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Measuring Brand Equity

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What Is Brand Equity?

Brands represent enormously valuable pieces of legal property, capable of influencing consumer behavior, being bought and sold, and providing the security of sustained future revenues to their owner. The value directly or indirectly accrued by these various benefits is often called brand equity (Kapferer, 2005; Keller, 2003).

A basic premise of brand equity is that the power of a brand lies in the minds of consumers and what they have experienced and learned about the brand over time. Brand equity can be thought of as the "added value" endowed to a product in the thoughts, words, and actions of consumers. There are many different ways that this added value can be created for a brand. Similarly, there are also many different ways the value of a brand can be manifested or exploited to benefit the firm (i.e., in terms of greater revenue and/or lower costs).

For brand equity to provide a useful strategic function and guide marketing decisions, it is important for marketers to fully understand the sources of brand equity, how they affect outcomes of interest (e.g., sales), and how these sources and outcomes change, if at all, over time. Understanding the sources and outcomes of brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand: The sources of brand equity help managers understand and focus on what drives their brand equity; the outcomes of brand equity help managers understand exactly how and where brands add value.

Toward that goal, we review measures of both sources and outcomes of brand equity in detail. We then present a model of value creation, the brand value chain, as a holistic, integrated approach to understanding how to capture the value created by brands. We also outline some issues in developing a brand equity measurement system. We conclude by providing some summary observations.

Measuring Sources of Brand Equity

The value of a brand—and thus its equity—is ultimately derived in the marketplace from the words and actions of consumers. Consumers decide with their purchases, based on whatever factors they deem important, which brands have more equity than other brands. Although the details of different approaches to conceptualize brand equity differ, they tend to share a common core: All definitions typically either implicitly or explicitly rely on brand knowledge structures in the minds of consumers—individuals or organizations—as the source or foundation of brand equity. In other words, the real power of a brand is in the thoughts, feelings, images, beliefs, attitudes, experiences, and so on that exist in the minds of consumers. This brand knowledge affects how consumers respond to products, prices, communications, channels, and other marketing activity—increasing or decreasing brand value in the process. Along these lines, formally, customer-based brand equity has been defined as the differential effect that consumer brand knowledge has on their response to brand marketing activity (Keller, 2003).

Brand knowledge is not the facts about the brand—it is all the thoughts, feelings, images, and so on that become linked to the brand in the minds of consumers. All of these types of information can be thought of in terms of a set of associations to the brand in consumer memory. Accordingly, brand knowledge can be viewed in terms of an associative network memory model as a network of nodes and links, where the brand can be thought of as being a node in memory with a variety of different types of associations potentially linked to it (although see Janiszewski & van Osselaer, 2000). A "mental map" can be a useful way to portray some of the important dimensions of brand knowledge. Figure 26.1 displays a very simple hypothetical mental map highlighting potential brand associations for a consumer for the Dole brand, producer and marketer of fresh fruits and vegetables.

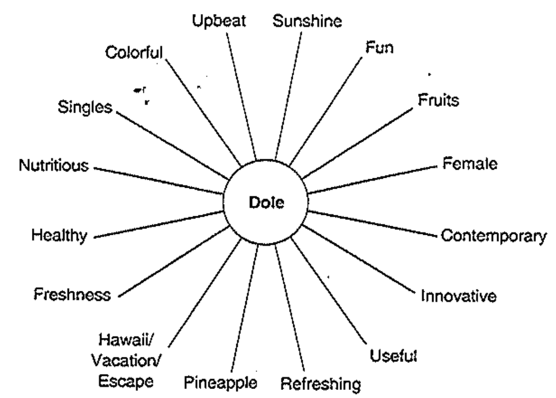

Figure 26.1 Hypothetical Dole Mental Map

Two particularly important components of brand knowledge are brand awareness and brand image. Brand awareness is related to the strength of the brand node or trace in memory, as reflected by consumers' ability to recall or recognize the brand under different conditions. Brand awareness can be characterized by depth and breadth. The depth of brand awareness relates to the likelihood that the brand can be recognized or recalled. The breadth of brand awareness relates to the variety of purchase and consumption situations in which the brand comes to mind. Brand image is defined as consumer perceptions of and preferences for a brand, as reflected by the various types of brand associations held in consumers' memory. These associations range along a number of different dimensions, such as their strength, positivity, uniqueness, and abstractness. Strong, favorable, and unique brand associations are essential as sources of brand equity to drive consumer behavior.

According to a customer-based brand equity perspective, the indirect approach to measuring brand equity attempts to assess potential sources for brand equity by measuring consumer mind-set or brand knowledge. The indirect approach is useful in identifying what aspects of the brand knowledge may potentially cause the differential response that creates brand equity in the marketplace. Because any one measure typically only captures one particular aspect of brand knowledge, multiple measures need to be employed to account for the multidimensional nature of brand knowledge: Brand awareness can be assessed through a variety of aided and unaided memory measures that can be applied to test brand recall and recognition; brand image can be assessed through a variety of qualitative and quantitative techniques. We next review several of these various approaches.

Qualitative Research Techniques

There are many different ways to uncover and characterize the types of associations linked to the brand. Qualitative research techniques are often employed to identify possible brand associations and sources of brand equity. Qualitative research techniques are relatively unstructured measurement approaches whereby a range of possible consumer responses is permitted. Because of the freedom afforded both researchers in their probes and consumers in their responses, qualitative research can often be a useful "first step" in exploring consumer brand and product perceptions. Consider the following three qualitative research techniques that can be employed to identify sources of brand equity.

Free Association

The simplest and often most powerful way to profile brand associations involves free-association tasks whereby respondents are asked what comes to mind when they think of the brand without any more specific probe or cue than perhaps the associated product category (e.g., "What does the Rolex name mean to you?" or "Tell me what comes to mind when you think of Rolex watches."). Answers to these questions help marketers to clarify the range of possible associations and assemble a brand profile (Boivin, 1986).

To better understand the positivity of brand associations, consumers can be asked follow-up questions as to the favorability of associations they listed or, more generally, what they like best about the brand. Similarly, consumers can also be asked direct follow-up questions as to the uniqueness of associations they listed or, more generally, what they find unique about the brand. Thus, additionally useful questions include the following:

1. What do you like best about the brand? What are its positive aspects? What do you dislike? What are its disadvantages?
2. What do you find unique about the brand? How is it different from other brands? In what ways is it the same?

These simple, direct measures can be extremely valuable at determining core aspects of a brand image. To provide more structure and guidance, consumers can be asked further follow-up questions to describe what the brand means to them in terms of "who, what, when, where, why, and how" types of questions, such as the following:

1. Who uses the brand? What kind of person?
2. When and where do they use the brand? What types of situations?
3. Why do people use the brand? What do they get out of using it?
4. How do they use the brand? What do they use it for?

Finally, consumers can also be probed as to the higher-order meaning of different associations through laddering techniques or means-ends chain analysis (Olson & Reynolds, 1983; Reynolds & Gutman, 1988; Reynolds & Whitlark, 1995). A means-end chain takes the following structure (Vriens & Ter Hofstede, 2000): Attributes (descriptive features that characterize a product) lead to benefits (the personal value and meaning attached to product attributes), which, in turn, lead to values (stable and enduring personal goals or motivations).

In other words, a consumer chooses a product that (a) delivers attribute (A) that (b) provides benefits or has certain consequences (B/C) that (c) satisfies values (V). For example, in a study of salty snacks, one respondent noted that a flavored chip (A) with a strong taste (A) would mean that she would eat less (B/C), not get fat (B/C), and have a better figure (B/C), all of which would enhance her self-esteem (V). Laddering thus involves a progression from attributes to benefits or consequences to more abstract values or motivations. In effect, laddering up involves repeatedly asking what the implications of an attribute or benefit are for the consumer through a probing series of "why" questions (Keller, Sternthal, & Tybout, 2000; Wansink, 2003).

Projective Techniques

Uncovering the sources of brand equity requires that consumers' brand knowledge structures be profiled as accurately and completely as possible. Unfortunately, under certain situations, consumers may feel that it would be socially unacceptable or undesirable to express their true feelings. As a result, they may find it easier to fall back on stereotypical, "pat" answers that they believe would be acceptable or perhaps even expected by the interviewer. For example, it may be difficult for consumers to admit that a certain brand-name product has prestige and enhances their self-image. As a result, consumers may instead refer to some particular product feature as the reason why they like or dislike the brand. Alternatively, it may just be that consumers find it difficult to identify and express their true feelings when asked directly, even if they attempt to do so. For either of these reasons, an accurate portrayal of brand knowledge structures may be impossible without some rather unconventional research methods.

Projective techniques are diagnostic tools to uncover the true opinions and feelings of consumers when they are unwilling or otherwise unable to express themselves on these matters. The idea behind projective techniques is that consumers are presented with an incomplete stimulus and asked to complete it or, given an ambiguous stimulus that may not make sense in and of itself, are asked to make sense of it. In doing so, the argument is that consumers will reveal some of their true beliefs and feelings. Thus, projective techniques can be especially useful when deeply rooted personal motivations or personally or socially sensitive subject matters may be operating. Projective techniques often provide useful insights that help to assemble a more complete picture of consumers and their relationships with brands. All kinds of projective techniques are possible. Here we highlight two (Levy, 1999):

1. *Completion and interpretation tasks.* Classic projective techniques use incomplete or ambiguous stimuli to elicit consumer thoughts and feelings. One such approach is with "bubble exercises" based on cartoons or photos where different people are depicted buying or using certain products, services, or brands. Empty bubbles, as found in cartoons, are placed in the scenes to represent the thoughts, words, or actions of one or more of the participants in the scene. Consumers are then asked to figuratively "fill in the bubble" by indicating what they believed was happening or being said in the scene. The stories and conversations told through bubble exercises and picture interpretations can be especially useful to assess user and usage imagery for a brand.

2. *Comparison tasks.* Another technique that may be useful when consumers are not able to directly express their perceptions of brands is comparison tasks where consumers are asked to convey their impressions by comparing brands to people, countries, animals, activities, fabrics, occupations, cars, magazines, vegetables, nationalities, or even other brands. For example, consumers might be asked, "If Nike were a car, which one would it be? If it were an animal, which one might it be? Looking at the people depicted in these pictures, which ones do you think would be most likely to wear Nike shoes?" In each case, consumers could be asked a follow-up question as to why they made the comparison they did. The objects chosen to represent the brand and the reasons why they were chosen can provide a glimpse into the psyche of the consumer with respect to a brand.

Brand Personality and Relationships

Another useful set of measures to assemble the brand profile is brand personality. Brand personality is the human characteristics or traits that can be attributed to a brand (J. Aaker, 1997). Brand personality can be measured in different ways. Perhaps the simplest and most direct way is to solicit open-ended responses to a probe such as the following:

> If the brand were to come alive as a person, what would it be like, what would it do, where would it live, what would it wear, who would it talk to if it went to a party (and what would it talk about)?

Other means are possible to capture consumers' point of view. For example, consumers could be given a variety of pictures or a stack of magazines and asked to assemble a profile of the brand. These pictures could be of celebrities or anything else. Along these lines, ad agencies often conduct "picture-sorting" studies to clarify who are typical users of a brand. In terms of measuring brand image, the Zaltman metaphor elicitation technique (ZMET) requires study participants to take photographs and/or collect pictures (from magazines, books, newspapers, or other sources) and use these visuals to indicate what the brand means to them in various ways (Zaltman, 2003; Zaltman & Coulter, 1995).

Brand personality also can be assessed more quantitatively through adjective checklists or ratings. J. Aaker (1997) offers a five-factor scale of brand personality: (1) Sincerity (e.g., down-to-earth, honest, wholesome, and cheerful), (2) Excitement (e.g., daring, spirited, imaginative, and up to date), (3) Competence (e.g., reliable, intelligent, and successful), (4) Sophistication (e.g., upper class and charming), and (5) Ruggedness (e.g., outdoorsy and tough). J. Aaker, Benet-Martinez, and Berrocal (2001) found that three of the five factors applied in Japan and Spain but that a "peacefulness" dimension replaced "ruggedness" both in Japan and Spain, and a "passion" dimension emerged in Spain instead of "competency."

Taking the brand personality concept the next step, Fournier (1998) conducted a number of interesting studies exploring consumer-brand relationships that also suggest other possible "people-oriented" measures (see also Fournier & Yao, 1997; Fournier, Dobscha, & Mick, 1998). Fournier views brand relationship quality as multifaceted and consisting of six dimensions beyond loyalty/commitment, along which consumer-brand relationships vary: (1) self-concept connection, (2) commitment or nostalgic attachment, (3) behavioral interdependence, (4) love/passion, (5) intimacy, and (6) brand partner quality.

Based on lengthy, in-depth consumer interviews, Fournier (1998) defined 15 possible consumer-brand relationship forms: (1) arranged marriages, (2) casual friends/buddies, (3) marriages of convenience, (4) committed partnerships, (5) best friendships, (6) compartmentalized friendships, (7) kinships, (8) rebounds/avoidance-driven relationships, (9) childhood friendships, (10) courtships, (11) dependencies, (12) flings, (13) enmities, (14) secret affairs, and (15) enslavements. In addition, Fournier (2000) developed the Brand Relationship Quality (BRQ) scale to empirically capture these theoretical notions.

Ethnographic and Observational Approaches

Fresh data can be gathered by directly observing relevant actors and settings (e.g., Coupland, 2005; Ritson & Elliott, 1999; Thompson, Pollio, & Locander, 1994). Consumers can be unobtrusively observed as they shop or as they consume products to capture every nuance of their behavior. Marketers such as Procter & Gamble seek consumers' permission to spend time with them in their homes to see how they actually use and experience products.

Critique

Qualitative research techniques are a creative means of ascertaining consumer perceptions that may otherwise be difficult to uncover. The range of possible qualitative research techniques is only limited by the creativity of the marketing researcher. There are also drawbacks to qualitative research. The in-depth insights that emerge have to be tempered by the fact that the samples involved are often very small and may not necessarily generalize to broader populations. Moreover, given the qualitative nature of the data, there may also be questions of interpretation. Different researchers examining the same results from a qualitative research study may draw very different conclusions.

Quantitative Research Techniques

Although qualitative measures are useful to identify and characterize the range of possible associations to a brand, a more quantitative portrait of the brand often is also desirable to permit more confident and defensible strategic and tactical recommendations. Whereas qualitative research typically elicits some type of verbal responses from consumers, quantitative research typically employs various types of scale questions so that numerical representations and summaries can be made. Quantitative measures are often the primary ingredient in tracking studies that monitor brand knowledge structures of consumers over time.

Awareness

Brand awareness is related to the strength of the brand in memory, as reflected by consumers' ability to identify various brand elements (i.e., the brand name, logo, symbol, character, packaging, and slogan) under different conditions. Brand awareness relates to the likelihood that a brand will come to mind and the ease with which it does so given different types of cues.

Several measures of awareness of brand elements can be employed (Srull, 1984). Choosing the appropriate measure depends on the relative importance of brand awareness for consumer behavior in the category and the resulting role it plays to the success of the marketing program for the brand. For example, if research reveals that many consumer decisions are made at the point of purchase where the brand name, logo, packaging, and so on will be physically present and visible, then brand recognition and visual awareness measures will be important. If research reveals that consumer decisions are mostly made in other settings away from the point of purchase, where the brand elements are not physically present, then brand recall and verbal measures will be more important. As a cautionary note, even though brand recall per se may be viewed as less important when consumer decisions are made at the point of purchase, consumers' brand evaluations and choices will still often depend on what *else* they recall about the brand given that they are able to recognize it there.

Recognition

In the abstract, recognition processes require that consumers be able to discriminate a stimulus—a word, object, image, and so on—as something they have previously seen. Brand recognition relates to consumers' ability to identify the brand under a variety of circumstances and can involve identification of any of the brand elements. The most basic type of recognition procedures gives consumers a set of single items visually or orally and asks them if they thought that they had previously seen or heard these items. To provide a more sensitive test, it is often useful to include decoys or lures—items that consumers could not have possibly seen. In addition to yes or no responses, consumers also can be asked to rate how confident they are in their recognition of an item. There are also a number of additional, somewhat more subtle recognition measures that involve "perceptually degraded" versions of the brand. In some cases, the brand element may be visually masked or distorted in some way or shown for extremely brief duration. For example, brand-name recognition could be tested with missing letters. These additional measures can provide more sensitive measures of recognition than simple yes or no tasks.

By applying these direct and indirect measures of brand recognition, marketers can determine which brand elements exist in memory and, to some extent, the strength of their association. One advantage to brand recognition measures versus recall measures is that they can be used in any modality. For example, because brand recognition is often visual in nature, visual recognition measures can be used. It may be difficult for consumers to describe a logo or symbol in a recall task either verbally or pictorially but much easier for them to assess the same elements visually in a recognition task. Nevertheless, brand recognition measures only really provide an approximation as to *potential* recallability. To determine whether the brand elements will actually be recalled under various circumstances, measures of brand recall are necessary.

Recall

Brand recall relates to consumers' ability to identify the brand under a variety of circumstances. With brand recall, consumers must retrieve the actual brand element from memory when given some related probe or cue. Thus, brand recall is a more demanding memory task than brand recognition because consumers are not just given a brand element and asked to identify or discriminate it as one they had or had not already seen.

Different measures of brand recall are possible depending on the type of cues provided to consumers. Unaided recall on the basis of "all brands" provided as a cue is likely to identify only the very strongest brands. Aided recall uses various types of cues to help consumer recall. One possible sequence of aided recall might use progressively narrowly defined cues—such as product class, product category, and product-type labels—to provide insight into the organization of consumers' brand knowledge structures. For example, if recall of the Porsche 944—a high-performance German sports car—in non-German markets was of interest, the recall probes could begin with "all cars" and move to more and more narrowly defined categories such as "sports cars," "foreign sports cars," or even "high-performance German sports cars." For example, consumers could be asked, "When you think of foreign sports cars, which brands come to mind?".

Other types of cues may be employed to measure brand recall. For example, consumers could be probed on the basis of product attributes (e.g., "When you think of chocolate, which brands come to mind?) or usage goals (e.g., "If you were thinking of having a healthy snack, which brands come to mind?"). Often, to capture the breadth of brand recall, it may be important to examine the context of the purchase decision or consumption usage situation. For example, consumers could be probed according to different purchase motivations as well as different times and places when the product could be used to see which brands came to mind (e.g., different times of the day, days of the week, or times of the year; at home, at work, or on vacation). The more that brands have strong associations to these considerations, the more likely it is that they will be recalled when they are given those situational cues. Combined, measures of recall based on product attribute or category cues as well as situational or usage cues give an indication of breadth of recall.

Besides being judged as correctly recalled, brand recall can be further distinguished according to order, as well as latency or speed of recall. In many cases, people will recognize a brand when it is shown to them and will recall it if they are given a sufficient number of cues. Thus, potential recallability is high. The bigger issue is the salience of the brand—do consumers think of the brand under the right circumstances (e.g., when they could be either buying or using the product)? How quickly do they think of the brand? Is it automatically or easily recalled? Is it the first brand recalled?

Image

Brand awareness is an important first step in building brand equity but usually not sufficient. For most customers in most situations, other considerations, such as the meaning or image of the brand, also come into play. One vital aspect of the brand is its image, as reflected by the associations that consumers hold toward the brand. Brand associations come in many different forms and can be classified along many different dimensions. Consistent with the laddering concept described above, it is useful to make a distinction between more "lower-level" considerations related to consumer perceptions of specific attributes and benefits versus more "higher-level" considerations related to consumer responses and their judgments and feelings toward the brand. There is an obvious relationship between the two levels as consumers' responses typically are a result of perceptions of specific attributes and benefits about the brand. We next consider both types of associations.

Specific, Lower-Level Brand Associations

Beliefs are descriptive thoughts that a person holds about something. Brand association beliefs are those specific attributes and benefits linked to the brand and its competitors. For example, consumers may have brand association beliefs for Sony PlayStation 2 home video games, such as "fun and exciting," "cool and hip," "colorful," "good graphic quality," "advanced technology," "variety of software titles," and "sometimes violent." They may also have associations to the brand logo and the slogan, "Live in Your World. Play in Ours." PlayStation user imagery may be "used by a teenager or 20-something male who is serious about playing video games, especially sports games."

The qualitative research approaches described above are useful in uncovering these different types of salient brand associations making up the brand image. Any potentially relevant association can and should be measured. Although a myriad of different types of brand associations are possible, brand meaning broadly can be distinguished in terms of more functional, *performance-related considerations* versus more abstract, *imagery-related considerations*. Thus, brand meaning is made up of two major categories of brand associations that exist in customers' minds—related to performance and imagery—with a set of specific subcategories within each. These brand associations can be formed directly—from a customer's own experiences and contact with the brand—or indirectly—through the depiction of the brand in advertising or by some other source of information (e.g., word of mouth). We next describe the two main types of brand meaning and the subcategories within each.

Brand Performance

Brand performance relates to the ways in which the product or service attempts to meet customers' more functional needs. Thus, brand performance refers to the intrinsic properties of the brand in terms of inherent product or service characteristics. How well does the brand rate on objective assessments of quality? To what extent does the brand satisfy utilitarian, aesthetic, and economic customer needs and wants in the product or service category?

The specific performance attributes and benefits making up functionality will vary widely by category. Nevertheless, five important types of attributes and benefits often underlie brand performance and can be measured as follows:

1. *Primary characteristics and supplementary features.* Customers often have beliefs about the levels at which the primary characteristics of the product operate (e.g., low, medium, high, or very high). In addition, they may also have beliefs as to special, perhaps even patented, features or secondary elements of a product that complement these primary characteristics.

2. *Product reliability, durability, and serviceability.* Reliability refers to the consistency of performance over time and from purchase to purchase. Durability refers to the expected economic life of the product. Serviceability refers to the ease of servicing the product if it needs repair. Thus, measures of product performance can capture factors such as the speed, accuracy, and care of product delivery and installation; the promptness, courtesy, and helpfulness of customer service and training; the quality of repair service and the time involved; and so on.

3. *Service effectiveness, efficiency, and empathy.* Service effectiveness refers to how completely the brand satisfies customers' service requirements. Service efficiency refers to the manner by which these services are delivered in terms of speed, responsiveness, and so on. Service empathy refers to the extent to which service providers are seen as trusting, caring, and with customers' interests in mind.

4. *Style and design.* Consumers may have associations to the product that go beyond its functional aspects to more aesthetic considerations such as its size, shape, materials, and color involved. Thus, performance may also depend on sensory aspects as to how a product looks and feels and perhaps even what it sounds or smells like.

5. *Price.* Finally, the pricing policy for the brand can create associations in consumers' minds to the relevant price tier or level for the brand in the category, as well as to its corresponding price volatility or variance (in terms of the frequency or magnitude of discounts, etc.).

Brand Imagery

The other main type of brand meaning involves brand imagery. Brand imagery deals with the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' more psychological or social needs. Brand imagery is how people think about a brand abstractly rather than what they think the brand actually does. Thus, imagery refers to more intangible aspects of the brand.

All different kinds of intangibles can be linked to a brand, but five categories can be highlighted:

1. *User profiles:* The type of person or organization who uses the brand. This imagery may

result in a profile or mental image by customers of actual users or more aspirational, idealized users. Associations of a typical or idealized brand user may be based on descriptive demographic factors or more abstract psychographic factors. In a business-to-business setting, user imagery might relate to the size or type of organization.

2. *Purchase situations:* Under what conditions or situations the brand could or should be bought and used. Associations of a typical purchase situation may be based on a number of different considerations, such as (a) type of channel (e.g., department store, specialty store, or direct through Internet or some other means), (b) specific store (e.g., Lord & Taylor, Radio Shack, or Bluefly.com), and (c) ease of purchase and associated rewards, if any.

3. *Usage situations:* Under what conditions or situations the brand could or should be used. Associations of a typical usage situation may be based on a number of different considerations, such as (a) particular time of the day, week, month, or year to use the brand; (b) location to use the brand (e.g., inside or outside the home); and (c) type of activity where the brand is used (e.g., formal or informal).

4. *Personality and values:* As noted above, brands may also take on personality traits and values similar to people. Brand personality is often related to the more descriptive usage imagery but involves much richer, more contextual information.

5. *History, heritage, and experiences:* Finally, brands may take on associations to their past and certain noteworthy events in the brand history. These types of associations may involve distinctly personal experiences and episodes or be related to past behaviors and experiences of friends, family, or others.

For example, take a brand with rich brand imagery, such as Nivea skin cream in Europe. Some of its more intangible associations include family/shared experiences/maternal, multipurpose, classic/timeless, and childhood memories.

General, Higher-Order Brand Associations

The purpose of measuring higher-order brand associations is to find out how consumers combine all of the specific considerations about the brand in their minds to form different responses. Brand responses refer to how customers respond to the brand and all its marketing activity and other sources of information. Brand responses can be distinguished according to brand judgments and brand feelings (i.e., in terms of whether they arise more from the "head" or from the "heart"). Scale questions can be developed to tap into each of these dimensions.

Brand Judgments

Brand judgments focus on customers' own personal opinions and evaluations with regard to the brand. Brand judgments involve how customers put together all the different performance and imagery associations for the brand to form different kinds of opinions. Although customers may make all types of judgments with respect to a brand, four types of summary brand judgments are particularly important:

1. *Brand quality.* Among the most important attitudes that customers may hold relates to the perceived quality of the brand. Other notable attitudes related to quality pertain to perceptions of value and satisfaction.

2. *Brand credibility.* Customers may form judgments that transcend more specific brand quality concerns. Brand credibility refers to the extent to which the company or organization making the product or providing the service as a whole is seen as being: (a) competent, innovative, and a market leader (brand expertise); (b) dependable and keeping customer interests in mind (brand trustworthiness); and (c) fun, interesting, and worth spending time with (brand likeability).

3. *Brand consideration.* Consideration deals with the likelihood that customers will actually include the brand in the set of possible options of brands they might buy or use. Consideration depends in part on how personally relevant customers find the brand (i.e., the extent to which customers view the brand as being appropriate and meaningful to themselves).

4. *Brand superiority.* Finally, superiority relates to the extent to which customers view the brand as unique and better than other brands. Do customers believe that the brand offers advantages that other brands cannot?

Brand Feelings

Brand feelings are customers' emotional responses and reactions with respect to the brand. Brand feelings also relate to the social currency evoked by the brand. What feelings are evoked by the marketing program for the brand or by other means? How does the brand affect customers' feelings about themselves and their relationship with others? These feelings can be mild or intense and be positive or negative in nature. Six important types of brand-building feelings are as follows (Kahle, Poulos, & Sukhdial, 1988):

1. *Warmth.* Warmth refers to more soothing types of feelings—the extent to which the brand makes consumers feel a sense of calm or peacefulness. Consumers may feel sentimental, warmhearted, or affectionate about the brand. Hallmark is a brand typically associated with warmth.

2. *Fun.* Feelings of fun are also upbeat types of feelings when the brand makes consumers feel amused, light-hearted, joyous, playful, cheerful, and so on. Disney is a brand often associated with fun.

3. *Excitement.* Excitement relates to more upbeat types of feelings—the extent to which the brand makes consumers feel energized and that they are experiencing something special. Brands that evoke feelings of excitement may result in consumers feeling a sense of elation or "being alive"—cool, sexy, and so on. MTV is a brand seen by many teens and young adults as exciting.

4. *Security.* Security feelings occur when the brand produces a feeling of safety, comfort, and self-assurance. Feelings of security are when consumers do not experience worry or concerns that they might have otherwise felt as a result of the brand. Allstate insurance is a brand that communicates security to many.

5. *Social approval.* Social approval is when the brand results in consumers having positive feelings about the reactions of others—that is, when consumers feel others look favorably on their appearance, behavior, and so on. This approval may be a result of direct acknowledgment of the consumer using the brand by others or less overt and a result of attribution of the product itself to consumers. Mercedes is a brand that may signal social approval to consumers.

6. *Self-respect.* Self-respect occurs when the brand makes consumers feel better about themselves (e.g., when consumers feel a sense of pride, accomplishment, or fulfillment). A brand such as Tide laundry detergent is able to link its brand to "doing the best things for the family" to many homemakers.

The first three are more experiential and immediate, increasing in level of intensity. The latter three are more private and enduring, increasing in level of gravity.

Key Success Criteria

Although all types of customer responses are possible—driven from both the "head and heart"—ultimately what matters is how positive and unique they are. In addition, it is also important that they are also accessible and come to mind when consumers think of the brand. Brand performance, imagery, judgments, or feelings can only favorably affect consumer behavior if it is the case that consumers internalize or think of positive meaning or responses in any of their encounters with the brand.

Measuring Outcomes of Brand Equity

The previous section described different approaches for marketers to gain a good understanding of consumer brand knowledge structures to be able to identify and quantify potential sources of brand equity. As a consequence of creating such knowledge structures, consumers should respond more favorably to the marketing activity for a brand than if the brand had not been identified to consumers. Specifically, a product with positive brand equity can potentially enjoy the following seven important customer-related benefits:

1. Be perceived differently and produce different interpretations of product performance
2. Enjoy greater loyalty and be less vulnerable to competitive marketing actions

3. Command larger margins and have more inelastic responses to price increases and elastic responses to price decreases
4. Receive greater trade cooperation and support
5. Increase marketing communication effectiveness
6. Yield licensing opportunities
7. Support brand extensions

These benefits, and thus the ultimate value of a brand, depend on the underlying components of brand knowledge and sources of brand equity. Via the indirect approach, individual components can be measured, but to provide more direct estimates, their resulting value still must be estimated in some way. The direct approach to measuring customer-based brand equity attempts to more explicitly assess the impact of brand knowledge on consumer response to different aspects of the marketing program for the firm. The direct approach is useful in approximating the possible outcomes and benefits that arise from differential response to marketing activity due to the brand, either individually or in aggregate (Hoeffler & Keller, 2003).

Comparative Methods

The main way to measure the outcomes and benefits of brand equity is with comparative methods. Comparative methods involve experiments that examine consumer attitudes and behavior toward a brand to more directly estimate the benefits arising from having a high awareness and a positive brand image.

There are two types of comparative methods. Brand-based comparative approaches use experiments in which one group of consumers responds to the marketing program or some marketing activity when it is attributed to the target brand, and another group responds to that same activity when it is attributed to a competitive or fictitiously named brand. Marketing-based comparative approaches use experiments where consumers respond to changes in the marketing program or marketing activity for the target brand or competitive brands. We describe each of these two approaches in turn. Conjoint analysis is then identified as a technique that, in effect, combines the two approaches.

Brand-Based Comparative Approaches

As a means of measuring the outcomes of brand equity, brand-based comparative approaches hold the marketing activity under consideration fixed and examine consumer response based on changes in brand identification. These measurement approaches typically employ experiments where one group of consumers responds to questions about the product or some aspect of its marketing program when it is attributed to the brand, and one (or more) groups of consumers respond to the same product or aspect of the marketing program when it is attributed to some other brand or brands, typically a fictitiously named or unnamed version of the product or service or one or more competitive brands. Comparing the responses of the two groups provides some useful insights into the equity of the brand. Consumer responses may be on the basis of beliefs, attitudes, intentions, actual behavior, or even feelings.

The classic example of the brand-based comparative approach is "blind testing" research studies where consumers examine or use a product with or without brand identification. These studies often reveal how dramatically consumer perceptions differ depending on the presence or absence of brand identification. Brand-based comparative approaches are also especially useful to determine brand equity benefits related to price margins and premiums.

Critique. The main advantage to a brand-based comparative approach is that—because it holds all aspects of the marketing program fixed except for the brand—it isolates the value of a brand in a very real sense. Understanding exactly how knowledge of the brand affects consumer responses to prices, advertising, and so on is extremely useful in developing strategies in these different areas. At the same time, there are almost an infinite variety of marketing activities that potentially could be studied so that the totality of what is learned will depend on how many different applications are examined.

A crucial consideration with the brand-based comparative approach is the experimental realism that can be achieved when some aspect of the marketing program is attributed to a fictitiously named or unnamed version of the product or service. Brand-based comparative methods are particularly applicable when the marketing activity under consideration represents a change from past marketing of the brand (e.g., a new sales or trade promotion, ad campaign, or proposed brand extension). If the marketing activity under consideration is already strongly identified with the brand (e.g., an ad campaign that has been running for years), it may be difficult to attribute some aspect of the marketing program to a fictitiously named or unnamed version of the product or service in a believable fashion.

There will necessarily be a trade-off involving a sacrifice of some realism to gain sufficient control to be able to isolate the effects of brand knowledge. Detailed concept statements of the particular marketing activity under consideration can be employed in some situations when it may be otherwise difficult for consumers to examine or experience that element of the marketing program without being aware of the brand. Nevertheless, a concern with brand-based comparative approaches is that the simulations and concept statements that are used may highlight those particular characteristics that are mentioned or featured and make them more salient than they would otherwise be, distorting the results.

Marketing-Based Comparative Approaches

Marketing-based comparative approaches hold the brand fixed and examine consumer response based on changes in the marketing program. For example, there is a long tradition exploring price premiums with these types of comparative approaches. In the mid-1950s, Pessemier (1959) developed a dollarmetric measure of brand commitment that involved a step-by-step increase of the price difference between the brand normally purchased and an alternative brand. Variations of this approach have been adopted by a number of marketing research suppliers to derive similar types of demand curves, and many firms now try to assess price sensitivity and thresholds for different brands. For example, Intel has routinely surveyed computer shoppers to find out how much of a discount they would require before switching to a personal computer that did not have an Intel microprocessor in it or, conversely, what premium they would be willing to pay to buy a personal computer with an Intel microprocessor in it.

Marketing-based comparative approaches can be applied in other ways. Consumer response to different advertising strategies, executions, or media plans can be assessed through multiple test markets. For example, IRI's electronic test markets and other such research methodologies can permit tests of different advertising weights or repetition schedules as well as ad copy tests. By controlling for other factors, the effects of the brand and product can be isolated. Potential brand extensions can also be explored in this fashion by collecting consumer evaluation to a range of concept statements describing brand extension candidates.

Critique. The main advantage with the marketing-based comparative approach is the ease of implementation. Virtually any proposed set of marketing actions can be compared for the brand. At the same time, the main drawback of the comparative approach is that it may be difficult to discern whether consumer response to changes in the marketing stimuli is being caused by brand knowledge or more generic product knowledge. In other words, it may be that for *any* brand in the product category, consumers would be willing or unwilling to pay certain prices, accept a particular brand extension, and so on. One way to determine whether consumer response is specific to the brand is to conduct similar tests of consumer response with competitive brands (e.g., via conjoint analysis).

Conjoint Analysis

Conjoint analysis is a survey-based multivariate technique that enables marketers to profile the consumer-buying decision process with respect to products and brands (Green & Srinivasan, 1978, 1990). Specifically, by asking consumers to express preferences or make choices among a number of carefully designed different product profiles, marketing researchers can determine the "trade-offs" consumers are making between various brand attributes and thus the importance that consumers are attaching to those attributes. Chapter 15 (this volume) describes the details of that technique.

From a brand equity perspective, the main advantage of the conjoint approach is that it allows for both different brands and different aspects of the product or marketing program (product composition, price, distribution outlets, etc.) to be simultaneously studied. Thus, information about consumers' response to different marketing activities can be uncovered for both the focal and competing brands. One of the disadvantages of conjoint analysis is that marketing profiles may be presented to consumers that violate their expectations based on what they already know about brands. Thus, if conjoint analysis is employed, care must be taken that consumers do not evaluate unrealistic product profiles or scenarios. In addition, it can be difficult to specify and interpret brand attribute levels, although some useful guidelines have been put forth to more effectively apply conjoint analysis to brand positioning problems (Vriens & Frazier, 2003).

Holistic Methods

Comparative methods attempt to approximate specific benefits of brand equity. *Holistic methods* attempt to place an overall value for the brand in either abstract utility terms or concrete financial terms. Thus, holistic methods attempt to "net out" various considerations to determine the unique contribution of the brand. The *residual approach* attempts to examine the value of the brand by subtracting out consumers' preferences for the brand based on physical product attributes alone from their overall brand preferences. The *valuation approach* attempts to place a financial value on brand equity for accounting purposes, mergers and acquisitions, or other such reasons. We describe each of these two approaches in turn.

Residual Approaches

Several researchers have employed "residual approaches" to estimate brand equity. A basic tenet behind these approaches is that it is possible to infer the relative valuation of brands through the observation of consumer preferences and choices *if* as many sources of measured attribute values are taken into account as possible. According to these approaches (e.g., Bong, Marshall, & Keller, 1999; Kamakura & Russell, 1993; Park & Srinivasan, 1994; Srinivasan, 1979; Srinivasan, Park, & Chang, 2005; see also Bhattacharya & Lodish, 2000), brand equity is what remains of consumer preferences and choices after subtracting out objective characteristics of the physical product. Some researchers (e.g., Barwise, Higson, Likierman, & Marsh, 1989), however, have challenged the separability assumption implicit in these approaches.

Dillon, Madden, Kirmani, and Mukherjee (2001) present a model for decomposing ratings of a brand on an attribute into two components: (1) brand-specific associations (i.e., features, attributes, or benefits that consumers link to a brand) and (2) general brand impressions (i.e., overall impressions based on a more holistic view of a brand). They empirically demonstrate their model properties in three product categories: cars, toothpaste, and paper towels.

Critique. Residual approaches provide a useful benchmark to interpret brand equity. In particular, they may be useful for situations when approximations of brand equity are necessary and thus may also be valuable to researchers interested in a financially oriented perspective on brand equity. The disadvantages with these approaches are that they are most appropriate for brands characterized with a predominance of product-related attribute associations because they are unable to distinguish between different types of non-product-related attribute associations. Consequently, its diagnostic value for strategic decision making in other cases is much more limited.

More generally, note also that residual approaches take more of a "static" view of brand equity by attempting to identify sources of consumer preferences to uncover the contribution by the brand. This approach contrasts sharply with a "process" view, as reflected by the brand-based and marketing-based comparative approaches, which stress looking at consumer response to the marketing of a brand and attempt to uncover the extent to which that consumer *response* is affected by brand knowledge. Consumer response is defined in terms of perceptions, preferences, and behaviors and, most important, with respect to a variety of marketing activities. That is, comparative approaches go beyond attempting to dissect overall consumer product preferences toward a brand to assess

how consumers actually respond to the marketing of a brand and, especially, new marketing activity supporting it.

Valuation Approaches

The ability to evaluate and put a price tag on a brand's value may be useful for a number of reasons: (a) mergers and acquisitions—both to evaluate possible purchases as well as to facilitate disposal; (b) brand licensing—internally for tax reasons and to third parties; (c) fundraising—as collateral on loans or for sale or leaseback arrangements; and (d) brand management decisions—to allocate resources, develop brand strategy, or prepare financial reports.

For example, many companies are attractive acquisition candidates because of the strong competitive positions of their brands and their reputation with consumers. Unfortunately, the value of the brand assets in many cases is largely excluded from the company's balance sheet and therefore of little use in determining the firm's value. It has been argued that adjusting the balance sheet to reflect the true value of a company's brands permits a more realistic view and allows assessment of the purchase premium to book value that might be earned from the brands after acquisition. Such a calculation, however, would require estimates of capital required by brands and the expected after-acquisition return on investment (ROI) of a company.

Separating out the percentage of revenue or profits that is attributable to brand equity is a difficult task. In the United States, there is no conventional accounting method for doing so, and market-based estimates of value can differ dramatically from those based on U.S. accounting conventions. In determining the value of a brand in an acquisition or merger, three main approaches are possible.

Cost Approach. This view maintains that brand equity is the amount of money that would be required to reproduce or replace the brand (including all costs for research and development, test marketing, advertising, etc.). One commonly noted criticism of approaches involving historic or replacement cost is that it rewards past performance in a way that may bear little relation to future profitability (e.g., many brands with expensive introductions have been unsuccessful). On the other hand, for brands such as Heinz, Kellogg's, and Chanel, which have been around for decades, it would be virtually impossible to find out what was the investment in brand development—and largely irrelevant, too. Finally, it obviously is easier to estimate costs of tangible assets than intangible assets, but the latter often may lie at the heart of brand equity. Similar problems would exist with a replacement cost approach (e.g., the cost of replacing a brand would depend a great deal on how quickly the process were to take and what competitive, legal, logistical obstacles might be encountered).

Market Approach. According to this view, brand equity can be thought of as the present value of the future economic benefits to be derived by the owner of the asset—in other words, the amount an active market would allow such that the asset would exchange between a willing buyer and willing seller. The main problem with this approach is the lack of open market transactions for brand-name assets and the fact that the uniqueness of brands makes extrapolating from one market transaction to another problematic.

Income Approach. The third approach to determining the value of a brand argues that brand equity is the discounted future cash flow from the future earnings stream for the brand. Three such income approaches are the following:

1. Capitalizing royalty earnings from a brand name (when these can be defined)
2. Capitalizing the premium profits that are earned by a branded product (by comparing its performance with that of an unbranded product)
3. Capitalizing the actual profitability of a brand after allowing for the costs of maintaining it and the effects of taxation

Interbrand Methodology. Interbrand follows a methodology that is largely based on an income approach (Perrier, 1997). According to Interbrand, to capture the complex value creation of a brand, the following five valuation steps should be performed (Lindemann, 2003).

1. *Market segmentation.* Split the consumer market for the brand into nonoverlapping and homogeneous groups of consumers according to applicable criteria such as product or service, distribution channels, consumption patterns, purchase sophistication, geography, existing and new customers, and so on. The brand is valued in each segment, and the sum of the segment valuations constitutes the total value of the brand.

2. *Financial analysis.* Identify and forecast revenues and "earnings from intangibles" generated by the brand for each of the distinct segments determined in Step 1. Intangible earnings are defined as branded revenues less operating costs, applicable taxes, and a charge for the capital employed. The concept is similar to the notion of economic profit.

3. *Demand analysis.* Assess the role that the brand plays in driving demand for products and services in the markets in which it operates. The proportion of intangible earnings attributable to the brand is measured by an indicator referred to as the "role of branding index" by first identifying the various drivers of demand for the branded business, then determining the degree to which each driver is directly influenced by the brand. The role of branding represents the percentage of intangible earnings that are generated by the brand. Brand earnings are derived by multiplying the role of branding by intangible earnings.

4. *Competitive benchmarking.* Determine the competitive strengths and weaknesses of the brand. A specific brand discount rate that reflects the risk profile of its expected future earnings is derived via a "brand strength score." This measure comprises extensive competitive benchmarking and a structured evaluation of the brand's market, stability, leadership position, growth trend, support, geographic footprint, and legal protectability.

5. *Brand value calculation.* Calculate the brand value as the net present value (NPV) of the forecast brand earnings, discounted by the brand discount rate. The NPV calculation comprises both the forecast period and the period beyond, reflecting the ability of brands to continue generating future earnings.

See Parkhurst (2002) for some additional perspectives.

Putting It All Together: The Brand Value Chain

Keller and Lehmann (2003) provide a broad, integrative perspective on measuring brand equity that encompasses much of the above discussion (see also Ambler, 2004; Epstein & Westbrook, 2001; Srivastava, Shervani, & Fahey, 1998). 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 assumes that the value of a brand ultimately resides with customers. The brand value chain model is summarized in Figure 26.2.

According to the model, the first step in value creation is when an investment in marketing activity affects the customer mind-set or brand knowledge; the second step is when the mind-set or knowledge, in turn, affects market performance and the different benefits accrued by the brand; finally, the third step is when market performance affects shareholder value. The model also includes a set of "filters" or moderator variables that affect the transfer or flow of value between stages of the model (see Figure 26.3). The remainder of this section describes the value stages and key measures associated with each stage in more detail.

Marketing Program Investment

The brand value creation process begins with marketing activity by the firm, which influences customers in a way to affect how the brand performs in the marketplace and thus how it is valued by the financial community. Any marketing program investment that potentially can be attributed to brand value development, either intentional or not, falls into this category. 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, etc.); and so on.

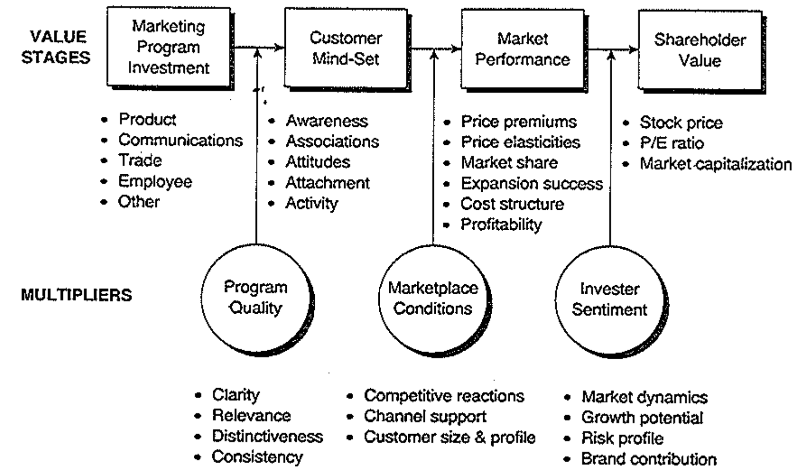

Figure 26.2 Brand Value Chain

Customer Mind-Set

The marketing activity associated with the program then affects the "customer mind-set" with respect to the brand—what they know, think, and feel about the brand. 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 mind-set? The customer mind-set includes everything that exists in the minds of customers with respect to a brand—thoughts, feelings, experiences, images, perceptions, beliefs, attitudes, and so on (Aggarwal & Rao, 1996)—as outlined above in terms of sources of brand equity.

To capture differences in brand knowledge structures, a number of hierarchy of effects models have been put forth by consumer researchers through the years (e.g., AIDA, for awareness-interest-desire-action). Customer mind-set or knowledge can be largely captured by five dimensions that have emerged from prior research that form a hierarchy or chain, from bottom to top, as follows:

1. *Brand awareness*—that is, the extent and ease with which customers recall and recognize the brand and can identify the products and services with which it is associated
2. *Brand associations*—that is, the strength, favorability, and uniqueness of perceived attributes and benefits for the brand, encompassing tangible and intangible product or service considerations
3. *Brand attitudes*—that is, overall evaluations of the brand in terms of its quality and the satisfaction it generates
4. *Brand attachment*—that is, how loyal the customer feels toward the brand
5. *Brand activity*—that is, the extent to which customers purchase and use the brand; talk to others about the brand; and seek out brand information, promotions, and events, and so on

There is an obvious hierarchy in the dimensions of value: Awareness supports associations, which drives attitudes that lead to attachment and activity. Brand value is created at this stage when customers have (a) a high level of awareness; (b) strong, favorable, and unique brand associations; (c) positive brand attitudes; (d) intense brand attachment and loyalty; and (e) a high degree of brand activity.

Program Quality Multiplier: The ability of the marketing program to affect the customer mind-set. Four particularly important factors to judge the quality of a marketing program are the following:

1. *Clarity.* How much clarity is evident in the marketing program? Do customers properly interpret and evaluate the meaning conveyed by brand marketing?
2. *Relevance.* How relevant is the marketing program to customers? Do customers feel that the brand is one that should receive serious consideration?
3. *Distinctiveness.* How unique or distinctive is the marketing program from those offered by competitors? How creative or differentiating is it?
4. *Consistency.* How consistent and well integrated is the marketing program? Does the marketing program relate effectively to past marketing programs and properly balance continuity and change?

Marketplace Conditions Multiplier: 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 the following:

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

Investor Sentiment Multiplier: The extent to which the value engendered by the market performance of a brand is manifested in shareholder value. Financial analysts and investors consider a host of factors in arriving at brand valuations and investment decisions, such as the following:

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?
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?

Figure 26.3 Brand Value Chain Multipliers

Market Performance

The customer mind-set affects how customers react or respond in the marketplace in a variety of ways. Six key outcomes of that response are as follows. The first two dimensions relate to price premiums and price elasticities. A third dimension is market share, which measures the success of the marketing program to drive brand sales. Brand value is created with higher market shares, greater price premiums, and more elastic responses to price decreases and inelastic responses to price increases (Ailawadi, Lehmann, & Neslin, 2003). The fourth dimension is brand expansion, the success of the brand in supporting line and category extensions and new product launches into related categories. The fifth dimension is cost structure or, more specifically, savings in terms of the ability to reduce marketing program expenditures because of the prevailing customer mind-set. When combined together, these five factors lead to brand profitability, the sixth dimension.

Shareholder Value

On the basis of 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. Several studies have explored the effects of marketing activities and brand equity on the stock market (D. A. Aaker & Jacobson, 1994, 2001; Lane & Jacobson, 1995; Mizik & Jacobson, 2003; Rao, Agrawal, & Dahlhoff, 2004).

Developing a Brand Equity Measurement System

A *brand equity measurement system* is a set of research procedures that is designed to provide timely, accurate, and actionable information for marketers for their brands so that they can make the best possible tactical decisions in the short run and strategic decisions in the long run. The goal in developing a brand equity measurement system is to be able to achieve a full understanding of the sources and outcomes of brand equity and be able to, as much as possible, relate the two. The ideal brand equity measurement system would provide complete, up-to-date, and relevant information on the brand and all its competitors to relevant decision makers within the organization. Three key components of a brand equity measurement system are brand audits, brand tracking, and brand equity management systems.

Brand Audit

A brand audit is a comprehensive examination of a brand. Specifically, a brand audit involves a series of procedures to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity. A brand audit requires understanding sources of brand equity from the perspective of both the firm and the consumer. From the perspective of the firm, it is necessary to understand exactly what products and services are currently being offered to consumers and how they are being marketed and branded. From the perspective of the consumer, it is necessary to dig deeply into the minds of consumers and tap their perceptions and beliefs to uncover the true meaning of brands and products.

The brand audit can be used to set strategic direction for the brand. Are the current sources of brand equity satisfactory? Do certain brand associations need to be strengthened? Does the brand lack uniqueness? What brand opportunities exist and what potential challenges exist for brand equity? As a result of this strategic analysis, a marketing program can be put into place to maximize long-term brand equity. A brand audit should be conducted whenever important shifts in strategic direction are contemplated.

Moreover, conducting brand audits on a regular basis (e.g., annually) allows marketers to keep their "fingers on the pulse" of their brands so that they can be more proactively and responsively managed. As such, they are particularly useful background for managers as they set up their marketing plans. A brand audit consists of two steps: (1) the brand inventory and (2) the brand exploratory.

Brand Inventory

The purpose of the brand inventory is to provide a current, comprehensive profile of how all the products and services sold by a company are marketed and branded. Profiling each product or service requires that all associated brand elements be identified as well as all aspects of the marketing program. This information should be summarized in both visual and verbal form. The outcome of the brand inventory should be an accurate, comprehensive, and timely profile of how all the products and services sold by a company are branded and marketed. As part of the brand inventory, it is also advisable to profile competitive brands, in as much detail as possible, in terms of their branding and marketing efforts.

The brand inventory is a valuable first step in the brand audit. It helps to suggest what consumers' current perceptions *may* be based on. Thus, the brand inventory provides useful information for interpreting follow-up research activity such as the brand exploratory, which collects actual consumer perceptions toward the brand. Second, the brand inventory may provide some initial insights into how brand equity may be better managed. For example, the consistency of the branding and marketing for all the different product or services can be assessed. A thorough brand inventory should be able to reveal the extent of brand consistency.

Brand Exploratory

Although the "supply-side" view of the brand as revealed by the brand inventory is useful, *actual* consumer perceptions, of course, may not necessarily reflect the consumer perceptions that were intended to be created by the marketing program. Thus, the second step of the brand audit is to provide detailed information as to what consumers think and feel about the brand by means of the brand exploratory.

Several preliminary activities are useful for the brand exploratory. First, in many cases, a number of prior research studies may exist and be relevant. Reports may have been buried, and perhaps even long forgotten, which contain insights and answers to a number of important questions or suggest new questions that may still need to be posed. Second, it is also useful to interview internal personnel to gain an understanding of their beliefs about consumer perceptions for the brand and competitive brands. Past and current marketing managers may be able to share some wisdom not necessarily captured in prior research reports.

Although these preliminary activities may yield some useful findings and suggest certain hypotheses, they are often incomplete. As a result, additional research is often required to better understand how customers shop for and use products and services and what they think of various brands. To allow a broad range of issues to be covered and to permit certain issues to be pursued in greater depth, the brand exploratory often employs qualitative research techniques, as described above.

Ideally, qualitative research conducted as part of the brand exploratory would vary in direction and depth as well as in the diversity of the techniques involved. Regardless of which techniques were actually employed, the challenge with qualitative research is to provide accurate interpretation—going beyond what consumers explicitly state to determine what they implicitly mean. Qualitative research is suggestive but is often followed by a quantitative phase of research to provide more specificity.

Brand Tracking

Brand audits are a means to provide in-depth information and insights that are essential for setting long-term strategic direction for the brand. In terms of more short-term tactical considerations, less detailed brand-related information should be collected as a result of conducting ongoing tracking studies. *Tracking studies* involve information collected from consumers on a routine basis over time. Tracking studies typically employ quantitative measures to provide marketers with current information as to how their brands and marketing programs are performing on the basis of a number of key dimensions identified by the brand audit or other means (Aggarwal & Rao, 1996). Tracking studies are a means to understand where, how much, and in what ways brand value is being created.

Tracking studies play an important function for managers by providing consistent baseline information to facilitate their day-to-day decision making. As more marketing activity surrounds the brand, it becomes difficult and expensive to research each individual marketing action. Tracking studies provide valuable diagnostic insights into the collective effects of a host of marketing activities on the customer mind-set, market outcomes, and perhaps even shareholder value. The reality is that marketing can create all types of effects in the minds of consumers that may influence how they respond to *subsequent* marketing activity. Regardless of how few or many changes are made in the marketing program over time, it is important to monitor the health of the brand and its equity so that proper adjustments can be made if necessary.

A number of ingredients characterize a successful tracking program. To capture the effects of the complex, varied marketing activity that makes up many marketing programs, it is important to adopt detailed, rich marketing models. If well specified, these models should directly suggest a comprehensive, robust set of measures to employ in tracking. At the same time, it is important to adopt a modular approach to tracking—not every type of measure needs to be included in every tracking survey every time. For example, detailed measures of specific performance and imagery benefits may be included less frequently than basic measures of brand awareness, attitudes, and behaviors that are likely to be affected by a broad range of marketing activity. Finally, firms must obviously adopt good survey practices and carefully design surveys, collect data, and interpret results.

Establishing a Brand Equity Management System

Brand tracking studies—as well as brand audits—can provide a huge reservoir of information concerning how to best build and measure brand equity. Nevertheless, the potential value of these research efforts will not be realized unless proper internal structures and procedures are put into place within the organization to capitalize on the usefulness of the brand equity concept and the information that is collected with respect to it. A *brand equity management system* is defined as a set of organizational processes designed to improve the understanding and use of the brand equity concept within a firm. Although there are many aspects to a brand equity management system, two useful tools that can be employed are highlighted here.

Brand Equity 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 equity charter, that provides relevant guidelines to marketing managers within the company as well as key marketing partners outside the company (e.g., ad agency personnel). This document should

1. define the firm's view of the brand equity concept and explain why it is important;
2. 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 inventory);
3. specify what the actual and desired equity is for a brand at all relevant levels of the brand hierarchy;
4. explain how brand equity is measured in terms of the tracking study and the resulting brand equity report;
5. suggest how brand equity should be managed in terms of some general strategic guidelines (e.g., stressing clarity, relevance, distinctiveness, and consistency in marketing programs over time);
6. outline how marketing programs should be devised in terms of some specific tactical guidelines (e.g., ad evaluation criteria, brand-name choice criteria, etc.);
7. specify the proper treatment of the brand in terms of trademark usage, packaging, and communications.

Although parts of the brand equity charter may not change from year to year, it should nevertheless be updated on an annual basis to provide a current brand profile and identify new opportunities and potential risks for the brand to decision makers.

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 to be distributed to management on a regular basis (monthly, quarterly, or annually). Much of the information relevant to the report may already exist within or be collected by the organization. Yet, the information may have been otherwise presented to management in disjointed chunks such that a more holistic understanding is not possible. The brand equity report attempts to effectively integrate all these different measures.

The brand equity report should provide descriptive information as to *what* is happening with a brand as well as diagnostic information as to *why* it is happening. It should include all relevant internal and external measures of brand performance and sources and outcomes of brand equity (Ambler, 2004). In particular, one section of the report should summarize consumer perceptions on key attribute or benefit associations, preferences, and reported behavior as revealed by the tracking study. Another section of the report should include more descriptive market-level information such as

1. Product shipments and movement through channels of distribution
2. Relevant cost breakdowns
3. Price and discount schedules where appropriate
4. Sales and market share information broken down by relevant factors (e.g., geographic region, type of retail account or customer, etc.)
5. Profit assessments

Collectively, these measures can provide insight into the market performance component of the brand value chain. Increasingly, key measures from the brand equity report are being summarized into a brand or marketing "dashboard" that can be accessed via a company intranet (Miller & Cioffi, 2004).

Summary

A number of important themes were emphasized in this chapter. One assertion of the chapter is that brand equity can be measured indirectly, by measuring the potential sources of brand equity in terms of consumer brand knowledge, and directly, by measuring the different possible outcomes or manifestations of brand equity in terms of differential effects of marketing activity. Measuring sources of brand equity involves profiling consumer knowledge structures. Measuring outcomes of brand equity involves approximating the various benefits realized from creating these sources of brand equity. This chapter outlined both of these approaches, which are complementary and should be used together.

The second major theme is that there are many different ways to assess consumer knowledge and thus potential sources of brand equity. Although it is particularly important to capture the breadth and depth of awareness; the strength, favorability, and uniqueness of brand associations; the favorability of consumer responses; and the intensity and activity of consumer loyalty, other qualitative and quantitative measures can and should be employed. Successful brand management requires a keen understanding of exactly how consumers think, feel, and act toward brands.

A third key theme is the importance of developing tools and procedures as part of a brand equity measurement system to capitalize on research insights and observations. The brand value chain was also put forth as a means of tracing the effects of marketing investments on brand equity and ultimately shareholder value. Brand audits and tracking were highlighted as two means of uncovering and monitoring consumer brand knowledge. Two important tools for a brand equity measurement system are brand equity charters and reports.

In closing, perhaps the dominant theme in measuring brand equity is the need to employ a full complement of research techniques and processes that capture as much as possible the richness and complexity of brand equity (see D. A. Aaker, 1996). Multiple techniques and measures are necessary to tap into all the various sources and outcomes of brand equity. Simplistic approaches to measuring brand equity (e.g., by attempting to estimate the equity of a brand with only one number) are potentially fraught with error and lack diagnostic or prescriptive power.

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