UNIT 10 BRAND EQUITY

Objectives

After reading this unit you should be able to:

- explain the concept of brand equity
- discuss brand equity measures
- explain customer based brand equity
- discuss building brand equity and strong brands.

Structure

10.1 INTRODUCTION

Branding has been central to marketing for more than a century. One of the important skills a marketing professional should possess is the ability to create, nurture, enhance and protect the brands for the company. American Marketing Association defines a brand as a name, term, sign, symbol, or design, or a combination of these, used to identify the product and services of a company. For the consumer brand may stand for several things, like product attributes, product benefits, values, culture, personality, and user.

Product attributes: Relates to product features may be physical, functional, or attributes. Tata Indica suggests spacious, Indian built, economy and other product features.

Product benefits: What consumers are expecting from a product is mainly the benefit it offers. Dettol, the brand provides two kinds of benefits, one the functional benefit and the second, the emotional benefit. Dettol is related to a functional benefit-protection from infection. If I use Dettol soap I am safe from infection is an emotional benefit.

Values: The brand stands for the value of the producer, for example, the name Tata relates to reliable, professional, dependable manufacturer and supplier.

Culture: Brand also represents certain culture, Samurai or Suzuki represents Japanese culture.

Personality: Brand can also project certain personality.. Lux projects beauty, Lifebouy projects a sturdy sport person, Marlboro stands for macho personality.

User: Brands suggest the kind of users also, for example, Enfield Bullet for a policeman, Johnson & Johnson kids soap for children.

A good marketer would use this different meanings attributed by the consumers in brand management decision-making. Depending on the meanings given by the consumers the brand may be anchored deep or shallow on the meanings. More enduring meanings of brands are the values, culture and personality. These meanings in fact define the essence of a brand.

Hence, brands play a very vital role in differentiating the company product from that of competitors. In a market the amount of power and value a brand enjoys differ considerably.

10.2 THE CONCEPT OF BRAND EQUITY

David Aaker specifies five levels of attitudes towards a brand.

1). No brand loyalty; due to price differential customer will switch brands.
2). No reasons to switch the brand; consumers are overall satisfied.
3). Customers are satisfied with the brand, and would incur cost by switching the brand.
4). Customers relate themselves with the brand.
5). Customers are devoted to the brand.

Brand equity is mainly related to the levels 3, 4, and 5. Aaker (1996) defines brand equity as a set of assets (liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by product or service to a firm and/or that firm's customers.

The main assets of a brand are brand name awareness, brand loyalty, perceived quality, and brand associations. These assets create value in different ways. The assets create value not only to the customers but also for different intermediaries, and the firm. This conceptualization is presented in Figure 10.1. To manage and enhance brand equity the manager should understand the totality of relationships.

The term `brand equity' was first used widely by American advertising practitioners in the early 1980s. It was not defined precisely; but in practical terms it meant the brand's long term customer franchise, and the financial value of that franchise. The argument was that:

Brands are financial assets, and should be recognized as such by top management and the financial market.

The financial value of a brand depends on its `Brand Strength', and the strength of its customer franchise. For most consumer products and trade franchises, with the latter being ultimately based on the former.

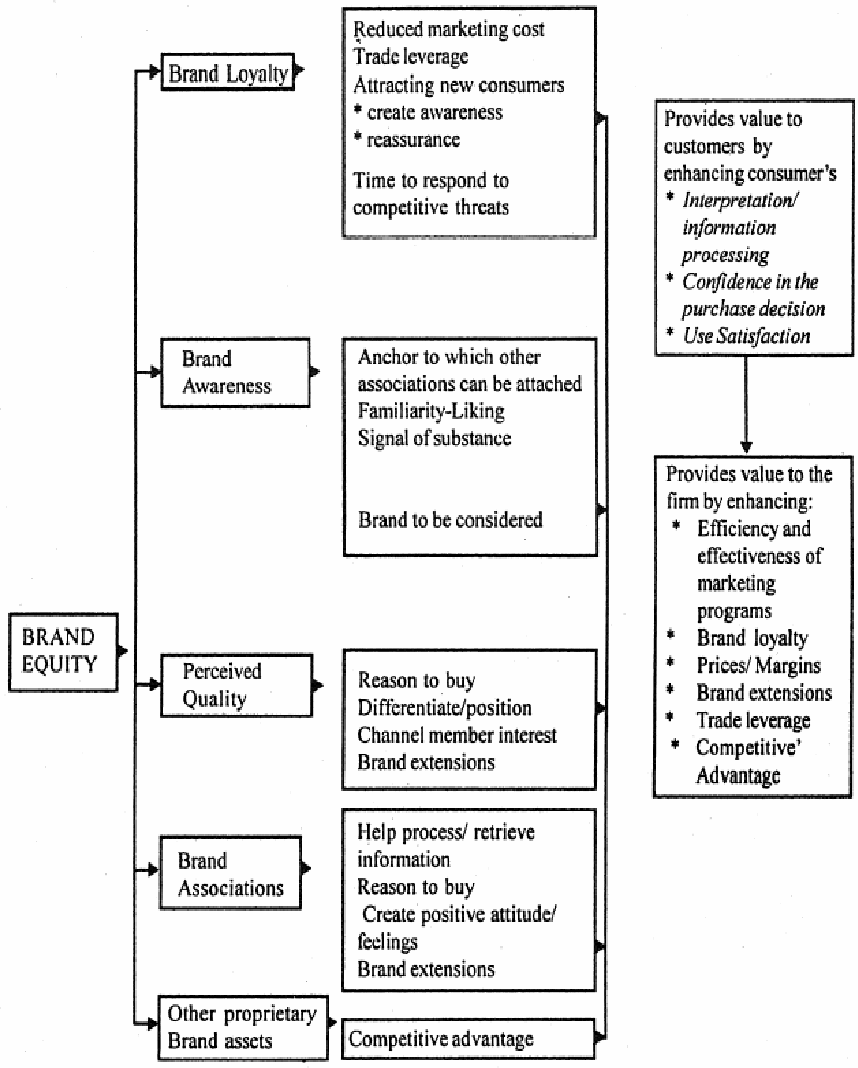
The brand's customer franchise can be strengthened by, *inter alia,* investing in product quality and in advertising. In contrast, trade and consumer price promotions produce short-term sales increases but do nothing to build long-term brand equity and arguably might even erode it.

BRAND AWARENESS

Awareness refers to the strength of a brand's presence in the consumer's mind. Awareness is measured in different ways in which consumers remember a brand ranging from recognition (Have you been exposed to this brand before?) to recall (what brands of this product class can you recall?) to "top of the mind" (the first brand recalled) to dominant (the only brand recalled).

Recognition reflects familiarity gained from past exposure. It does not involve remembering where the brand was seen before, why it differs from other brands, or what the brand's product class is. It is simply remembering that there was a past exposure to the brand. A brand (for example); Mediclaim is said to have recall if it comes to consumer's mind when its product class `medical insurance' is mentioned. The ultimate awareness level is brand name dominance where in a recall task, most customers can only provide the name of a single brand - e.g., Xerox, Amul Butter, Godrej Storewell steel cabinet. Creating awareness is important and increasingly becoming expensive because of proliferation of brands in the market. Further, just creating awareness for recognition or recall is not sufficient, the effort should be focused on creating awareness that consumers remember and recall for right reasons and not other wise.

Figure 10.1: How Brand Equity Generates Values



Source: David Aaker, Building Strong Brands. The Free Press, New York,. 1996

PERCEIVED QUALITY

Perceived quality is the overall judgement about the quality of the product. It is the bottom-line measure of the impact of brand identity. Quality perceptions cannot be sustained unless the claims are true and substantive. For creating a high quality product and in turn high-quality perception, the marketer has to understand what quality means to the consumer segments, and what are the supportive elements like culture, proc.& %, etc. Perceived quality may differ from that of technical or functional performance of a product. Perceived quality is built over a period of time, if the claims and functional qualities as desired by the consumers are matching, then the quality perception of the product is reinforced. If the claims and functional performances were different the quality perception among the consumers would be eroded. Apart from the claims about the product, the company also vouches for quality. If the consumers have a past perceived quality image it takes considerable time and effort to change that; for example, before World-War 11 the Japanese products were consider to be of poor and cheap. It has been slowly and steadily altered to high quality products over a period of time by sustained effort by really offering functionally superior products and the associated claims made by the companies.

Second, a company may be achieving quality on a dimension that consumers do not consider important. When Zenith offered cold water flow from a tap on the door of a refrigerator on the press of a pedal consumers did not recognize any benefit from it. This model never made it big.

Third, consumers rely on one or two cues that they associate with quality. Thus it is important to understand the little things that they use as a basis for making a judgement of quality. If people kick the car tyres to judge its sturdiness, then the tyres have to be sturdy.

Fourth, because consumers may not know how best to judge quality a metaphor or visual image can help them to see the context correctly e.g., For the first time diamond buyers it should be indicated that quality is not reflected by price tags or carat claims.

BRAND LOYALTY

Brand loyalty is a. key consideration when placing a value on a brand that is to be bought or sold, because a highly loyal customer base can be expected to generate a very predictable sales and profit stream. It is less costly to retain customers than to attract newer ones. Enticing new customers is a mistake while neglecting existing ones. The loyalty acts as an entry barrier to competitors.

Loyalty segmentation provides strategic and tactical insights that will assist in building strong brands. A market can usually be divided into the following groups: Non customers (those who buy other brands), price switchers (price sensitive people), the passively loyal (those who buyout of habit not reason), fence sitters (indifferent between two or more brands) and the committed. To improve the brands loyalty profile: Increase the number of customers who are not price switchers, strengthen the fence sitter's and those with committed ties to the brand, and increase the number who would pay more (or endure some inconvenience) to use the brand or service. The passively loyal are often neglected, which is wrong. Distribution gaps should be avoided or brand switching may occur. The committed or loyal customers are retained at any cost or else they are enticed away by competitor if the performance of the product or service is not improved.. Hence, firms should avoid directing resources from the loyal core to the non- customers and price switchers. To increase the brand loyalty, companies often resort to frequent buyer; programmers, volume discounts, discounts on wrappers, even some companies do form user clubs and provide special offers to the members. For example, AKAI has recently started customer service club, TELCO has started a TATA Sierra owners club.

BRAND ASSOCIATIONS

The brand equity is mainly derived from the associations that consumers make about and around the brand. The associations might range from attributes, symbols, music, celebrities and so on. Brand associations are largely driven by the brand identity-which is what the company wants the brands to stand for in the minds of consumers. Some of the examples are the Boost advertisements use Sachin Tendulkar as the spokesperson, endorsing that Boost is the secret of his energy, The background music in Liril advertisement, leading Bollywood actresses endorsing for Lux, the logo of Bajaj.

Brand equity could help in building competitive advantage for the company. For example:

- The cost of marketing could be lower because of higher consumer awareness and loyalty.
- Company could enjoy more channel power and have leverage in trade negotiations.
- Price realization could be higher because of higher perceived quality. Also ward off price competition.
- Brand could be easily leveraged for brand extensions.
- To gain advantage the managers have to carefully understand the-drivers of brand equity.

Activity 1

In recent past brand buying and selling has emerged as a new trend in the FMCG sector. Give two such brands and list out the market forces responsible as perceived by you.

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10.3 BRAND EQUITY MEASUREMENTS

Young and Rubicam (Y &R), a major advertising agency, developed. Brand Asset Valuator, for measuring the brand equity across products. The main parameters used in the evaluation are:

- Brand personality;
- Differentiation of brand in terms of how distinctive the brand is in the category;
- Relevance - measure of evaluating the meaning of a brand to the respondent, i.e., whether there is personal relevance of the brand to him;
- Esteem - It is closely related to perceived quality, it is used to evaluate what kind of regard the brand is enjoying.
- Knowledge - what a brand stands for?

Y &R hypothesis is that brands are built sequentially, starting from differentiation, relevance, esteem and knowledge.

Equitrend has developed brand equity measure based on three brand assets, namely salience, perceived quality and user satisfaction. Brand salience, refers to the percentage of respondents who have an opinion about the brand. It goes beyond the measures like awareness, recognition, and recall. Perceived quality is measured using a eleven point scale ranging from `outstanding' to `unacceptable'. User satisfaction is measured quality rating of the consumers who use the brand most often. These three measures are used to develop a composite brand equity score.

David Aaker suggested "brand equity ten" for construction of a composite brand equity measure. Four criteria is used in selecting the measures:

- The measure should reflect brand equity, i.e., the conceptualization and definitions should be followed to develop the measure. Sustainable Advantage has been given importance because the brand assets created should not be easily duplicated by the competitors.

- The measure should reflect the market. The managers can use the movements on a measure to understand the movements that can happen on price levels, sales, and returns.

- The measure should be sensitive, i.e., if there is a change in brand equity it should reflect on the measure with a very short time lag.

- The measure should be usable across brands, product, categories, and markets.

BRAND EQUITY TEN

Ten measures were chosen using the four criteria set forth earlier, and presented in five categories in Table 10.1

Table 10.1: Brand Equity Ten

01	Price premium	Loyalty Measures
02	Satisfaction	
03	Perceived quality	Perceived Quality/Leadership
04	Popularity/Leadership	
05	Perceived value	Differentiating Measures and Association
06	Brand personality	
01	Organizational association	
08	Brand awareness	Awareness
09	Market share	Market Behavior Measures
10	Market price & distribution coverage	

Source: David Raker 1997: Building Strong Brands.

1) Price Premium

It is an indicator of how much the customer is willing to pay for the brand in comparison to another brand offering very similar benefits. It is a measure of brand loyalty. However, the price premiums could be affected by the brands used for comparison. Hence, in practice a set of competitive brands is specified for comparison. Direct questioning like "How much more would you like to pay to buy a packet of `Nescafe instead of `Bru'?" are used to elicit information from consumers. More reliable and sensitive estimates of price premium can be obtained by the use of indirect trade off analysis like conjoint analysis. Price premium is one important indicator because it directly captures brand loyalty- of the consumers. This measure does suffer due to certain inadequacies like:

- Specifying competitive brands would change the value of price premium;
- If the brand is competing with different competitors, in different market segments, then defining competitive bench marks is difficult; and
- If the prices are controlled by legislation, price premium cannot be a better measure.

2) Customer Satisfaction /Brand Loyalty

Willingness for repeat purchase and sticking to the same brand can be directly measured by customer satisfaction. The range of questions are used to elicit satisfaction directly from the consumers:

- Are you satisfied with the brand?
- Is the brand meeting your expectations?
- Would you buy the same brand on you next purchase?

3) Perceived Quality

Perceived quality is an important measure found to have direct impact on ROL It has very close association with other factors like functional benefits, organizational association. Perceived quality is measured using-semantic differential scale. For example, for a specific brand the respondents are asked to rate on the following parameters:

High quality	1	2	3	4	5	Low quality
Best in the category	1	2	3	4	5	Worst in the category
Consistent	1	2	3	4	5,	Inconsistent
Reliable	1	2	3	4	5	Unreliable

As the measure is sensitive to the frame of reference, it is important to clarify to the respondents before they rate the brands.

4) Popularity and Leadership Position

Three important factors need to be considered for defining a brand leadership.

- one, the proportion of market buying the brand,
- two, how well the brand matches the market dynamics of consumer preferences, and
- third, technical superiority.

5) Brand Value

Functional and emotion benefit of a brand creates value to the consumers. Brand that generates good value to the consumers will be stronger than the brands of competitors in the market place. The common measure used is direct questioning.

Is the brand providing good value for money?

This measure is also sensitive to the comparative set of brands used by the consumers.

6) Brand Personality

Emotional and self-projective benefits of brands are captured by brand personality measures. Especially this is an important measure for products with very low differentiation and consumed in social setting e.g., Cigarettes, liquor, soft drinks.

7) Organizational Association

Association of a brand to organization can be a powerful driver of differentiation. For example, a product from the house of Tata's, vouch for its quality. To understand this association the direct questions like the following can be used.

- I trust the organization, which brings out this brand.
- I would be proud to do business with the organization.

8) Brand Awareness

It is a measure of presence of a brand in the minds of consumers. To a large extent brand awareness reflects the reach of a brand in the market place. Brand awareness includes both knowledge and salience of the brand in consumer's mind. In practice brand awareness is measured at different levels, like, recognition, recall, top of the mind, brand dominance, brand familiarly and brand salience.

Recognition	Have you heard of Hyundai Santro?
Recall	What brands of washing machines you recall?
Top of the mind	First brand name recalled in the test.
Brand dominance	The only brand recalled in the product category.
Brand familiarity	Is the brand familiar to you?
Brand salience	Do you have an opinion about the brand?

9) Market Share

Performance of a brand ultimately reflects in the market share. Market share data is more objective and easily available to the firm. However, the problem like specifying the product class or served market would affect the value of market share. Apart from the effect of brand equity, market shares can be affected by changes in prices or distribution and so on. Segregating the effects of other variables and evaluating the effect of brand equity is difficult.

10) Market Price and (Distribution Coverage

Relative price of a brand in market place is another factor to be considered important in measuring brand equity. Relative price is calculated by dividing the price of a brand in a particular period, by average price of all the brands in the product category.

Distribution coverage is another measure considered important. It is measured by the percentage of stores stocking the brand, and percentage of consumers, who have access the brand.

Activity 2

Consider any two leading consumer durable brands of your choice. Apply the ten measures technique suggested by David Aaker and study the effectiveness of the brand equity measurement.

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10.4 COMPOSITE MEASURE OF BRAND EQUITY

As mentioned above measuring brand equity using several measures would be difficult and misleading. For developing a composite measure the four following issues have to be considered.

1. Deciding on the constructs that are going to be basis of brand equity measurement system. And importantly, how to measure these basis?
2. Whether all bases has same weightage or need for finding appropriate weights for different measures.
3. How to combine the chosen measures?
4. How to decide the competitive brands for comparison?

The above issues need to be considered seriously because it would help in constructing the measure, which is more relevant to the brand in question. However, any measurement system has to face this question of, what is the trade-off involved between completeness and the resources required for the implementation.

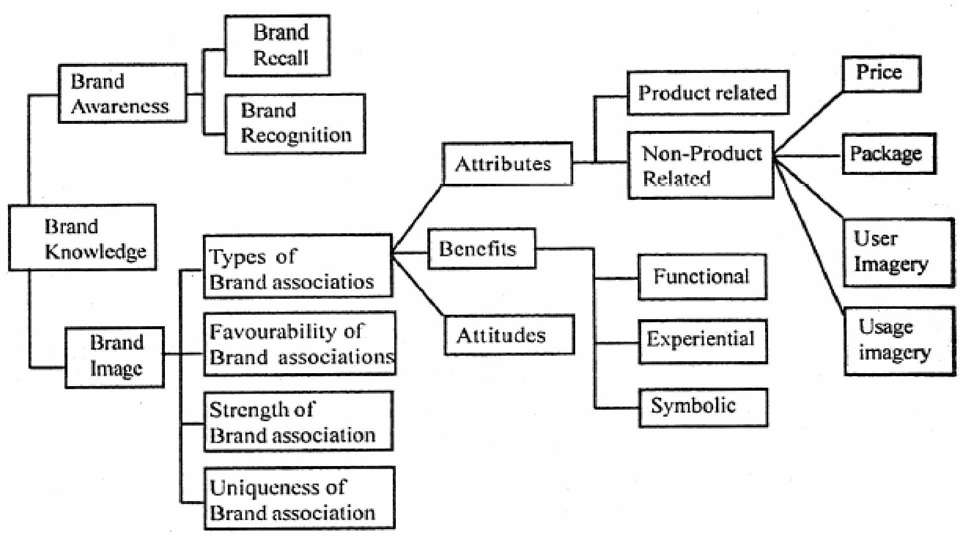
10.5 CUSTOMER BASED BRAND EQUITY

Keller (1998) has proposed a customer based brand equity framework. The rationale for this approach is that customer plays a central role in the creation and management of brand equity. Brand equity is viewed as the differential effect that customer's brand knowledge has on their response to the marketing of the brand (refer Figure 9.2). The brand will have a positive customer based brand equity when the customers respond favourably to the product and the marketing strategy of the company, when it is compared to the unnamed version of the brand. The power is gained or lost based on their learning and experience over a period of time. Brand knowledge is created by associative network in the minds of consumers.

Brand awareness is related to the consumer's ability to recognize and recall a brand in different conditions. The depth of brand awareness refers to the likelihood that a brand is recalled or recognized. On the other hand breadth of a brand awareness means in variety of purchase and consumption contexts in which the consumer get the brand in their mind.

Brand image is related to the consumer's preferences for and perceptions of a brand. Various brand associations in the minds of consumers reflect it. In fact brand associations can be of many forms, but very often used ones are, product attributes and product benefits.

Figure 10.2: Dimensions of Brand Knowledge



Reproduced from Keller 1998 Page 94.

10.6 HOW BRAND EQUITY IS CREATED?

In the previous sections we discussed about what brand equity means. The brand equity occurs when the customers have higher brand awareness and brand recognition. Having these two is not just sufficient, consumers should have strong association of the brand that too favourably and uniquely. In low involvement products eve* brand awareness may be sufficient, but in high involvement products the brand association is important because the consumers have sufficient motivation to seek more and more information. This intensive information search and processing the accumulated information will change the brand association over a period of time. In evaluating brand associations three things are important; [1] strength, [2] favourable, and [3] uniqueness.

Strength of brand association: The levels of information processing by the consumers determine the strength of brand association. The nature of information, quality, quantity of information also has impact on the association. More deeply a consumer thinks about a product, more will be the brand association. Similarly, the information search will be higher when the brand has more personal relevance. Further consistency of the information also has impact on brand strength.

Favourable brand association: It is created when the company develops marketing strategy effectively to deliver product-related and non-product-related benefits that are desired and preferred by the consumers. This process has to be consistent over a period of time.

Unique brand associations: *It* is necessary to create a set of meaningful points of different brand associations to gain competitive advantage.

10.7 BUILDING BRAND EQUITY

Three considerations are important for building brand equity. They are:

1. Choice of brand elements that makeup the brand.

2. Developing and implementing marketing support programs.

3. Leveraging secondary associations by linking the brand to other entities.

It is necessary to consider the complementarity and consistency of various ways and means of building brand equity. The complementarity factors are, choice of different brand elements and different marketing support programmes. The strengths of some elements have to be compensated for the shortcomings of the *others* elements. *Consistency refers* to the fact that different brand elements, marketing activities sharing same common meaning. I also implies that the meaning is communicated to the consumers without much distortion. Keller has suggested six guide lines for building brand equity, they are presented in Table 102

Table 10.2: Guidelines for Building Brand Equity

1. **Mix and match brand elements:** brand names, logos, symbols, characters, slogans, jingles and packages etc.

   Choose different brand elements to achieve different objectives and design brand elements to be mutually complementing each other.
2. Create rich brand image and perceived quality b; deveioging, and linking product and non-product related associations to the brand.
3. **Value-based pricing:** Set prices and discount policies over time to reflect value. perceptions of the consumers, and incorporate their willingness to pay a premium.
4. **Channel synergy:** Blending `push' strategies for channel members and 'pull' strategies for consumers.
5. **Marketing Communication:** A wide range of communication channels can be used to create awareness, strengthen favourable and unique brand associations.

   Apart from creating the above it is essential to maintain consistency for reinforcing the developed associations.
6. **Leverage Secondary association:** When some dimensions are missing it can be compensated by associating other entities like company, channel, other brands, celebrities, or endorsers that build the brand image.

Source: Adapted front Keller (1998).

Further, just building brand equity is not sufficient. It has to be sustained and managed over longer period of time. For this the managers have to take a broad view of brand equity. This is important especially when the firm is operating in multiple markets. Creating brand hierarchy is critical in these cases. The brands should have unique brand elements. To achieve this new brands and brand extensions have to be designed to maintain an optimal product portfolio. Brand awareness and positive brand image has to be created in each of the market the firm is doing business. Long term view is necessary because, the marketing support activities will have impact not only in the current period but also in the future.

Building Strong Brands

What is a strong brand? Interestingly, marketers are not particularly articulate in identifying the characteristics of brand strength beyond market share. However, when asked to identify strong brands with no supporting guidelines, there is a great deal of agreement about which brands are strong and which are not.

Several attributes characterize brands that marketers describe as strong, including salience with respect to the product category. Leavitt (1987) noted that strong brands are more likely to have shape and substance. They evoke a more extensive, richer set of associations. Visual images and word or phrases linked with strong brands are likely to be more easily retrieved from memory. Finally, strong brands are held in high regard. Interestingly strong brands often enjoy high market share, but market share alone does not distinguish them from other brands. Aaker (1996) and Keller (1998) suggest the following guidelines for building strong brands (Table 10.3).

Table 10.3: Guidelines for Building Strong Brands

1. **Build Brand Identity:** Consider brand as a person, or organization, or a product. Brand image is different from identity. Image refers how the brand is perceived, and identity is how the company aspires to be perceived.
2. **Commit for a Value Proposition:** Each brand has a driving value proposition. Find out the driver and the functional, emotional, anti self'-expressive benefits that consumer expect. Build the brand relationship to strengthen the above.
3. **Position the Brand:** The positioning should consider necessary and desired points of parity and points of differentiation in the product category. Clear positioning will guide a clear communication strategy.
4. **Implement with Consistency:** The communication should be aimed at creating awareness. brand association etc. Also it should be consistent and durable.
5. **Consistency Over Time:** Maintain logos, symbols, imagery. If there is a need for change, understand the consumer minds before doing any modifications.
6. **Brand System:** The brands in the portfolio should have synergy.
7. **Leveraging the Brand:** Plan for extensions carefully to increase the brand identity, image, and other positive associations.
8. **Monitoring Brand** Equity: Monitor the brand over time, including awareness, perceived quality, brand loyalty, brand associations. Communication channels and messages are also need to be tracked regularly.
9. **Brand Responsibility:** Assign responsibility of a brand to some one who can coordinate all the brand related activities organization wide.
10. **Invest** in **Brands:** Continue to invest on brands to nurture them. It is important to enhance brand equity by continuous product innovation, distribution, etc., to sustain the consumer relevance and user and usage imagery.

Adapted front: Aaker (1996) and Keller (1998)

10.8 SUMMARY

Brand equity is like other intangible assets difficult to evaluate and manage. It can be defined as the consumer franchise for the brand. Various measures have been proposed for valuing the brand equity. Some of the important measures are brand awareness, brand association, brand personality, Price premium, customer satisfaction, perceived quality, brand salience and so on. Composite index can be constructed using these measures by weighted average for arriving at a single value. The weights have to be chosen carefully to reflect the product category, served market and so on. Brand equity can be nurtured and built by carefully planning and implementation of marketing strategies. Building brand equity is not sufficient, it has to be managed and sustained over longer period of time. To do so the managers have to take a much broader view of brand management than managing a single brand.

10.9 SELF-ASSESSMENT QUESTIONS

1. Evaluate the various methods of brand valuation in the Indian context.
2. Creation and management of Brand equity revolves round the consumer. Do you agree or disagree substantiate your answer.
3. What considerations make marketers believe that Brands are financial assets.

10.10 FURTHER READINGS

Kotler P, *Marketing Management:* Prentice-Hall India Pub Co. New Delhi, 2002.

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