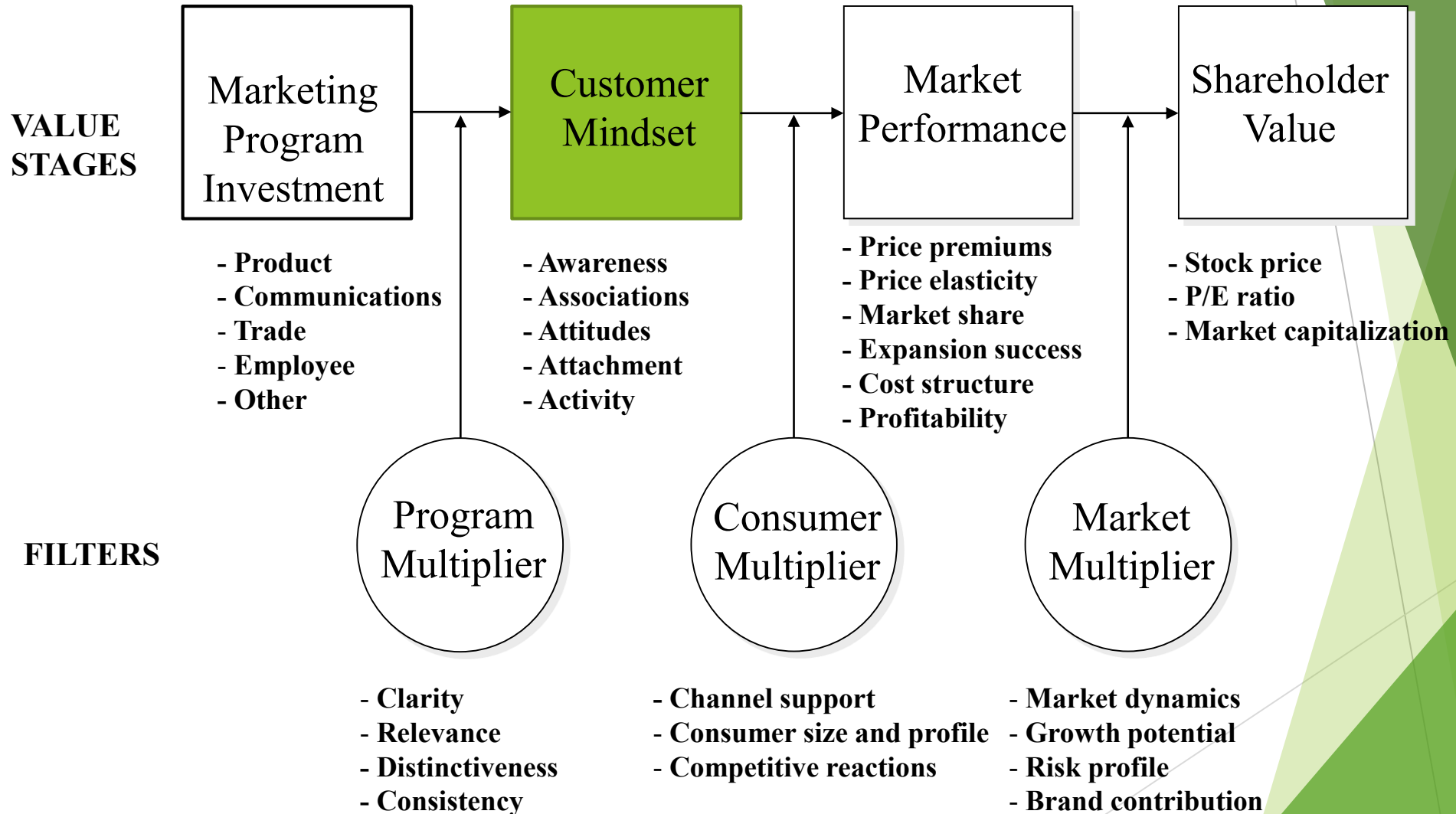
# MULTIPLIER: Program Quality

- ▶ The ability of the marketing program to affect the customer mindset will depend on the quality of that program investment.
- ▶ There are a number of different means to judge the quality of a marketing program and many different criteria may be employed. To illustrate, four particularly important factors are as follows:

# MULTIPLIER: Program Quality

1. **Clarity:** How understandable is the marketing program? Do consumers properly interpret and evaluate the meaning conveyed by brand marketing?
2. **Relevance:** How meaningful is the marketing program to customers? Do consumers feel that the brand is one that should receive serious consideration?
3. **Distinctiveness:** How unique is the marketing program from those offered by competitors? How creative or differentiating is the marketing program?
4. **Consistency:** How cohesive and well integrated is the marketing program? Do all aspects of the marketing program combine to create the biggest impact with customers? Does the marketing program relate effectively to past marketing programs and properly balance continuity and change, evolving the brand in the right direction?

# The Brand Value Chain



# VALUE STAGE: Customer Mindset

- ▶ A judicious marketing program investment could result in a number of different customer related outcomes. Essentially, the issue is,
  - ▶ In what ways have customers been changed as a result of the marketing program?
  - ▶ How have those changes manifested themselves in the customer mindset?
- ▶ Remember that the customer mindset includes everything that exists in the minds of customers with respect to a brand: **thoughts, feelings, experiences, images, perceptions, beliefs, attitudes**, and so forth. Understanding customer mindset can have important implications for marketing programs.

# VALUE STAGE: Customer Mindset

A host of different approaches and measures are available to assess value at this stage. One simple way to reduce the complexity of the brand resonance model into a simpler, more memorable structure is in terms of five key dimensions. The “5 A’s” are a way to highlight key dimensions of the brand resonance model within the brand value chain model as particularly important measures of the customer mindset:

1. **Brand awareness** The extent and ease with which customers recall and recognize the brand and thus the salience of the brand at purchase and consumption.
2. **Brand associations** The strength, favorability, and uniqueness of perceived attributes and benefits for the brand in terms of points-of-parity and points-of-difference in performance and imagery.
3. **Brand attitudes** Overall evaluations of the brand in terms of the judgments and feelings it generates.

# VALUE STAGE: Customer Mindset

4. **Brand attachment** How intensely loyal the customer feels toward the brand. A strong form of attachment, adherence, refers to the consumer's resistance to change and the ability of a brand to withstand bad news (e.g., a product or service failure). In the extreme, attachment can even become addiction.
5. **Brand activity** The extent to which customers are actively engaged with the brand such that they use the brand, talk to others about the brand, seek out brand information, promotions, and events, and so on.

# MULTIPLIER: Consumer

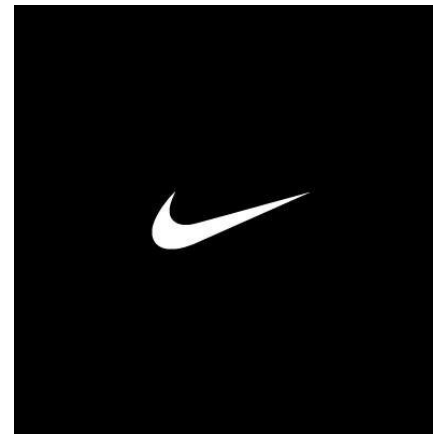
The extent to which value created in the minds of customers affects market performance depends on various contextual factors external to the customer. Three such factors are as follows:

1. **Competitive superiority:** How effective are the quantity and quality of the marketing investment of other competing brands.
2. **Channel and other intermediary support:** How much brand reinforcement and selling effort is being put forth by various marketing partners.
3. **Customer size and profile:** How many and what types of customers (e.g., profitable or not) are attracted to the brand.



# MULTIPLIER: Consumer

Both Nike and McDonald's have benefited in the past from the prolonged marketing woes of their main rivals, Reebok and Burger King, respectively. Both of these latter brands have suffered from numerous repositioning(s) and management changes.

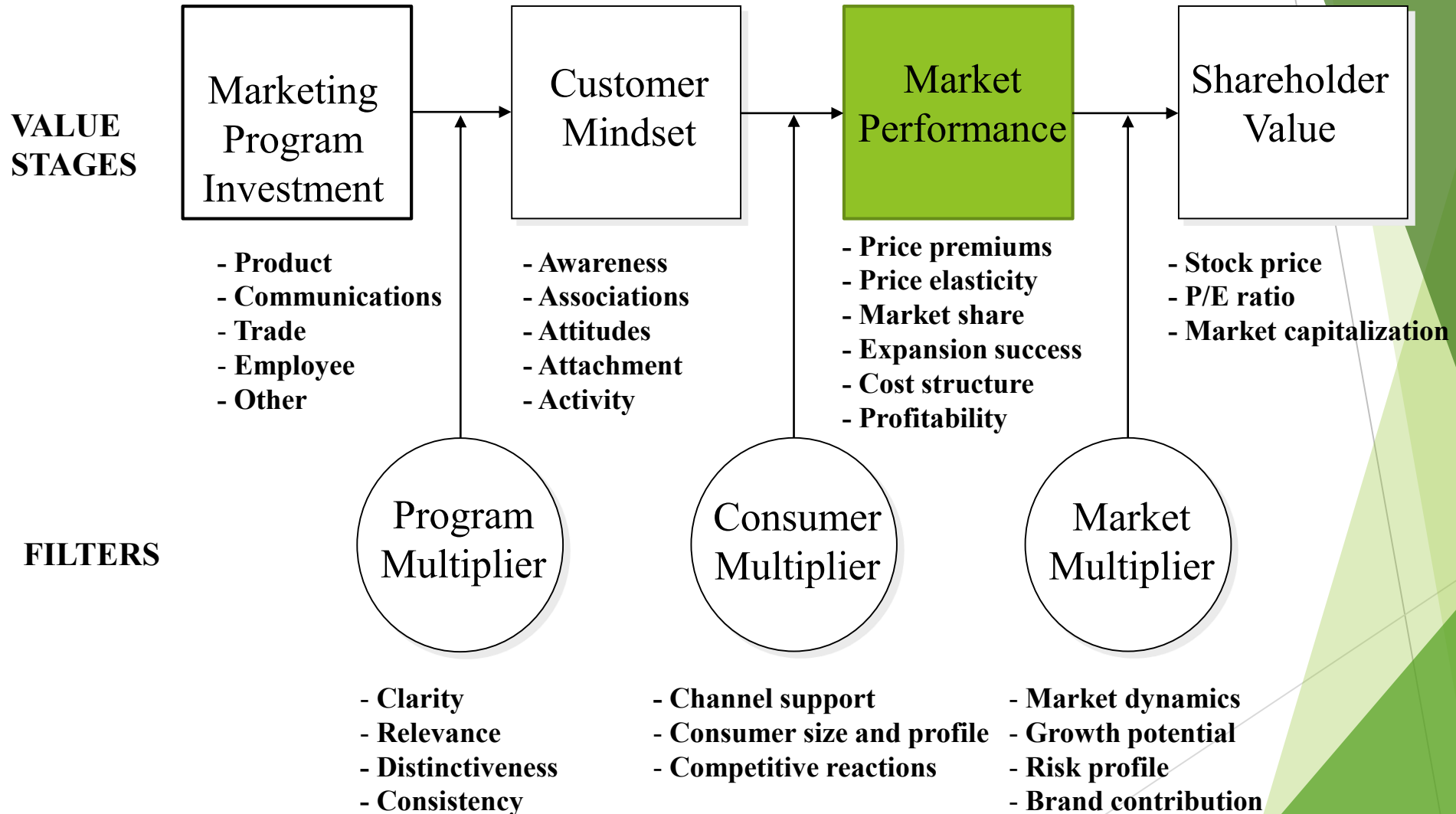


# MULTIPLIER: Consumer

MasterCard has had to contend for the past decade with two strong, well-marketed brands in Visa and American Express and consequently has faced an uphill battle gaining market share despite its well-received “Priceless” ad campaign.



# The Brand Value Chain



# VALUE STAGE: Market Performance

The customer mindset affects how customers react or respond in the marketplace in a six main ways.

- ▶ The **first two** outcomes relate to **price premiums** and **price elasticities**. How much extra are customers willing to pay for a comparable product because of its brand? And how much does their demand increase or decrease when the price rises or falls?
- ▶ A **third** outcome is **market share**, which measures the success of the marketing program to drive brand sales. Taken together, the first three outcomes determine the direct revenue stream attributable to the brand over time. Brand value is created with higher market shares, greater price premiums, and more elastic responses to price decreases and inelastic responses to price increases.

# VALUE STAGE: Market Performance

- ▶ The **fourth** outcome is **brand expansion**, the success of the brand in supporting line and category extensions and new product launches into related categories. Thus, this dimension captures the ability to add enhancements to the revenue stream.
- ▶ The **fifth** outcome is **cost structure** or, more specifically, savings in terms of the ability to reduce marketing program expenditures because of the prevailing customer mindset.
- ▶ When combined, these five outcomes lead to brand profitability, the **sixth** outcome.

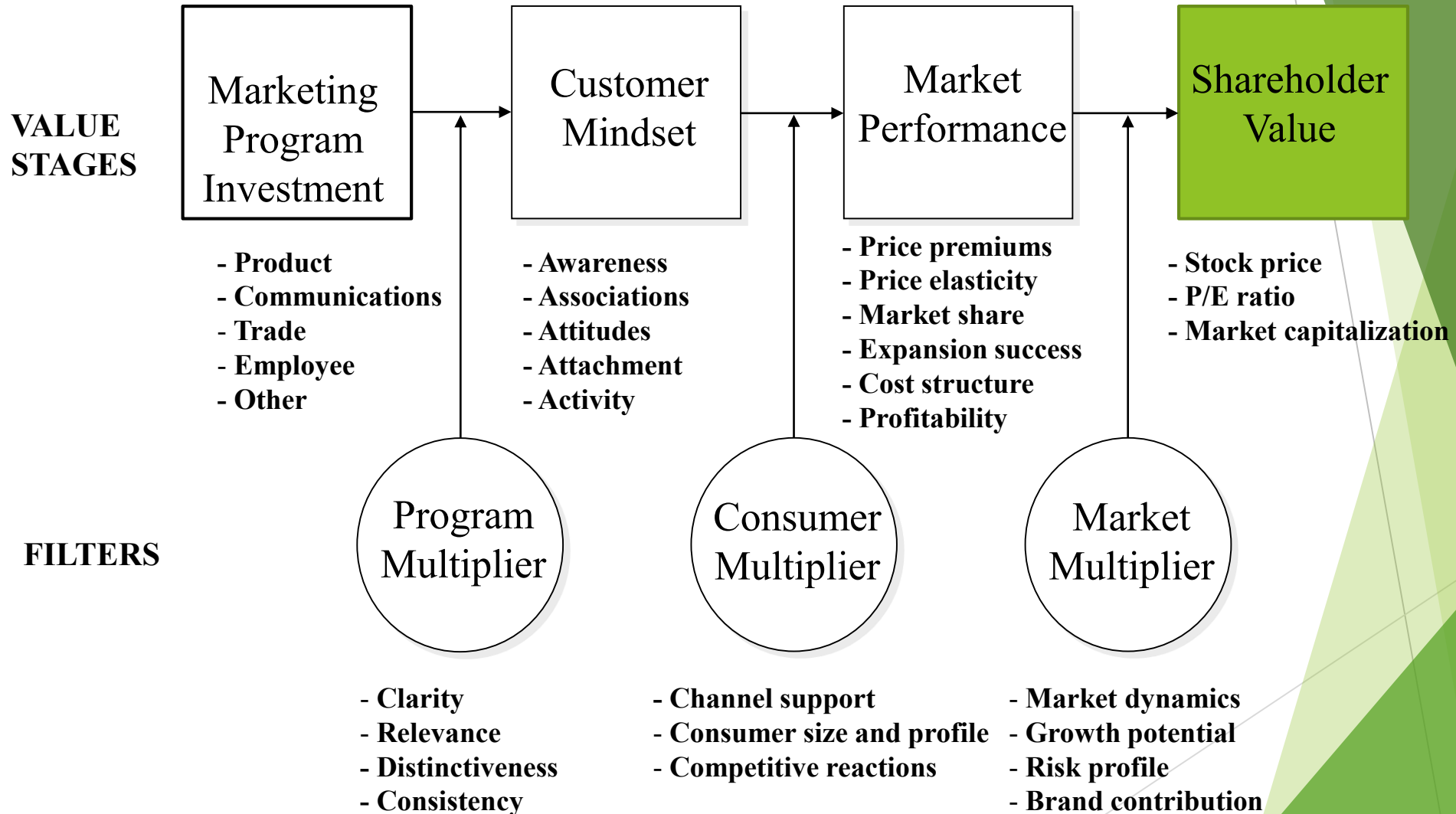
# MULTIPLIER: Investor Sentiment

- ▶ The extent to which the value engendered by the market performance of a brand is manifested in shareholder value depends on various contextual factors external to the brand itself. Financial analysts and investors consider a host of factors in arriving at their brand valuations and investment decisions. Among these considerations are the following:

# MULTIPLIER: Market

1. **Market dynamics** What are the dynamics of the financial markets as a whole (e.g., interest rates, investor sentiment, or supply of capital)?
2. **Growth potential** What are the growth potential or prospects for the brand and the industry in which it operates? For example, how helpful are the facilitating factors and how inhibiting are the hindering external factors that make up the firm's economic, social, physical, and legal environment?
3. **Risk profile** What is the risk profile for the brand? How vulnerable is the brand likely to be to those facilitating and inhibiting factors?
4. **Brand contribution** How important is the brand as part of the firm's brand portfolio and all the brands it has?

# The Brand Value Chain





# VALUE STAGE: Shareholder Value

- ▶ Based on all available current and forecasted information about a brand as well as many other considerations, the financial marketplace then formulates opinions and makes various assessments that have very direct financial implications for the brand value.
- ▶ Three particularly important indicators are the stock price, the price/earnings multiple, and overall market capitalization\* for the firm. Research has shown that not only can strong brands deliver greater returns to stockholders, they can do so with less risk.

\* Market capitalization (often market cap) is a measurement of size of a business enterprise (corporation) equal to the share price times the number of shares outstanding (shares that have been authorized, issued, and purchased by investors) of a publicly traded company.

# Brand Equity Measurement System

- ▶ A set of research procedures that is designed to provide timely, accurate, and actionable information for marketers so that they can make the best possible tactical decisions in the short run and strategic decisions in the long run

# Brand Equity Measurement System

- ▶ Conducting brand audits
- ▶ Developing tracking procedures
- ▶ Designing a brand equity management system

# Sample Brand Tracking Survey- McDonald's

Interviewer: We are conducting a short phone interview concerning consumer opinions about quick-service or “fast food” restaurant chains.

## **BRAND AWARENESS**

### Recall (unaided)

- a) What brands of quick service restaurant chains are you aware of?
- b) At which brands of quick service restaurant chains would you consider using?
- c) Have you eaten in a quick service restaurant chain in the last week? Which ones?
- d) If you were to eat in a quick service restaurant tomorrow for lunch, which one would you go to?
- e) What if instead it were for dinner? Where would you go?
- f) What if instead it were for breakfast? Where would you go?
- g) Which are your favorite quick serve restaurant chains?

# Sample Brand Tracking Survey- McDonald's

## BRAND AWARENESS

### Recognition

Now, we want to ask you some questions about a particular quick service restaurant chain, McDonald's.

- ▶ Have you heard of this restaurant? [Establish familiarity]
- ▶ Have you eaten at this restaurant? [Establish trial]
- ▶ When I say McDonald's, what are the first associations that come to your mind? Anything else? [List all]

# Sample Brand Tracking Survey- McDonald's

## BRAND IMAGE

What are the top five words that come to mind when you think of "McDonalds" (This should take less than 30 seconds)

### Brand Attributes

How well do the following words describe McDonalds? (1= not at all, 5 = very much)?

McDonald's ...

- a) Is convenient to eat at
- b) Provides quick, efficient service
- c) Has clean facilities
- d) Is for the whole family
- e) Has delicious food
- f) Has healthy food
- g) Has a varied menu
- h) Has friendly, courteous staff
- i) Offers fun promotions
- j) Has a stylish and attractive look
- k) Has good prices

# Sample Brand Tracking Survey- McDonald's

**Brand Personality (note this might also include user imagery, usage imagery as breakout questions)**

How well do the following traits describe McDonalds (1= not at all, 5 = very much)?

- ▶ Sincere
- ▶ Exciting
- ▶ Competent
- ▶ Sophisticated
- ▶ Rugged
- ▶ Peaceful
- ▶ Passionate

# Sample Brand Tracking Survey- McDonald's

## **Judgments of Quality**

- ▶ What is your overall opinion of McDonald's?
- ▶ What is your assessment of the product quality of McDonald's?
- ▶ How good a value is this McDonald's?
- ▶ Is McDonald's worth a premium price?
- ▶ What do you like best about McDonald's?

## **Judgments of Credibility**

- ▶ How innovative is McDonald's?
- ▶ How much do you admire McDonald's?
- ▶ How much do you respect McDonald's?

## **Judgments of Consideration**

- ▶ How likely would you be to recommend McDonald's to others?
- ▶ To what extent does McDonald's offer advantages that other brands cannot?
- ▶ How personally relevant is McDonald's to you?



# Sample Brand Tracking Survey- McDonald's

## Judgments of Superiority

- ▶ How unique is McDonald's?
- ▶ To what does McDonald's offer advantages that other brands cannot?
- ▶ To what extent is McDonald's superior to other brands in the quick service restaurant category?

## Feelings

Does McDonald's give you a feeling of ... (1= not at all, 5 = very much)

- ▶ Warmth
- ▶ Excitement
- ▶ Trust
- ▶ Awe
- ▶ Fear
- ▶ Calm
- ▶ Intensity

# Sample Brand Tracking Survey- McDonald's

## RELATIONSHIP

If McDonalds came to life as a person, what type of person would s/he be? This should take less than 30 seconds.

If McDonalds came to life as a person and was at a party with you, what would s/he say to you? This should take less than 30 seconds.

## Loyalty

- ▶ I consider myself loyal to McDonalds.
- ▶ I eat at McDonalds whenever I can.
- ▶ This is the one brand of fast-food restaurant I would most prefer to visit.
- ▶ If McDonalds were not an option, it would make little difference to me if I had to eat elsewhere.
- ▶ I would go out of my way to go to McDonalds

# Sample Brand Tracking Survey- McDonald's

## **Attachment**

- ▶ I really love McDonalds.
- ▶ I would really miss this brand if it went away.
- ▶ McDonalds is special to me.

## **Engagement**

- ▶ I really like to talk about McDonalds to others.
- ▶ I am always interested in learning more about McDonalds.
- ▶ I would be interested in merchandise with this brand's name on it.
- ▶ I like to visit the website for McDonalds.
- ▶ Compared to other people, I follow news about McDonalds closely.

## **Community**

- ▶ I really identify with people who use this brand.
- ▶ McDonalds is often frequented by people like me.
- ▶ I feel a deep connection with others who use this brand.

# Brand Equity Management System

- ▶ *A brand equity management system* is a set of organizational processes designed to improve the understanding and use of the brand equity concept within a firm:
  - ▶ Brand equity charter
  - ▶ Brand equity report
  - ▶ Brand equity responsibilities

# Rate NSU's Marketing Assessment System

1. Does the senior executive team regularly and formally assess marketing performance?
  - (a) Yearly - 10
  - (b) Six-monthly - 10
  - (c) Quarterly - 5
  - (d) More often - 0
  - (e) Rarely - 0
  - (f) Never - 0
  
2. What does the senior executive team understand by 'customer value'?
  - (a) Don't know. We are not clear about this - 0
  - (b) Value of the customer to the business (as in 'customer lifetime value') - 5
  - (c) Value of what the company provides for the customers' point of view - 10
  - (d) Sometimes one, sometimes the other - 10
  
3. How much time does the senior executive team give to marketing issues? .....%
  - (a) >30% - 10
  - (b) 20-30% - 6
  - (c) 10-20% - 4
  - (d) <0% - 0

# Rate NSU's Marketing Assessment System

4. Does the business/marketing plan show the non-financial corporate goals and link them to market goals?
  - (a) No/no plan-0
  - (b) Corporate no, market yes-5
  - (c) Yes to both-10
  
5. Does the plan show the comparison of your marketing performance with competitors or the market as a whole?
  - (a) No/no plan-0
  - (b) Yes, clearly-10
  - (c) In between -5
  
6. What is your main marketing asset called?
  - (a) Brand equity-10
  - (b) Reputation-10
  - (c) Other term-5
  - (d) We have no term-5

# Rate NSU's Marketing Assessment System

7. Does the senior executive team's performance review involve a quantified view of the main marketing asset and how it has changed?
  - (a) Yes to both-10
  - (b) Yes but only financially (brand valuation)-5
  - (c) Not really-0
  
8. Has the senior executive team quantified what 'success' would look like five or ten years from now?
  - (a) No-0
  - (b) Yes-10
  - (c) Don't know-0

# Rate NSU's Marketing Assessment System

9. Does your strategy have quantified milestones to indicate progress towards that success?
  - (a) No-0
  - (b) Yes-10
  - (c) What strategy?-0
  
10. Are the marketing performance indicators seen by the senior executive team aligned with these milestones?
  - (a) No-0
  - (b) Yes, external (customers and competitors)-7
  - (c) Yes, internal, (employees and innovativeness)-5
  - (d) Yes, both-10



# Rate NSU's Marketing Assessment System

Score yourself according to the scale below.

- If your total is greater than **90 percent**, excellent.
- If your total is **70-90 percent**, congratulate yourself and keep at it.
- More than **50 percent** is good.
- Less than **30 percent** means what you think it means.