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Chapter 2 ENHANCING BRAND EQUITY AND ACCOUNTABLITY

Chapter Objectives

1. Explain the concept of brand equity from both the company's and the customer's perspectives.
2. Describe the positive outcomes that result from enhancing brand equity.
3. Describe the different models of brand equity from the customer's perspective.
4. Understand how marcom efforts must influence behavior and achieve financial accountability.

Chapter Overview

The basic issues addressed in this chapter are these: What can marketing communicators do to enhance the equity of their brands and, beyond this, affect the behavior of their present and prospective customers? Also, how can marketing communicators justify their investments in advertising, promotions, and other marcom elements and demonstrate financial accountability? The concept of brand equity is explained from both the company's perspective and the consumer's perspective. The firm-based viewpoint of brand equity focuses on outcomes extending from efforts to enhance a brand's value to its various stakeholders and discusses various outcomes: (1) achieving a higher market share, (2) increasing brand loyalty, (3) being able to charge premium prices, and (4) earning a revenue premium. From the perspective of the customer, a brand possesses equity to the extent that they are familiar with the brand and have stored in their memory favorable, strong, and unique brand associations. Brand equity from the customer's perspective consists of two forms of brand-related knowledge: (1) brand awareness and (2) brand image. The chapter covers three ways by which brand equity is enhanced and labels these the (1) speak-for-itself approach, (2) message-driven approach, and (3) leveraging approach. The chapter then discusses ten traits shared by the world's strongest brands.
The latter portion of the chapter covers the concept of ROMI, or return on marketing investments. Several difficulties of measuring marcom effectiveness are discussed: (1) choosing a metric, (2) gaining agreement, (3) collecting accurate data, and (4) calibrating specific effects. The chapter then discusses marketing-mix modeling (i.e., multivariate regression analysis) and how it can assist managers in determining the effect of each marcom element on sales volume.

Chapter Outline

I. Introduction

Recall from Chapter 1 the framework for thinking about all aspects of the marcom process (see Figure 1.3). The framework included fundamental decisions, implementation decisions, two types of outcomes and an evaluation program. This chapter focuses on the desired outcomes of marcom efforts.

II. Brand Equity

A brand represents a "name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition." A brand includes what is known as trade dress, which refers to the appearance and image of the product, including its packaging, labeling, shape, color, sounds, design, lettering, and style. Brand equity is the goodwill that an established brand has built up over its existence. It can be considered from both the vantage point of the organization and the customer.

A. A Firm-Based Perspective on Brand Equity

The firm-based view of brand equity focuses on outcomes extending from efforts to enhance a brand's value to its various stakeholders. As the value, or equity, of a brand increases, various positive outcomes result including achieving a higher market share, increasing brand loyalty, being able to charge premium prices, and earning a revenue premium, which is defined as the revenue differential between a branded item and a corresponding private labeled item. In addition to the revenue premium, there may also be a taste premium, which is the differential between a customer's preference for the branded versus private label item. Table 2.1 presents the results of a study of equity premiums.

B. Brand Equity Models

There are several models of brand equity.

1. Brand Asset Valuator
   Young & Rubicam (Y&R) developed a model of brand equity entitled the BrandAsset® Valuator (BAV). It is composed of four components or pillars of brand equity. These include differentiation, relevance, esteem, and knowledge. Figure 2.1 illustrates the BAV Power Grid.
2. Dimensions of Brand Knowledge
   This brand equity model consists of two forms of brand-related knowledge: brand awareness and brand image, as shown in Figure 2.2. Brand awareness is an issue of whether a brand name comes to mind when consumers think about a particular product category and the ease with which the name is evoked. Figure 2.2 shows two levels of awareness: brand recognition and brand recall. The second dimension of consumer-based brand knowledge is a brand's image. Brand image represents the associations that are activated in memory when people think about a particular brand. These associations can be conceptualized in terms of type, favorability, strength, and uniqueness.
3. The Brand-Awareness Pyramid
   The progression of brand awareness is from first awareness to recognition, to recall, and to TOMA (top-of-mind awareness).
4. Brand-Related Personality Dimensions
   Brands can have personalities just like people. The five brand-related personality dimensions include sincerity, excitement, competence, sophistication, and ruggedness.

C. **Relationships among Brand Concepts, Brand Equity, and Brand Loyalty**
Brand concept is the specific meaning that brand managers create and communicate to their target market. Brand concept management represents the analysis, planning, implementation, and control of a brand concept throughout the life of a brand. These are elaborated on in Chapter 5, but include functional needs, symbolic needs, and experiential needs. Figure 2.3 illustrates brands and their management.

D. **Strategies to Enhance Brand Equity**
There are three ways by which brand equity is enhanced: (1) speak-for-itself approach, (2) message-driven approach, and (3) leveraging approach.
1. Enhancing Equity by Having Brand Speak for Itself
By trying and using brands, consumers learn how good (or bad) they are and what benefits they are (in)capable of delivering. Marketers help the brand to speak for itself through point-of-purchase materials and appealing sales promotions.
2. Enhancing Equity by Creating Appealing Messages
Marcom practitioners can build advantageous associations via the dint of repeated claims about the features a brand possesses and/or benefits it delivers. This tack is effective if the marcom message is creative, attention getting, and believable.
3. Enhancing Equity via Leveraging
Brand associations can be shaped and equity enhanced by leveraging positive associations already contained in the world of people, places, and “things” that are available to consumers.
    a. Leveraging Associations from other Brands – alliances between two brands can enhance both brands’ equity and profitability. This is called *co-branding*.
    b. Leveraging Associations from People – aligning a brand with people, such as employees or endorsers, can be both advantageous and disastrous as the brand is linked with their reputation.
    c. Leveraging Associations from Things – events and causes provide opportunities for linkages with brands.
    d. Leveraging Associations from Places – the channel through which a brand is carried (Walmart vs. Nordstrom) or country-of-origin both serve as possible associations through which a brand can enhance their image.

E. **What Benefits Result from Enhancing Brand Equity?**
Brand loyalty determines the long-term growth and profitability of a brand.

F. **Characteristics of World-Class Brands**
The biannual EquiTrend survey uses three main dimensions to determine highly successful brands: familiarity with a brand, quality and likelihood of purchasing a product. Combining the three dimensions gives a brand equity score. The 10 world class brands identified in Table 2.2 include M&M’s, Hershey’s Kisses, Arm & Hammer Baking Soda, Reese’s Peanut Butter Cups, Hershey’s Milk Chocolate, Kleenex Facial Tissues, Campbell’s Soups, Google, and Crayola Crayons. The annual Interbrand ranking determines 100 top global brands by using (1) the percentage of a company’s revenue that can be credited to a brand, (2) the strength of a brand in terms of influencing customer demand at the point of purchase, and (3) the ability of

the brand to secure continued customer demand. Top brands identified in Table 2.3 include Coca-Cola, IBM, Microsoft, Google, GE, McDonald's, Intel, Nokia, and Disney.

III. Affecting Behavior and Achieving Marcom Accountability

Marcom efforts should be directed, ultimately, at affecting behavior rather than stopping with enhancing equity. Marcom's objective is to ultimately affect sales volume and revenue and return on marketing investment (ROMI).

A. Difficulty of Measuring Marcom Effectiveness

Several reasons account for the complexity of measuring marcom effectiveness including the difficulty in:

1. Choosing a Metric
2. Gaining Agreement
3. Collecting Accurate Data
4. Calibrating Specific Effects

B. Assessing Effects with Marketing Mix Modeling

Marketing mix modeling employs statistical techniques (e.g., multivariate regression analysis) to estimate the effects that the various advertising and promotion elements have in driving sales volume. An example is presented.

Chapter Features

Are There Too Many Social Media Brands?

Trying to keep up with the latest social media brands and content can be overwhelming. Many social media brands are vying to be the "owners" of different social media spaces. Brands and people can create lifestreams from the content they share in social spaces. It's difficult for brands to stand out in social spaces just as it is in traditional media. This chapter illustrates how challenging building brand equity can be.

Harley-Davidson—An Iron Horse for Rugged Individualists, Including Females!

Past Harley-Davidson ads have depicted a driverless Harley-Davidson motorcycle on an open road in the American West. The message suggested freedom and independence. The Harley-Davidson brand is a strong one with a deep emotional bond to its customers. Females are rapidly joining the Harley-Davidson community.

Neuromarketing and the Case of Why Coca-Cola Outsells Pepsi

The infamous “Pepsi Challenge” was conducted with the use of neuromarketing, which is a specific application of the field of brand research called neuroscience. Functional magnetic resonance images (fMRIs) can scan the brains of individuals employing their various senses upon exposure to stimuli. Brain scans reveal which areas of the brain are most activated in response to external stimuli. In the new-fangled Pepsi Challenge, the reward center of the brain revealed a much stronger preference for Pepsi versus Coke when study participants were unaware of which brand they had tasted. However, the result was opposite when participants knew the name of the brand they were about to taste. In the non-blind taste test, a different region of the brain was more activated and Coca-Cola was the winner. Activation of the area of the brain associated with cognitive functions revealed that participants now preferred Coke. The inferred explanation is a difference in brand images, with Coke possessing the more attractive image earned through years of effective marketing and advertising effort.

The World’s Perception of America

Nations can be thought of as brands. Firms that use “country of origin” labels are affected by the positive or negative image of that country. Many countries actively market themselves with the goal of forging favorable and strong associations in the minds of people around the world. The Nations Brand Index (NBI) is a barometer of global opinion toward over 35 countries. Each quarter, 25,000 people are surveyed on their perceptions of these countries. Respondents are asked questions about each country in six areas:

1. Exports—satisfaction with products and services produced
2. People—thoughts and feelings about the people
3. Governance—perceptions of whether the country can be trusted to make responsible decisions and to uphold international peace and security.
4. Tourism— perceptions of a country’s natural beauty and historical heritage
5. Culture and Heritage—perceptions and feelings of a country’s heritage and its culture
6. Immigration and Investment—willingness to live, work, and/or pursue education.

A nation’s “brand” image is the sum of its scores on these six dimensions. A country’s image, like any brand image, can be changed. It is important as a matter of international relations and economics that a country has a positive image.

Answers to Discussion Questions

1. With reference to the *Marcom Insight* segment that opened the chapter and in view of the detailed section on brand equity later in the chapter, explain why brand awareness is a necessary but insufficient indicator of brand equity.

Answer:
Brand equity consists of two forms of brand-related knowledge: brand awareness and brand image. Without awareness consumer cannot form opinions about a brand. The opinion, or brand image is based upon the favorability, the strengths, and the uniqueness of the associations consumers have of a brand. Those associations maybe based on the actual attributes of the brand, the benefits they receive from it, and their overall evaluation or attitude toward the brand.

2. Using the framework in Figure 2.2, describe all personal associations that the following brands hold for you: (a) Harley-Davidson motorcycles, (b) Groupon couponing service, (c) Burton snowboards, (d) The Onion newspaper, (e) basketball player LeBron James, and (f) the MINI Cooper automobile

   Answer:
   Brand image can be thought of in terms of the types of associations that come to the consumer's mind when contemplating a particular brand. An association is simply the particular thoughts and feelings that a consumer has about a brand, and students' answers will vary for this question. These associations can be conceptualized in terms of type, favorability, strength, and uniqueness. The type of brand associations can be based on the brand's attributes, both product-related (e.g., color, size, design features) and non-product-related (e.g., price, packaging, user and usage imagery), the brand's benefits (e.g., functional, symbolic, experiential), and consumers' overall evaluation, or attitude, toward the brand.

3. An ex-CEO of PepsiCo, was quoted in the text as saying, "In my mind the best thing a person can say about a brand is that it's their favorite." Identify two brands that you regard as your favorites. Describe the specific associations that each of these brands holds for you and thus why they are two of your favorites.

   Answer:
   Students should realize that associations are not just with immediate obvious product benefits (most will probably name some snack food as one) such as taste, but also with other product benefits such as packaging (a water bottle with a sports cap), accessibility or convenience (e.g., a candy machine near their dorm room or class), price (e.g., they can afford it), and usage context (e.g., coffee with friends). The ability of products to make the consumer an "expert" is also an interesting benefit for students who name some health and beauty aid, such as a hair shampoo, and give a very specific benefit of how the product works for them (e.g., helps relax tangled hair).

4. Provide examples of brands that in your opinion are positioned in such a way as to reflect the five personality dimensions: sincerity, excitement, competence, sophistication, and ruggedness.

   Answer:
   Examples:
      Sincerity: Hallmark Greeting Cards
      Excitement: Victoria's Secret

Competence: Norton Anti Virus
Sophistication: Talbots
Ruggedness: Timberland boots

5. Provide several examples of co-branding or ingredient branding other than those presented in the chapter.

   Answer:
   Some examples of co-branding include: Hershey Foods and General Mills making the breakfast cereal "Reese's Peanut Butter Puffs," MicroSoft and NBC (MSNBC), Visa and the United Airlines Mileage Plus Program. Some examples of ingredient branding include: Gore-Tex material in sport and outdoor clothing, Splenda in the new Coke Zero, Teflon in cookware, Thinsulate in clothing, Kevlar in clothing, and NutraSweet in soft drinks.

6. When discussing brand equity from the firm's perspective, it was explained that as the equity of a brand increases, various positive outcomes result: (1) a higher market share, (2) increased brand loyalty, (3) ability to charge premium prices, and (4) capacity to earn a revenue premium. Select a brand you are particularly fond of and explain how its relatively greater equity compared to a lesser brand in the same product category is manifest in terms of each of these four outcomes.

   Answer:
   Students can select any number of brands to answer this question, and one they might select is Coca-Cola soft drink. Coke has the highest market share in the cola category, some consumers will only purchase Coke instead of other brands of cola, even if they are on sale, Coke is more expensive than lesser brands, such as RC Cola and store brands, and thus, Coke enjoys a revenue premium. Revenue premium is defined as the revenue differential between a branded item and a corresponding private labeled item, so students should discuss the brand they selected with respect to private label, or store, brands. With revenue equaling the product of a brand's net price x volume, a branded good enjoys a revenue premium over a corresponding private labeled item to the degree it can charge a higher price and/or generate greater volume.

7. Compare and contrast the speak-for-itself and message-driven approaches to enhancing brand equity,

   Answer:
   With the speak-for-itself approach, consumers form brand-related associations (positive or negative) merely by consuming a brand absent any significant brand knowledge prior to the usage experience. Thus through the consumption experience, the brand informs consumers of its quality, desirability, and suitability for satisfying their consumption-related goals.
   With the message-driven approach marcom practitioners attempt to build positive brand-related associations through creative messages that are attention getting, believable, and memorable.

Each of these approaches should be independent. Through a consumers first-hand experience with a brand it should speak-for-itself with a message consistent with the message-driven approach.

8. Select a brand of vehicle (automobile, truck, motorcycle, SUV, etc.) and with this brand describe the type, favorability, strength, and uniqueness of brand associations that you hold in memory for this brand. Do the same for the brand's differentiation, relevance, esteem, and knowledge that hit holds for you.

   Answer:
   Students should answer this question along the lines of the illustration given in the chapter of Henry and the McDonald's fast-food chain.

9. What are your reactions to the application of neuroscience to marketing (neuromarketing) that was described in the *IMC Focus*? Do you consider this technique ethical? Do you fear that with the knowledge obtained from its application marketers will be able to manipulate consumers?

   Answer:
   The application of neuroscience to marketing described in the *IMC Focus* really serves to illustrate the importance of building brand equity through various marketing and marcom processes. It seems to validate that consumers' preferences can be influenced by these activities. The *IMC Focus* illustrated that consumers preferred Pepsi when they did not know the brands they tasted, but they preferred Coke when they did know, seemingly because of all the strong and positive associations they had with the Coke brand. The real ethical question comes down to whether or not it is ethical for marketing to influence consumers' preferences for a brand they would not have chosen based on actual experience but no knowledge of brand associations.

10. Describe the leveraging strategy for enhancing brand equity. Take a brand of your choice and, with application of Figure 2.5, explain how that brand could build positive associations, thereby enhancing its equity, by linking itself to (a) places, (b) things, (c) people, and (d) other brands. Be specific.

    Answer:
    The leveraging strategy for enhancing brand equity holds that brand associations can be shaped and equity enhanced by leveraging positive associations already contained in the world of people, places, and "things" that are available to consumers. The culture and social systems in which marketing communications takes place are loaded with meaning. Through socialization, people learn cultural values, form beliefs, and become familiar with the physical manifestations, or artifacts, of these values and beliefs. Marcom practitioners can leverage meaning, or associations, for their brands by connecting them with other objects that already possess well-known meaning. Students can select any brand to answer this question, and they should be aware that (a) "places" can refer to country of origin or channels, (b) "things" include events, causes, and third party endorsements, (c) "people" refers to

employees and endorsers, and (d) "other brands" includes things such as alliances, ingredients, company, and extensions.

11. What does it mean to say that marketing communications should be directed, ultimately, at affecting behavior rather than merely enhancing equity? Provide an example to support your answer.

    Answer:
    Marketing communications are directed communications from a marketer to a target audience with a goal of changing or affecting behaviors. While enhancing equity is important as it implies that consumers have awareness of, and favorable attitudes toward a brand, it does not necessarily mean that consumers will act. As with the example in the text, consumers are aware of the dangers of smoking, and believe that smoking is bad for them; yet, new consumers take up smoking every year. The real goal of anti-smoking campaigns is to convince people to either quit smoking or not to take up smoking at all.

12. Why is demonstrating financial accountability an imperative for marcom practitioners?

    Answer:
    Two primary motivations underlie the increased focus on measuring marketing performance. The first is from the CEO, the Board, and other executives putting greater demand for accountability on the marketing function. A second reason is that CMOs must get better at what they do because it is becoming increasingly difficult to justify expenditures without knowledge of what works and what doesn't.

13. Assume that your college or university has had difficulty getting nonstudent residents in the local community to attend basketball games. Your school's athletic director requests that an organization you belong to (say, a local chapter of the American Marketing Association) develop an advertising program that is to be targeted to local residents to encourage them to attend basketball games. What measures/metrics could you use to assess whether the advertising program you developed has been effective? How might you assess the ad campaign's ROMI?

    Answer:
    One metric could be the number of non-student tickets sold for each game throughout the season. One way to assess the effects of the marcom program is to use marketing-mix modeling. The data for each period could be the non-student attendance at each game along with corresponding advertising and promotion expenditures for each program element during the time leading up to a given game. While just looking at game attendance will let you know how successful the over-all marcom program was, marketing mix modeling will allow you to determine the relative effectiveness of each marcom element.