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Strategic brand value: Advancing use of brand equity to grow your brand and business

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Received (in revised form): 25 April 2003

Keywords: brand equity profiling, brand equity management, strategic brand drivers, price premiums, customer loyalty, brand extensions, financial performance

Abstract

Businesses that intend to reap the benefits of using brand as a driver of business success need to begin the process by identifying and managing, in a more systematic and structured way, the associations that contribute to brand equity and are critical to enhancing the brand's value and the extent that it financially impacts on the business. This paper is designed to acquaint the reader with a more strategic approach to both profiling and managing brand equity over time, using both qualitative and quantitative modelling approaches whose findings are correlated to business performance concerns.

Introduction

With such renowned brand successes as Nike, Intel and Starbucks to serve as their inspiration, businesses are becoming increasingly savvy in the way they regard and manage their brands. The value of treating their brands as assets and managing them as such is obvious given a strong brand's demonstrable benefits of price premiums and market share leadership that drive the bottom line.

Recognising these benefits is one thing. Actually realising them is another. The challenge lies in understanding how brand strategy enhances and enables business strategy.

A good starting point is a better understanding of brand equity and how it drives brand value. But more than merely understanding it, businesses that intend to become truly brand driven will find a way to identify and manage, in a rigorous and structured way, its most important aspects — those that are crucial to enhancing both the brand's value and its financial impact on the business.

Brand equity revisited

At its most basic, brand equity, according to noted authority David Aaker, is the set of assets and liabilities linked to a brand that add to or subtract from its value to the customer and to the business. Getting a true picture of that equity, as he detailed in his classic *Managing Brand Equity*,¹ involves identifying the brand associations and levels of customer awareness and loyalty that differentiate it from competitors.

The entire notion of brand equity has gained increasing attention in recent years, thanks largely to the annual study on the world's most valuable brands conducted by Interbrand and profiled in the pages of

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Strategic approach

Business Week.² While this makes for interesting reading, it is less relevant and actionable for day-to-day strategic decisions and management. For these purposes, the focus of how much the brand is worth on the balance sheet is less important than its value in having an impact on day-to-day financial performance.

Getting there requires a more strategic approach to traditional brand equity tracking. At its basis is the objective of creating an in-depth profile of a brand that, through quantitative modelling, allows for the identification and better understanding of its strategic drivers. In turn, this allows the organisation to leverage the brand's most business-relevant aspects better to help drive improved financial performance.

Advancing beyond traditional brand equity tracking

The common practice among most marketing departments is to undertake the *de rigueur* customer attitude and usage studies that allow them to track the dimensions of the brand and compare them to competitors. But, on the whole, they have not evolved the process far enough. One is familiar with businesses which proudly point to studies two inches thick that profile the attributes of their brands. Yet they are not putting that intelligence to strategic use by analysing and prioritising the business impact of those attributes. Which are neutral associations, and which are 'antes' that any brand in the category must have to play? Which are key drivers of brand and business success? Which attributes can be potential drivers; which, with cultivation, have the potential to become brand drivers? And what are the negative attributes that could act as barriers to the brand's and business' success?

Once these drivers are identified and distilled down to the most influential, they are critical barometers against which to weigh brand investment decisions to help the business meet its underlying goals and objectives and, in the end, improve its financial performance.

Consider the example of DuPont's Kevlar polymer material, best known for its use in bulletproof vests and helmets, but also in things like sails, tyres, ropes and cables. Among the brand associations that contribute to its equity profile are its distinctive yellow colour, heritage of proven performance and reliability, lightweight strength and that it is original/authentic, an innovator and created a market category.

While the Kevlar yellow is well known and forms a unique association to the Kevlar brand, it is a neutral attribute because it does not contribute to the purchase decision and has no impact on Kevlar's pricing, market share or extendibility into new markets.

Its heritage of proven performance and reliability are also part of the equity profile of Kevlar but have become category 'antes', as they are expectations of customers and competitive brands have achieved similar performance.

The most powerful 'ownable' brand associations that are unique, important and highly associated with Kevlar are its drivers. These would include its superior lightweight strength and innovation leadership. Used in underwater applications as support cables, for example, Kevlar has been shown to be 20 times stronger than steel. Sails made of it can

withstand gales of speeds as high as 60mph. The power of that association as a strategic driver of the Kevlar brand has translated into premium pricing, market leadership and extendibility into a variety of markets beyond automotive, where it was originally used as a replacement for steel in radial tyres. Clearly, these are brand associations DuPont has managed well for bottom-line benefits.

How brand impacts on financial performance

It is essential, if the brand and its strategic drivers are to be seriously considered outside of the marketing department, for senior management to understand fully the correlation between a strong brand and its benefits of premium pricing, customer loyalty/market leadership and overall financial performance.

Price premiums

First, consider the measure of price premiums. According to a 1995 consumer branding study by management consultants Kuczumski & Associates,³ 72 per cent of customers will pay a 20 per cent premium for their brand of choice over the closest competitor. To a substantial 25 per cent, price is inconsequential if they are buying a branded product that 'owns' their loyalty. Such premiums allow for higher price points and higher profit margins. Starbucks is an example of one company that has tightly managed such strategic brand drivers as quality, consistency and the authenticity of its coffeehouse experience. This has allowed Starbucks to charge an average of \$1.60 for a medium coffee, at least 60 cents more than a similarly sized java picked up at the neighbourhood convenience store. Small surprise that Starbucks is one of today's hottest and most successful brands.

Customer loyalty

The measure of customer loyalty also has a distinct tie to financial performance, in that loyal customers make repeat purchases of their brands of choice over the lifetime of their relationship with them. The ability to maintain loyalty translates into higher future profits per customer. The lifetime value of each Procter & Gamble (P&G) customer is several thousand dollars. Such P&G brands as Tide, Crest or Pampers might sell at a slight price premium, but it is the loyal customers coming back time and again that drives market share leadership for P&G across a range of categories.

Brand Keys, a brand and customer loyalty research firm, demonstrated the power of customer loyalty in a study several years ago.⁴ It showed that an increase in customer loyalty of only 5 per cent could lift lifetime profits per customer by as much as 100 per cent. The study also indicated that, in certain business sectors, increasing customer loyalty by just 2 per cent had the same bottom-line equivalent as a 10 per cent cost reduction.

And while many factors play into a brand's ability to extend into new markets, the reality is that it is the brands which have built the strongest credibility, making the most of their strategic drivers, that have been most successful with product and market extensions. For example, Virgin, having started out in the music industry, then leveraged some of its brand's strategic drivers — exhibited by the associations of irreverence, individualism and being iconoclastic — to help it deepen its presence in the travel industry (from Virgin Atlantic Airlines to Virgin Trains to the

Virgin Travelstore) as well as expand into mobile phones, online auto sales and even beverages.

Identifying strategic brand drivers

The challenge marketers face is in identifying the key dimensions of brand equity, profiling their brand against these dimensions and then modelling the core strategic brand drivers. But the profiling process must be moved beyond an expansive cataloguing of a brand's associations. The focus must shift to those that have real impact and then — the crux of the matter — draw correlations between strategic brand drivers and business outcomes. This enables both the tangible and the higher order intangible associations with the brand to be better leveraged and managed.

Foundation for future growth

An up-and-coming brand in a competitive segment of the soft drink industry spends millions each year in support of its brand, from sponsorships to celebrity endorsers. It recognised the need to grow the business, but wanted to make sure that the nature of the support it was giving the brand was measured and strategic so that the foundation for future growth was solid rather than haphazardly built. It wanted a better understanding of what consumer 'levers' to pull. It needed to evaluate better where investments could be beefed up, and what could be pared down.

A more in-depth brand equity profile and model would help this business better understand how the brand is perceived and what aspects of the brand were most compelling in encouraging loyalty and a willingness to pay more (ie allowing the brand to command price premiums). The brand strength would also be manifested through retailer loyalty, demonstrated by the complete stocking of the product in all its flavours and sizes. Qualitative and quantitative research would enable the company to uncover those associations which are not only most closely aligned with the brand itself, its competitors and the category, but more importantly those which are owned by the brand and most important to a customer's purchase decision. This sort of intelligence paves the way for more informed business decisions involving everything from traditional marketing communications to new product development.

An approach to understanding brand equity

The first step in the process is building the model around which the brand equity profile is based. Its foundation is the product/service, which is described for its attributes (not its or the brand's benefits), scope, uses and where it is acquired, used or seen. Building on that foundation are the four key dimensions of brand equity.

Brand reputation

The first is the brand reputation, or both tangible and intangible perceptions of what it is 'good at'. The second assesses the values and personality of the brand and its users, providing insight into the brand's 'character'. Next one explores the multidimensional benefits delivered by the brand — functional, emotional and self-expressive. And finally, one explores areas of brand leadership, assessing its perceived quality, value and future direction — along with perceptions of its momentum in the market and ability to persuade stakeholders that it is relevant.

Brand leadership

Qualitative research

This approach is the basis for in-depth research that will enrich the organisation's understanding of how the brand is perceived. Through a variety of qualitative techniques (eg focus groups, in-depth, one-on-one interviews and ethnographic surveys), customers are asked about the category under discussion, what occasions they use these products/brands and what needs they meet. There is an opportunity to dig deep, through laddering techniques designed to identify a higher level of benefits the brand delivers.

For example, if the brand being profiled was a sports drink, a consumer might reveal that he chooses it because it provides energy when he works out, which makes him feel stronger, more confident in his athletic abilities and, finally, makes him feel like a leader. This sort of exploration of the brand can uncover many paths that start from product attributes and link to logical functional benefits and then move to more emotional and self-expressive benefits.

Having gained a qualitative understanding of the key associations tied to the brand, a more refined picture starts to develop of the brand's underlying strengths and weaknesses, where it might be able to 'own' an association and where an association that was believed to be owned by the brand either is not, or is neither meaningful nor motivating in terms of being a strategic driver.

How brand drivers are categorised

Quantitative research

From here, the deep qualitative understanding of the brand is now modelled with significant analytic rigour. Quantitative research is used to determine the extent to which an association is owned by a brand (highly descriptive of the brand and unique within the category) as well as how relevant that association is to the respondent and their purchase decision, and ultimately correlated to their actual purchase and usage behaviour. Brand modelling analysis ensures that brand stewards are armed with the data they need to make informed business decisions.

The associations that have been identified as key elements of the brand equity profile are quantitatively modelled in a way that helps the organisation focus on the role they play in driving the brand and the way it influences business decisions and results. They are categorised as follows.

- Strategic brand drivers. These are the most relevant equity elements that have strong and unique associations with the brand and are important to a customer's purchase decision. It is crucial that these are protected and nurtured so that their power as drivers is not lost.
- Potential drivers. These are relevant equity elements that have unique associations with the brand and are important to a customer's purchase decision, but do not yet have strong enough associations with the brand to make them drivers. When awareness of these attributes is raised, they can be developed into drivers.
- Category antes. These are relevant equity elements that have strong associations with the brand and all competing brands in the category. They are necessary for a brand to possess to be a player in the

category, but are not a platform for differentiation. A fast-food restaurant must have associations of quick, easy and hassle-free service in order simply to meet basic customer expectations.

- Neutral associations. These equity elements are unique and highly associated with a brand but have minimal influence in the customer purchase decision. For example, the colour blue is uniquely associated with IBM, but is not a major influencer of preference for the brand.
- Brand barriers. These are issues that must be addressed if the brand is to be leveraged for optimal business performance. Issues fall into two categories. They may be customer-relevant equity elements that are actively not associated with your brand. Or they are negative associations that are uniquely associated with your brand.

Brand associations

This sort of modelling fosters an enhanced understanding of your brand, the profiles of your competitors and even the category ideal if desired. The gaps are revealed — between your brand and associations owned by competitors that they may try to leverage, and between your brand, competitors' and the category ideal that no one is delivering on. All of these factors come into play in deciding where to invest and how to move your brand ahead.

Customer touchpoints

The knowledge gained around drivers enables an organisation to make strategic decisions across all of its customer touchpoints. Referring back to the Kevlar example, initiatives to gain a better understanding of the brand led to the centralisation of brand management to help drive brand-driven decisions more effectively throughout the organisation. By understanding the Kevlar brand equity profile, activities leveraging the power of two key critical drivers of lightweight strength and innovation could be more effectively shaped and governed. Research and development efforts, for example, could be reinforced or stepped up to support the brand's innovative edge, opening up potential new markets. Or marketing programmes could be fine-tuned to include, say, sponsorships of events where its lightweight strength could actually be demonstrated.

Conclusion

Most businesses do not optimise the intelligence that is available about their brand equity in a way that strengthens the brand's performance — let alone the business' as a whole. A critical starting point towards better leveraging brand equity requires understanding what associations contribute to it and how those associations tie back to business results. The ability to optimise brand equity also requires prioritising those associations based on their impact on the brand and the business, and then managing them aggressively across all customer touchpoints. Organisations that go through a more rigorous approach to brand equity profiling and modelling will find they are better leveraging their brand equity to guide business initiatives designed to meet business goals. In the end, both the brand and the business will be stronger for it.

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