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IS YOUR BRAND EQUITY METRIC... JUST BRAND BABBLE?

This year marks the twenty-first year since David Aaker coined the phrase 'brand equity.' Rather than being handed the keys to the door, Ken Roberts argues that marketers should tell the phrase to get packing.

Brand equity is one of those insidious, ill-defined, invented terms perpetrated on unsuspecting undergraduates and by marketers on naïve business executives.

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Listening to marketers explaining how to measure brand equity is like stumbling through a pitch black muddle. If you are doubly misfortunate and specifically ask a marketing research vendor to explain brand equity then the explanation begins with an unhelpful chest beating rant about how "my way of measuring brand equity is superior to theirs" and ends with the listener having serious doubts about the veracity of any approach.

When it comes to performance measurement, management need sturdy reliability and transparency, and not self-interest. If I asked two accountants to explain their approach in preparing a profit and loss statement I would be referred to the same generally accepted accounting principles. Marketing researchers however don't want to agree on how to measure brand equity. To do so would cause them to give up their "superior model." Of course, of all superior models half are inferior.

The brand equity misadventure can be traced back to the theories set out in the 1991 text by David Aaker, *Managing Brand Equity*. Contrary to the belief of a generation of marketers, brand equity is not a business outcome; at best, based on a myriad of disparate definitions, it is just input into a business outcome.

Not only is there little convergence as to how brand equity should be measured, much worse, there is little certainty that the measure will adequately explain the usual commercial purpose of brand building; that is, effecting purchase intentions.

Brand equity hinges on the notion that a brand's equity resides in the minds of consumers based on what they have perceived and experienced and culminates in purchase intentions. Devising or subscribing to a measure of brand equity and then hoping it correlates to changes in market share is like fossicking for gold and expecting to be rich.

Clambering for Evidence

The career shortening danger comes when a member of your executive management asks to be shown a return on the “investment” on brand equity measurement. From there, red faced you go clambering for evidence such as correlations. These are not the correlations provided by the research vendor from the promotional material which was based on a different product, in another category, from another country; no, the executive is asking for the relationship between your brand equity measure and his sales.

Then it dawns on you; there is no correlation and the executive doesn’t buy your act of faith explanation.

But, perhaps your organisation has cobbled together a worthwhile measure of brand equity. How would you know? The simple test is to look at the relationship between your brand equity measure, marketing activity and sales. Imagine the accountability marketing measurement can enjoy when in the future, you stand before your colleagues to proclaim your brand measurement is now mirroring or better still, predicting sales!

Score Your Brand Equity Measurement

Subject your brand equity measurement to the following six-part test.

Technical Merit of the Program

1 What is the correlation between the overall measure of brand equity and changes in market share or revenue? Give yourself:

- A 20 points if the correlation is greater than 0.7.
- B Zero if it is less than 0.7.
- C Zero if you don't know and are relying on an act of faith.

2 How much variance is explained by the explanatory variables in the brand equity model? Give yourself:

- A 20 points if your R-squared is greater than 0.7.
- B Zero if it is less than 0.7.
- C Zero if you don't know and are relying on an act of faith.

Organisational Performance

3 Has your brand equity tracker alerted the organisation to a change in competitor activity which has then enabled your organisation to nullify that activity? Give yourself:

- A 20 points if in the last year based on brand equity measurement successful evasive action has been mounted.
- B Zero if there has been no activity.

4 Is brand performance part of the organisation's objectives and strategies? Give yourself:

- A 15 points if there is at least one metric from the brand equity measurement in the Managing Director's KPI's.
- B Zero if there are none.

5 How actionable are your measures of brand equity? Give yourself:

- A 15 points if there is a plan that links at least the top three drivers to a program to effect change on those drivers.
- B Zero if fewer than three drivers are subject to business plans.

6 Is brand equity just used as a hollow catch phrase amongst your marketing colleagues? Give yourself

- A 10 points if attendance at your last brand equity presentation amongst the executives was at least 80% of those invited.
- B Zero if it was fewer than 80%.are subject to business plans.

Did your brand measurement program pass? If it failed, it might be helpful to reflect on where it failed. If you scored full points on items 1 and 2 then your marketing research vendor has most likely done its job. If it then failed on any of the next tests, 3-6, then the organisation is unlikely to be adequately applying marketing research.

On the other hand, if the brand equity measurement fails items 1 and/or 2 and it passed any of the next tests, 3-6 then the measurement is failing the organisation. Most brand measurements fall into this category where technically it fails and therefore, management is wasting its efforts.

Adding Predictability to Measuring Brand

Brand measurement can and should mirror or even predict the market performance of a brand. Validated by third-party measures of market share, Optus, a major Australian telecommunications company has a product-specific brand measurement model across all products which is better than 0.8 correlated with changes in market share. Jetstar, a global low cost airline and part of the QANTAS Group's brand measurement is correlated with choice of next flight at better than 0.9. AustralianSuper, an Australian superannuation mutual fund has a brand measurement correlated with the Regulator's published market share at better than 0.8.

Brand measurement should:

- Mirror or at least reasonably approximate market reality; and be intuitive to management;
- Enable the primary constituents of brand (drivers) to be quantified into actionable performance metrics;
- Reveal the relative importance and performance of price and non-price, rational and non-rational brand drivers in achieving future sales;
- Explain and predict changes in market share; and
- Provide management with insight into which brand driver to compete on.

The intellectually curious head of marketing is likely to have crafted their own effective brand measurement. The less curious marketer seeks the safety of the herd and does not challenge marketing dogma. Their brand measurement will feature all the top, high rotation clichéd terms of marketing including the evergreen favourite brand equity.

Your Predictive Brand Measurement Journey Starts Here

This section is to aid the intellectually curious heads of marketing in their endeavours to develop meaningful brand measurement.

In commerce, brand is the sum of all variables that influence future sales. Brand management involves the identification of hypothesised brand drivers, the calculation of their relative importance and managing them to gain or retain market share.

The first step in developing effective brand measurement is to produce a list of hypothesised brand drivers of market share. A brand driver is an experienced or perceived, price or non-price, rational or non-rational variable that can be statistically verified as driving future purchase behaviour.

From this, the relative performance and importance of these drivers is obtained via data collection and data analysis. Non-customers and customers are asked to give perception and experience scores for each hypothesised driver and for each of the competitive brand set. This can be an arduous task for the respondent if the survey design is not well executed. The hierarchy of importance of the brand drivers (see Figure 1) is never asked but rather, derived using multivariate analysis such as multiple regression. This information provides organisations with a clear view of how each competitor is performing on the most important drivers of future sales.

Earlier we discussed perception and experience culminating in purchase intentions. It is critical in brand management to measure both the perception and the experience for each driver of purchase behaviour. That is, be able to see with crystal clarity how customers' experience (retention objectives) and non-customers' perceptions (acquisition objectives) are driving purchase behaviour (see Figure 2).

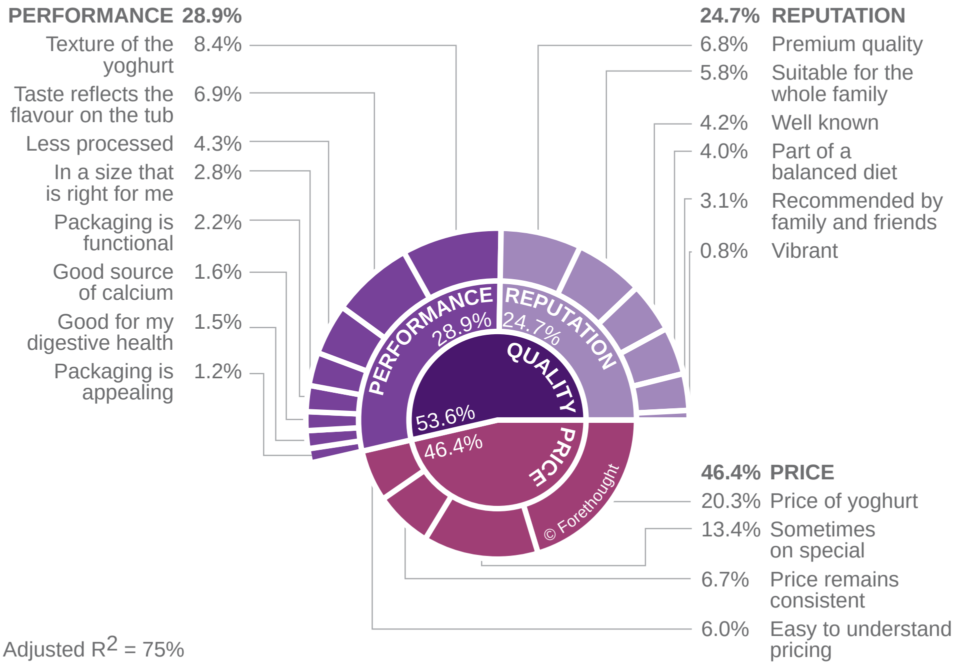
Competent research vendors are able to provide a brand health simulator to estimate the fiscal benefit of closing the gap. And, assuming the creative agency and marketing management can estimate the cost of a campaign, the change in market share, net present value and internal rate of return can also be calculated.

In the example illustrated in Figure 2 for overall brand, Jalna is the best performing yoghurt amongst its customers however, its perceived performance for non-customers is lowest in category.

Returning now to the hierarchy of brand drivers (Figure 1), the sensory driver 'texture' was the most important performance driver. The simulator reveals that if the gap between perception and experience could be closed, a lift of 1.6% in market share could be expected. If the performance gap in texture and being less processed and the reputation gap of being regarded as premium quality could be closed, a lift in market share by 3.4% could be expected.

With the advances in marketing science, it is this kind of decision making insight that should be the product of contemporary brand measurement. Brand measurement has little or nothing to do with esoteric, diversionary terms like brand equity.

Brand tracking research should be conducted with the aim of both explaining and predicting changes in brand performance in the marketplace, that is, margin, sales or market share. This implies that a brand measurement should go beyond attitudinal aspects such as brand awareness, familiarity, relevance, bonding, presence and so on, or otherwise should not claim to be effectively monitoring brand. Organisational value is only created by changes in customer behaviour, not merely customer attitudes.



Adjusted R^2 = 75%

Figure 1
Brand Drivers For Yoghurt

That's a Wrap

Marketing metrics should be a beacon that the organisation drives towards. Yet, they can also be a distraction causing misdirection and wasted effort. Marketers seek to demonstrate their accountability and allocate marketing investments as efficiently as possible, however, if measures such as brand equity do not help to explain changes in market share then they are yet another directionless metric that marketers are hanging onto in the illusion of control.

Aaker's concept of brand equity has undergone countless redefinitions and reinterpretations, mostly by the self-interested for the purpose of positioning yet another vendor's "superior" proprietary measure of brand equity.

If the expected outcome from brand investment is future sales, brand measurement should be about future sales. Why do marketers believe that measuring a brand's future sales needs an intermediate "measure" like brand equity? If I wanted to measure how far someone throws the javelin I could measure the angle at launch, the running speed at the point of release, the velocity through the air, and so on. Even with all these variables, I could be wrong in my estimate. Or, I could simply measure where the javelin landed.

It's high time marketing executives applied some of their own thinking instead of being prisoners to hackneyed measures. That means identifying drivers of market performance in the form of actionable drivers, measuring them, establishing the statistical relationship with changes in market performance and continuously improving the model until a reasonable predictive relationship between the measure and changes in market performance is achieved.

It does make you wonder, what would happen if we altogether deleted the term brand equity from the marketer's vernacular? Well for a start, a whole lot of marketing researchers and consultants would lose part of the "scientific" mystic of brand measurement. But, we would all be compensated with a more efficient measurement of brand.

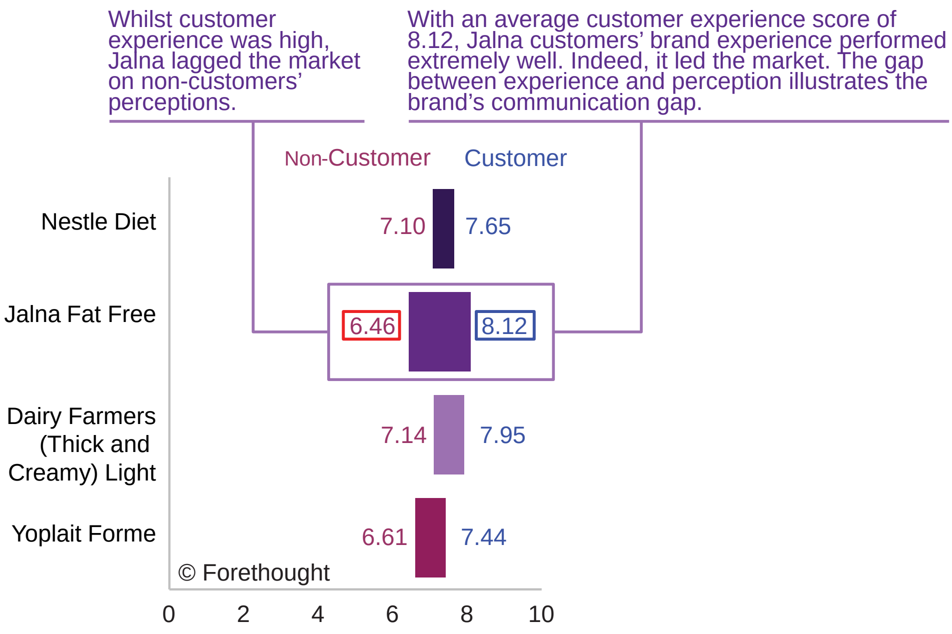


Figure 2
Pereception/Experience Brand Health - Yoghurt

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