



Finance & Wealth Management

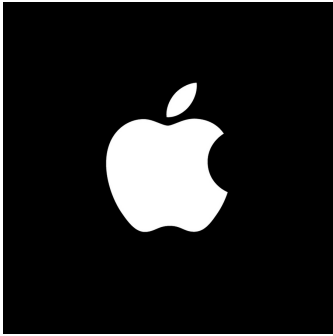
Course n°4

Brand Equity, Brand Value, and various
measurements of performance.

What is brand equity ?

How to value a brand ?

Brands KPI



Most powerfull brand in the world : the Apple !!



According to Forbes, Apple is the most powerfull brand in the world !!!
(Source : <https://www.forbes.com/powerful-brands/list/>)

It's not only in my mind !



Possible religious influence

The tree of the knowledge of good and evil (יֶעֶץ הַדַּעַת טוֹב וָרָע in Hebrew) is one of two specific trees in the story of the Garden of Eden in Genesis 2–3, along with the tree of life.

Associating this tree with an apple tree dates from the European Middle Ages.

What's the difference between brand equity & brand value?

The course aims to explain clearly the difference, but do you have any idea ?

What is brand equity ?

Brand equity is a set of **assets or liabilities** in the form of brand **visibility**, **brand associations** and **customer loyalty** that add or subtract from value of a current or potential product or service driven by the brand. It is a key construct in the management of not only marketing, but also business strategy.

In the late 1980s, brand equity helped create and support the explosive idea that brands are assets that drive business performance over time. That idea altered perceptions of what marketing does, who does it, and what role it plays in business strategy.

Brand equity also altered the perception of brand value by demonstrating that a brand is not only a tactical aid to generate short-term sales, but also a strategic support to a business strategy that will add long-term value to the organization.



What is brand equity ?

Brand recognition (that is from products with that brand name than from products with a less well known name), as consumers believe that a product with a well-known name is better than products with less well-known names.

Example : Fast foods brings the security of a allready known experience.



What is brand equity ?

Brand Visibility

This means that the brand has awareness and credibility with respect to a particular customer need—it is relevant. If a customer is searching for a buying option and the brand does not come to mind, or if there is some reason that the brand is perceived to be unable to deliver adequately, the brand will not be relevant and not be considered.



What is brand equity ?

Brand Associations

Brand associations involve anything that created a positive or negative relationship with or feelings toward the brand. It can be based on functional benefits but also a brand personality, organizational values, self-expressive benefits, emotional benefits or social benefits.



What is brand equity ?

Customer Loyalty

Customer's loyalty provides a flow of business for current and potential products from customers that believe in the value of the brand's offerings and will not spend time evaluating options with lower prices. The inclusion of loyalty in the conceptualization of brand equity allows marketers to justify giving loyalty priority in the brand building budget.



What is brand equity ?

In the research literature, brand equity has been studied from two different perspectives : **cognitive psychology** and **information economics**.

According to cognitive psychology, brand equity lies in consumer's awareness of brand features and **associations**, which drive attribute perceptions.

According to information economics, a strong brand name works as a credible signal of product quality for imperfectly informed buyers and generates price premiums as a form of return to branding investments.

It has been empirically demonstrated that brand equity plays an important role in the determination of price structure and, in particular, firms are able to charge price premiums that derive from brand equity after controlling for observed product differentiation

(Source : Baltas, G.; Saridakis, C. (2010). "Measuring brand equity in the car market: a hedonic price analysis". Journal of the Operational Research Society, 61 (2), 284–293.)

What is brand equity ?

Brand equity is strategically crucial, but famously difficult to quantify.

Many experts have developed tools to analyze this asset, but there is no agreed way to measure it.

As one of the serial challenges that marketing professionals and academics find with the concept of brand equity, the disconnect between quantitative and qualitative equity values is difficult to reconcile.

Quantitative brand equity includes numerical values such as profit margins and market share, but fails to capture qualitative elements such as prestige and associations of interest.

Most marketing practitioners take a more qualitative approach to brand equity because of this challenge. In a survey of nearly 200 senior marketing managers, only 26 percent responded that they found the "brand equity" metric very useful.[8]

How to measure brand equity ?

There are many ways to measure a brand. Some measurement approaches are at the firm level, some at the product level and still others are at the consumer level.

Product Level : The classic product level brand measurement example is to compare the price of a no-name or private label product to an "equivalent" branded product. The difference in price, assuming all things equal, is due to the brand.

More recently a **revenue premium** approach has been advocated. Marketing mix modeling can isolate "base" and "incremental" sales, and it is sometimes argued that base sales approximate to a measure of brand equity.

How to measure brand equity ?

Consumer Level : This approach seeks to map the mind of the consumer to find out what associations with the brand the consumer has.

This approach seeks to measure the **awareness** (recall and recognition) and **brand image** (the overall associations that the brand has). Free association tests and projective techniques are commonly used to uncover the tangible and intangible attributes, attitudes, and intentions about a brand. Brands with high levels of awareness and strong, favorable and unique associations are high equity brands.

How to measure brand equity ?

Test : what image do you associate with L'Oréal ?

L'ORÉAL

How to measure brand equity ?

Test : Do you react differently to L'Oréal specifying Paris ?

L'ORÉAL
PARIS

How to measure brand equity ?



1909–1962

1962–now

How to measure brand equity ?

Test : what image do you associate with L'Oréal ?

According to marketingmixx.com ;L'Oréal has an image of innovation, reliability.

The logo is super classic.

Source : <https://marketingmixx.com/brand-equity-of-loral/>

What is brand value ?

Disambiguation : Brand value is the financial value of the brand, not « values » claimed by brand.

For example, L'Oréal values are : Passion, Innovation, Entrepreneurial spirit, Open-mindedness, quest for Excellence and Responsibility (Source : <https://www.loreal.com/group/who-we-are/our-values-and-ethical-principles>)

Nothing to do with the financial value of L'Oréal, that would be 11,1 B USD according to Interbrand (Source : <https://www.interbrand.com/best-brands/best-global-brands/2018/ranking/loreal/>)

L'Oréal



Sources : <https://brandfinance.com/news/press-releases/loral-paris-once-twice-three-times-a-winner/>

<https://www.forbes.com/pictures/gdfd45gelj/no-25-loreal/#d6bbca7299c2>

No. 25 L'Oreal - Brand value: \$14.5 billion - Consumer perception rank: 26

« The L'Oreal Group is the largest cosmetics and beauty company in the world. The L'Oreal brand represents roughly half of the company's consumer segment and is also a major part of its professional division. **The company spent \$8.6 billion on advertising and promotions last year.** »

What methodology is used by Forbes

Forbes is not giving a lot of details.

Let's have a look

Source : <https://www.forbes.com/sites/kurtbadenhausen/2013/11/06/worlds-most-valuable-brands-behind-the-numbers/#46b5e637389c>

How to measure brand value ?

According to Kyu Lee, professor of marketing at Syracuse University's Whitman School of Management :

“The simplest way to estimate brand value is to use what I like to call the ‘Willingness to Pay’ test. You give consumers two containers of chips of identical quality. One says Pringles, and the other is a no-name brand. And you see how much more consumers are willing to pay for the Pringles.”

Source : <https://www.forbes.com/sites/ryanerskine/2017/08/12/what-is-a-brand-really-worth/#aed3cea22991>

How to measure brand value ?

The definite value of brand value is how much someone is willing to pay for the whole brand. That joint the general **goodwill** concept wich is the difference between book value and transaction price for the acqution of a majority stake in a company.

Brand KPI

Awareness

a) What you want to find out

Do your (potential) customers remember your brand?

b) Key performance indicators (KPIs):

- Top of mind (TOM) brand awareness
- Spontaneous brand awareness
- Prompted brand awareness

c) How can these KPIs be measured?

To measure TOM and spontaneous awareness, you should use unprompted questions. For example, “When you think about smartphones, which brands come to your mind?”.

Brand KPI

Familiarity

a) What you want to find out

Do your (potential) customers know what your brand stands for?

b) KPIs:

- Self-declared knowledge about the brand
- Brand profile

Brand KPI

Consideration

a) What you want to find out

Do your (potential) customers want to buy your brand?

b) KPIs:

– Purchase intent

c) How can these KPIs be measured?

Simply ask whether people would consider purchasing your product or brand.

Brand KPI

Purchase

a) What you want to find out

Do people buy your brand?

b) KPIs:

- Sales volume
- Sales value

c) How can these KPIs be measured?

How many items have been bought, and of what value. This is the only metric, which you don't need to measure with research – it's your real data, not people's declarations.

Brand KPI

Advocacy

a) What you want to find out

Would your customers recommend your brand to their friends?

b) KPIs:

– Net Promoter Score (NPS)

c) How can these KPIs be measured?

Asking people how likely they are, on a scale from 0 to 10, to recommend your brand to a friend. Respondents giving your brand 9 or 10 are called promoters, 7-8 are called passives and 0-6 are called detractors. To calculate the final result, you need to subtract the percentage of detractors from the percentage of promoters. If you have 10% detractors, 70% passives and 20% promoters, your NPS is 10 (20-10).

It is also possible to have a negative NPS.

Sources

<https://www.prophet.com/2016/09/brand-equity-vs-brand-value/>

<https://www.forbes.com/sites/ryanerskine/2017/08/12/what-is-a-brand-really-worth/#358878022991>

<https://brandstruck.co/blog-post/important-metrics-kpis-measuring-brand-performance/>