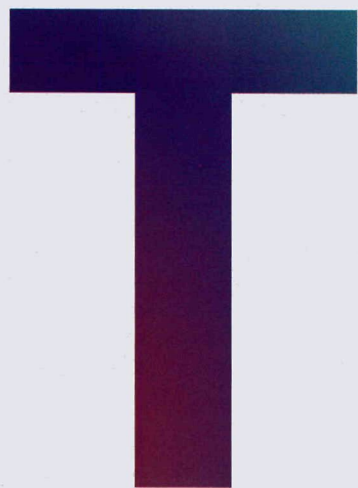


MEASURE TO MANAGE

An actionable model for breaking free
from the brand-equity paradox

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THE OLD ADAGE, “WHAT GETS MEASURED GETS MANAGED,”

has long been a motive for brand-conscious companies to establish programs to measure one of their most important assets: their brands.

Yet in recent years, we have seen increasing uneasiness around measuring, and hence managing, brands. As an example, a senior executive of a leading consumer goods manufacturer recently asked us for a definition of brand equity.

We were surprised at the request. Since brands and brand equity are at the very center of that company's business model, we had assumed that the concept of brand equity was well-defined, understood and measured.

Everybody agrees that measuring brand performance must be useful when brand rankings such as the BrandZ Top 100 consistently point to the substantial amount of value generated by brands. Measuring and understanding brand equity informs brand strategy in a number of ways, including brand positioning and communications, but also brand extensions, because the brand's equity may determine how far customers give the brand permission to extend beyond its existing product offering. However, available brand equity frameworks and metrics seem complicated and difficult for marketers to act on, at a time when competitive pressures require faster reaction times and results.

This creates a paradox: While brands are being hailed as critical to companies' performance, they are being measured in ways that are often too hard to act on. Brands get measured, but not in a way that makes them easier to manage.



SO WHAT ACTIONABLE METRICS SHOULD BE USED TO MEASURE BRAND EQUITY?

Brand equity is generally defined as a series of brand perceptions that lead customers to prefer the branded products over similar products. There are two critical parts to that definition: First, brand equity consists of brand perceptions, as opposed to any perceptions associated with the branded product or service. As an example, customers may perceive a particular Apple smartphone to have great battery life, yet customers are likely to associate the Apple brand with great design and user friendliness—not with long lasting batteries.

Second, for brand perceptions to qualify as brand equity, they need to impact customers' choice behavior in favor of the branded products. Not all perceptions associated with the brand are necessarily relevant to customers' purchase and consumption decisions, and hence they may not be part of the brand's equity. For instance, if people are shown to buy laundry detergent solely based on availability, price and its ability to clean, perceptions related to a laundry detergent brand's eco-friendliness will not be part of the brand's equity, because eco-friendliness doesn't matter when consumers choose a laundry detergent.

Many brand equity measurement frameworks focus on the degree of customers' engagement with the brand, from simple brand awareness to brand loyalty. Such a brand engagement model will start by measuring how aware customers are of a brand, then measure brand knowledge, relevance and consideration, then preference, trial and loyalty. A good example of such a framework is Kevin Keller's Customer-Based Brand Equity Pyramid. Many leading market research firms and brand consultancies offer similar frameworks, from Young & Rubicam's Brand Asset Valuator to PERCEPTOR® Plus, and more. Millward Brown's new Meaningfully Different Framework, while

more sophisticated in its focus on financial impact, is also based on measuring different levels of brand engagement. These engagement frameworks can be traced back to the AIDA model (Attention, Interest, Desire, Action) first introduced by C.P. Russell in a 1921 article, but with conceptual roots going back to advertising and sales pioneer Elias St. Elmo Lewis' work around the turn of the 19th century.

DISTILLING THE MEASUREMENT PROCESS

While we have no reason to challenge the conceptual basis for these models based on more than a century of marketing practices, we believe that their multi-tiered structure—focusing on four to six steps of customer engagement and the brand perceptions driving each of these steps—makes their practical application overly complicated and, therefore, challenging when it comes to measuring brand equity.

To start with, these models focus primarily on the “how”: How a brand engages customers. Meanwhile brand equity is by definition about the “what”: What are the brand perceptions that allow the brand to impact customer choice? This is what marketers are looking for to optimize their brand strategy and communications. This lack of alignment makes it difficult to act on the brand findings from these models.

For example, the focus on converting customers up the engagement pyramid will lead to findings such as, “The Gatorade brand, while performing well on driving trial, needs to improve its loyalty.” While this is an interesting insight that may trigger some specific promotional activities, it's not something you can develop a brand campaign on. You can't tell an advertising agency simply to develop a campaign focusing on brand loyalty. You have to tell them the “what”: What specific brand benefits to focus on to drive loyalty. So market researchers then need to dig one level further into the equity framework to identify the specific brand benefits that drive brand engagement and that can be communicated through advertising and other marketing activities.

Another issue with these frameworks is that often they fail to distinguish between brand perceptions and perceptions related to the branded product. Indeed, the original AIDA framework was developed as a sales tool—to sell products, not to measure brand equity. For a narrow, single category brand, such as the Wisk laundry detergent brand for example, this may not be a big issue, because the brand is so closely associated with a very limited, specific set of products. But for a broader brand, such as Apple, there is clearly a difference between brand perceptions and perceptions associated with a branded product.

GETTING TO THE 'WHAT'

We propose a simplified brand equity framework that gets to the “what” that marketers need in a much easier way,

while more explicitly distinguishing the brand from the branded product. Our model reduces the four to six steps of customer brand engagement to just two metrics:

- Brand salience (i.e., awareness) and
- Brand impact on customers' choice to purchase and consume one brand instead of competitor brands.

The benefit of this Brand Driver Framework is that it relates directly to actionable marketing levers without being encumbered by the concept of tiers of brand engagement, which is hard for marketers to act on. This model is illustrated below.

Brand salience is measured by typical awareness metrics. Think of brand salience as a measure of the brand's presence. It is measured on a 100-scale index. The key marketing lever driving brand salience is share of voice in its broadest sense, including paid, as well as earned, media.

Brand impact is measured by understanding what benefits drive customers' choice in a particular product category and how brand perceptions align with those choice drivers. Think about brand impact as a measure of what benefits the brand engages customer with. Brand positioning is the key marketing lever driving brand impact. The novelty here is that rather than looking first at the "how"—customers' degree of engagement with the brand—and then at the "what"—what brand perceptions drive engagement, we look first and foremost at the drivers of choice and at the brand's association with those drivers. This is the insight needed to manage the brand's strategy, so it has to be the primary focus

of any actionable model. If additional insight is needed, one can of course look into understanding the different tiers of brand engagement, but we don't believe that those engagement tiers should be the primary

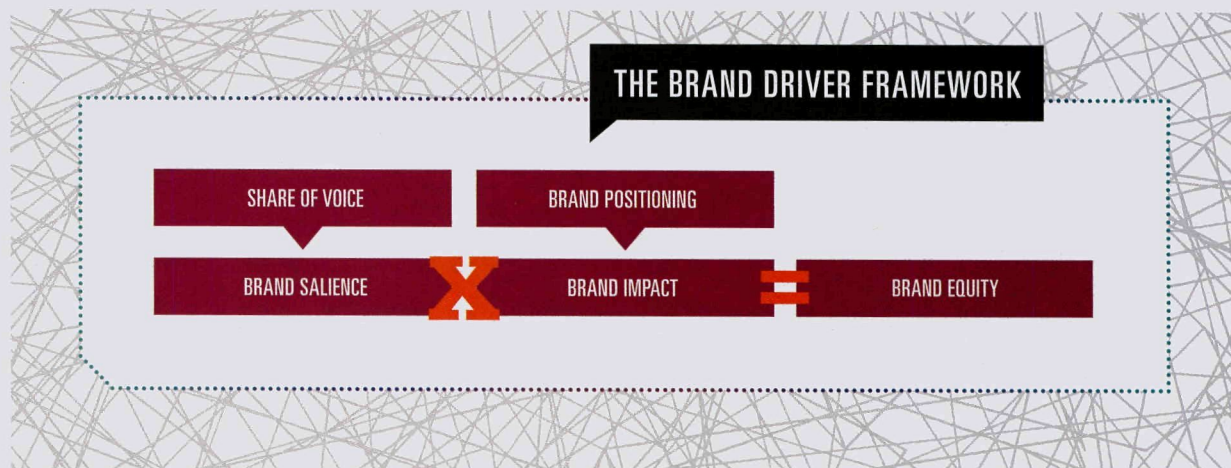
lens for brand equity. Most of the time, they are only of secondary relevance to brand management decisions.

FINDING THE BRAND IMPACT: A STRATEGY

Practically speaking, calculating brand impact is a three-step process. First, we determine the drivers of customer choice for the product category in which the brand plays.

This is about linking perceived benefits—both functional product benefits and more emotional benefits that may link more to the brand than the product itself—to customer choice. Perceived benefits will traditionally be measured by quantitative market survey data on customers' perceptions of the branded product and its benefits. However, other data sources, such as sentiment analysis of social media, could also be used.

Customer choice can be measured in a number of ways. Depending on the purchase and consumption dynamics in the category, a decision is made to focus either on purchase choice or consumption choice. If purchase choice is the focus, one may decide to look specifically at the drivers of willingness to pay a higher price, or at the drivers of purchase choice at a specific price, again depending on specific market dynamics. The data used to measure choice can be stated choice intent, stated choice history or actual purchase data. The analysis may be conducted using aggregate time series or respondent level data, depending on availability. We then statistically link perceived product benefits with choice to derive how important these product benefits are in driving choice. The second step in calculating the brand impact is to determine the extent to which the brand is associated with the specific benefits that drive choice, as determined above. The perceived benefit data used is the same as for the first step, but here we determine to what extent these benefits are linked to the brand. We statistically link the choice drivers to general brand affinity to understand the extent to which each choice driver is associated with the brand, as opposed to just the branded product.



As a last step, a weighted average of the brand's associations with each choice driver by the importance of each driver in the customer's gives us the brand impact index, calculated on a 100-point scale.

Look at page 31 for an illustration of the components of the brand impact index for two competitor soft drink brands: maroon brand and blue brand. The orange bars on

the left measure the importance of each benefit in customers' choice. The maroon bars indicate the extent to which maroon brand is associated with each choice driver. The brand impact is calculated for maroon brand through a weighted average of brand associations with each driver (maroon bars) by the importance of each driver in the choice process (orange bars). We can see that the maroon brand is lacking associations with "thirst quenching," the most important driver of choice. Increasing the emphasis on thirst-quenching benefits may therefore be attractive for maroon brand, both to become more relevant to customers' choice and to eliminate what is currently a differentiation point for blue brand.

FINDING THE ROOT OF CUSTOMER CHOICE

As noted above, the brand impact analysis is based on statistical analysis because it is difficult to get customers to say what drives their choices and what perceptions they associate with a brand as opposed to a branded product. Complex concepts like choice drivers and brand do not lend themselves well to direct survey questions, they need to be derived statistically to capture what customers are likely to do in the market, rather than what they say that they'll do. So what are the techniques we use? We recommend choice-based techniques to get both at the drivers of customer choice and at the extent to which the brand impacts those drivers.

We start by defining the behavioral model and capturing the data according to that model. This entails defining the choice stage, then defining all potential choice drivers for the considered category. We then employ choice-based techniques, which are more grounded in behavioral choice theory than the traditional path analysis and regression models. We model the customer choice through a discrete choice model to estimate the drivers of customer choice. Then we model the impact of the brand on each choice driver. This not only helps in making the mathematical model mimic the behavioral model closely, but also it makes the model results more robust, producing accurate and significant drivers. As a result, our brand impact model will tend to be more stable than regression-based models, where stability over time can be an issue.

We can further improve this model by incorporating proper choice experiments, as in conjoint/discrete choice studies. That often will provide better data to estimate the choice shares as a function of functional and emotional benefits, and of overall brand affinity. The model is further enhanced by incorporating varying choice sets as considered by consumers, thus mimicking real-life behavior.

The brand impact concept is not new. It has been used successfully for years in the context of calculating the financial value of brands, where it often takes on the name of "brand contribution." It is the variable that measures the percentage of customers' choice that can be attributed to

the brand, as opposed to other choice drivers that aren't brand-related, such as product availability. In financial terms it becomes the percentage of economic profit on tangible capital that can be attributed to the brand, as opposed to other intangible assets. In marketing terms, it is truly a brand equity measure because it captures the perceptions associated with the brand that impact customer choice. Brand impact informs brand positioning and strategy by identifying how relevant brand perceptions are to customers' choice process, and revealing opportunities for making the brand more relevant to customers and more differentiated from competitor brands.

ESTABLISHING A BRAND EQUITY INDEX

Now, we have managed to reduce brand equity metrics from four to six, down to two. But clients often require one single-summary brand equity metric. As long-time brand valuation practitioners, we believe that brand value, expressed in dollar terms, is a great measure of brand equity because it actually measures the financial value of that equity. However, a dollar value can sometimes be distracting and confusing to deal with in a marketing context.

We propose a brand equity index calculated as the product of brand salience by brand impact, and then indexed to a 100-point scale. It makes both intuitive and conceptual sense that brand equity be the result of brand's market presence multiplied by the perceived benefits associated with the brand among people aware of that brand. When looking at brand equity as the product of brand salience and brand impact, we can identify four types of brands:

- Leader brands benefiting from both higher salience and impact;
- Niche brands with high impact but low salience;
- Commodity brands with high salience but low impact; and
- Brands in the Death Valley, with neither high impact nor salience.

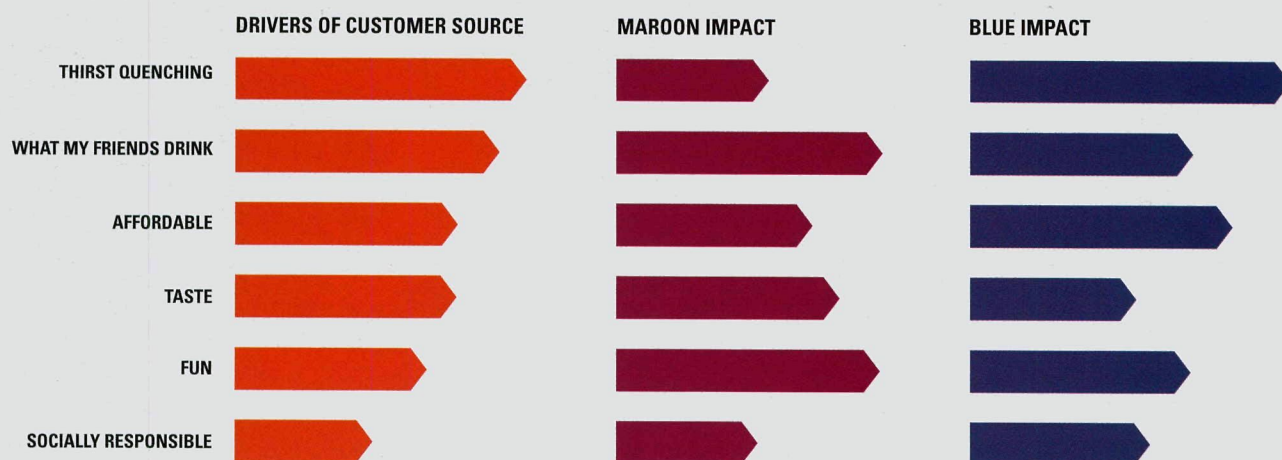
The same brand equity can be achieved with multiple combinations of impact and salience. As brands strive to become leaders, they should focus on the one brand equity metric that is underperforming the most: A niche brand should focus on salience, whereas a commodity brand should focus on increasing impact. Driving impact and salience require very different actions. Driving salience will typically mean increasing media spend to drive share of voice. While driving impact is usually not about spending more, it's about changing the message of brand communication. Hence, increasing impact tends to be much cheaper than increasing salience.

IMPLEMENTING THE FRAMEWORK

As brands grow, there will be a natural tendency for brand

THE COMPONENTS OF BRAND IMPACT

BRAND IMPACT ON CHOICE DRIVERS



impact to drop, because it is harder to be relevant to a broader customer base than to a smaller one. The growing niche brand then risks becoming a commodity brand rather than a leader. That is when it becomes important to really focus on brand positioning and message to achieve brand leadership. This is why sports apparel brands like Nike endorse and sponsor many athletes and teams. Even though Nike has long broadened its consumer base to the point where most of its consumers aren't athletes, Nike wants to stand out as an aspirational, athletic empowerment brand. Sponsoring athletes and sports teams helps achieve that goal.

Our brand driver framework is useful not only for measuring total brand equity and informing overall brand strategy. It also can be used for planning and measuring specific marketing campaigns. For media planning purposes, the framework will help identify share-of-voice requirements by looking at salience. The framework will also identify the choice drivers that the campaign should focus on to achieve higher customer relevance and/or differentiation. Specific goals for increase in salience and brand impact will be set.

As the campaign unfolds, our framework can be used for measuring campaign performance relative to goals. Using advanced analytics on time series data during the campaign, we can identify how much effect the campaign had on salience as well as on brand impact through changes in perceptions on each specific choice driver. Our model can even be combined with sales response modeling results to capture the part of the "base" revenue that these models fail to account for, by looking at how changes in perception due to campaign exposure has impacted revenues. That pro-

vides a means to calculate total ROI for marketing activities, capturing not only direct impact on sales but also indirect sales impacts through changes in brand perceptions.

How should researchers and marketers start implementing these practices? If you have an existing brand equity measurement program, don't trash it! Most likely, it can be adjusted to deliver the data needed for the brand driver framework. This is not about changing market research vendors or data-gathering techniques. It's about ensuring that your data gets turned into actionable information, by reviewing and adjusting your current tracking approach, and then applying more advanced analytics at the back-end to get to simple, reliable and actionable metrics.

In summary, we believe that our brand driver framework provides a simpler, more actionable alternative to existing brand equity measurement frameworks. The concept is not entirely new—its components have been used for years in brand valuation projects—but we believe that it deserves to be used beyond brand valuation, because it closely fits the definition of brand equity: Brand perceptions that impact customer choice. We are also proposing a choice modeling approach to approach brand impact in a more accurate and stable way. As a result, marketers will be able to measure brand equity in a way that is more relevant to them, generating more impact on their business. **MI**

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