Quadrant II - Notes

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Measuring Brand Performance

To understand the effects of brand marketing programs, it is important to measure and interpret brand performance. A useful tool in that regard is the brand value chain. The brand value chain is a means to trace the value creation process for brands to better understand the financial impact of brand marketing expenditures and investments. The brand value chain helps to direct marketing research efforts. Taking the customer's perspective of the value of a brand, the brand value chain 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 impacts the customer "mindset" with respect to the brand, what they know and feel about the brand. The customer mindset includes everything that exists in the minds of customers with respect to a brand, thoughts, feelings, experiences, images, perceptions, beliefs, attitudes, etc. consistent with the customer-based brand equity model, five key dimensions that are particularly important measures of the customer mindset:

1. Brand awareness
2. Brand associations
3. Brand attitudes
4. Brand attachment
5. Brand activity or experience

The customer mindset affect how customers react or respond in the marketplace in a variety of ways. Six key outcomes of that response are:

1. Price premiums
2. Price Elasticity's
3. Market share
4. Brand expansion
5. Cost structure
6. Brand profitability

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 value of the brand. Three particularly important indicators are the stock price, the price/earnings multiple, and overall market capitalization for the firm.

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. Thus, there are three sets of multipliers that moderate the transfer between the marketing program and the subsequent three stages, the program multiplier, the customer multiplier, and the market multiplier.

Profitable brand management requires successfully designing and implementing a brand equity measurement system. A brand equity measurement system is a set of research procedures 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. Implementing such a system involves two key steps, conducting tracking studies and implementing brand equity management system.

Tracking studies involves information collected from consumers on a routine basis over time. Tracking studies provide valuable tactical insight into the short-term effectiveness of marketing programs and activities. Whereas brand audits measure "where the brand has been," tracking studies measure "where the brand is at" and whether marketing programs are having their intended effects.

Three major changes must occur as part of a brand equity management system. First, the company view of brand equity should be formalized into a document, the brand equity charter. This document serves a number of purpose: It chronicles the company's general philosophy with respect to brand equity, summarizes the activity and outcomes related to brand audits, brand tracking, etc., outlines guidelines for brand strategies and tactics,, and documents proper treatment of the brand. The charter should be updated annually to identify new opportunities and risks and to fully reflect information gathered by the brand inventory and brand exploratory as part of any brand audits. Second, the result of the tracking survey and other relevant outcome measures should be assembled into a Brand Equity Report that is distributed to management on a regular basis. The Brand Equity Report should provide descriptive information as to what is happening within a brand as well as diagnostic information as to why it is happening. Finally, senior management must be assigned to overseas how brand equity is treated within the organization. The people in that position would be responsible for overseeing the implementation of the Brand Equity Charter and Brand Equity Reports to make sure that as much as possible, product and marketing actions across divisions and geographical boundaries are done in a way that reflect the spirit of the Charter and the substance of the Report so as to maximize the long-term equity of the brand.

ESTABLISHING A BRAND EQUITY MANAGEMENT

Although a brand equity measurement system does not ensure that managers will always make "good" decisions about the brand, it should increase the likelihood they do and, if nothing else, decrease the likelihood of "bad" decisions.

Brand tracking studies, as well as brand audits, can provide a huge reservoir of information about how best to build and measure brand equity. To get the most value from these research efforts, firms need proper internal structures and procedures to capitalize on the usefulness of the brand equity concept and the information they collect about it. Although a brand equity measurement system does not ensure that managers will always make “good” decisions about the brand, it should increase the likelihood they do and, if nothing else, decrease the likelihood of “bad” decisions. Embracing the concept of branding and brand equity, many firms constantly review how they can best factor it into the organization. Interestingly, perhaps one of the biggest threats to brand equity comes from within the organization, and the fact that too many marketing managers remain on the job for only a limited period of time. As a result of these short-term assignments, marketing managers may adopt a short-term perspective, leading to an overreliance on quick-fix sales-generating tactics such as line and category extensions, sales promotions, and so forth. Because these managers lack an understanding and appreciation of the brand equity concept, some critics maintain, they are essentially running the brand “without a license.” To counteract these and other potential forces within an organization that may lead to ineffective long-term management of brands, many firms have made internal branding a top priority, as we noted in Chapter 2. As part of these efforts, they must put a brand equity management system into place. 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.

Three major steps help to implement a brand equity management system: creating brand charters, assembling brand equity reports, and defining brand equity responsibilities. The following subsections discuss each of these in turn. Branding Brief 8-2 describes how the Mayo Clinic has developed a brand equity measurement and management system.

Brand Charter

The first step in establishing a brand equity management system is to formalize the company view of brand equity into a document, the brand charter, or brand bible as it is sometimes called, that provides relevant guidelines to marketing managers within the company as well as to key marketing partners outside the company such as marketing research suppliers or ad agency staff. This document should crisply and concisely do the following:

• Define the firm’s view of branding and brand equity and explain why it is important.

• Describe the scope of key brands in terms of associated products and the manner by which they have been branded and marketed (as revealed by historical company records as well as the most recent brand audit).

• Specify what the actual and desired equity is for brands at all relevant levels of the brand hierarchy, for example, at both the corporate and the individual product level (as outlined in Chapter 11). The charter should define and clarify points-of-parity, points-of-difference, and the brand mantra.

• Explain how brand equity is measured in terms of the tracking study and the resulting brand equity report (described shortly).

• Suggest how marketers should manage brands with some general strategic guidelines, stressing clarity, consistency, and innovation in marketing thinking over time.

• Outline how to devise marketing programs along specific tactical guidelines, satisfying differentiation, relevance, integration, value, and excellence criteria. Guidelines for specific brand management tasks such as ad campaign evaluation and brand name selection may also be offered.

• Specify the proper treatment of the brand in terms of trademark usage, design considerations, packaging, and communications. As these types of instructions can be long and detailed, it is often better to create a separate Brand or Corporate Identity Style Manual or guide to address these more mechanical considerations.

Although parts of the brand charter may not change from year to year, the firm should nevertheless update it on an annual basis to provide decision makers with a current brand profile and to identify new opportunities and potential risks for the brand. As marketers introduce new products, change brand programs, and conduct other marketing initiatives, they should reflect these adequately in the brand charter. Many of the in-depth insights that emerge from brand audits also belong in the charter.

Brand Equity Report

The second step in establishing a successful brand equity management system is to assemble the results of the tracking survey and other relevant performance measures for the brand into a brand equity report or scorecard to be distributed to management on a regular basis (weekly, monthly, quarterly, or annually). Much of the information relevant to the report may already exist within the organization. Yet it may have been presented to management in disjointed chunks so that no one has a holistic understanding of it. The brand equity report attempts to effectively integrate all these different measures.

Conclusion

Measuring brand performance should provide useful strategic function and guide marketing decision, marketer must fully understand sources of brand equity and how they affect outcomes of interest such as sales and how these sources and outcomes change over time.