

BRAND EQUITY AND BRAND RESEARCH

Measuring brand equity outcomes: Comparative methods

by Chuck Chakrapani

The benefits of brand equity

The reason why firms are keen on creating brand equity is that it confers many tangible and intangible benefits on the product. Some of these benefits are discussed in the following paragraphs.

1. *Clear product differentiation and more favourable interpretation.* A brand with equity is perceived differently than one with lower equity and its attributes are interpreted differently. A high priced car with low brand equity may be perceived as 'overpriced' while a high equity brand that is similarly priced may be perceived as a 'high quality car that provides value for money.'

2. *Lower churn rate.* High equity brands command greater loyalty, thus a lower churn rate.

3. *Higher premium tolerance.* High equity brands are less price elastic. This enables the firm to charge more. Even more to the point, the brand is less vulnerable to industry price wars.

4. *Opportunities for creating profitable brand extensions.* Since a high equity brand evokes many positive associa-

tions, it is easier for a high equity brand to create brand extensions, thereby increasing the total revenue.

5. *Licensing opportunities.* High brand equity creates licensing opportunities to the manufacturers that go beyond the markets served by the firm. For instance, a clothing designer who enjoys high brand equity will be able to franchise the use of its name on products unrelated to clothing.

The value of a brand

The ultimate value of a brand can be expressed through outcomes such as

the ones listed above. They all relate to brand knowledge and brand equity sources. We have already noted that these components can be individually measured. But we also need to get an overall picture that will enable us to examine the value of a brand as a whole.

Two measurement methods

There are basically two measurement methods that can be used in this context: comparative methods that measure different aspects of brand equity and holistic methods that attempt to measure the overall value of a brand.

Exhibit 1

Five outcomes of brand equity

1. Clear product differentiation and more favourable interpretation
2. Lower churn rate
3. Higher premium tolerance
4. Opportunities for creating brand extensions
5. Opportunities for licensing

Comparative Methods

How do awareness and brand associations influence benefit a brand? Comparative methods attempt to answer this question by directly estimating the effect of consumer attitudes and behaviour on a brand. Comparative methods use several approaches.

Brand-based comparative approaches use a straightforward experimental design in which two groups of consumers are exposed to the same marketing activity or element. However, for one group the activity/element (e.g. price) is attributed to a given brand while for the other group the same element is attributed to a competing (or even a non-existent) brand. The differences between the two can then be attributed to the brand itself.

In marketing-based comparative approaches, the experiments are designed such that the consumer responds to changes in a marketing activity/element.

While the brand-based approaches study the effect of a brand holding the marketing activity con-

stant, marketing-based approaches study the effect of a marketing activity holding the brand constant. Brand/ Marketing approaches make it possible to combine these two methods. Using more complex experimental designs that use ANOVA, conjoint analysis or discrete choice methods, brand and marketing activities can be manipulated simultaneously.

These three comparative approaches are described below.

Brand-based comparative approaches

Brand-based approaches are frequently used in marketing research studies. In its simplest form, one group of consumers evaluates a known branded product while another group evaluates the same product but one that is unbranded or fictitiously branded. Sometimes the same group of consumers may be asked to evaluate the same products, one correctly branded, the other either unbranded or fictitiously branded. Such 'blind tests' are very common in traditional marketing research.

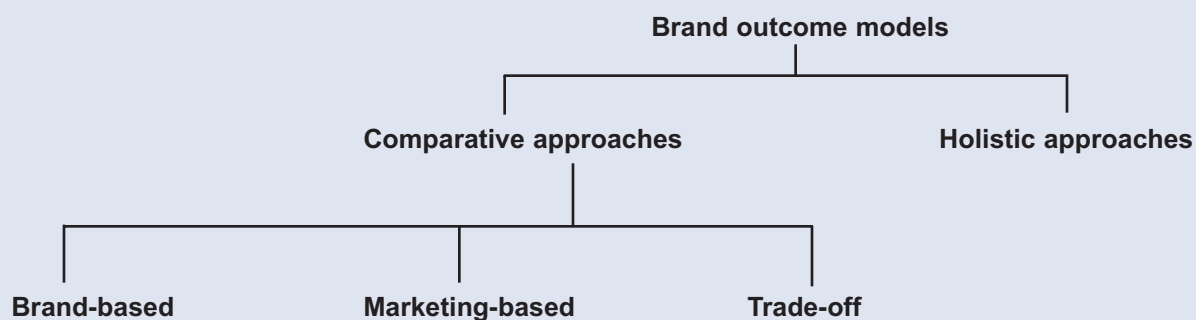
The influence of branding can be examined not only on product evaluation but on product repurchase intent as well.

These techniques can be used to assess monetary value (in terms of price) of brand equity.

Since in the brand-based approaches we keep all elements except the brand identification constant, it makes intuitive sense to attribute the price difference to brand equity. However, it is important to keep in mind that in many studies, especially in service related research, consumers may not actually test a product. Rather they may be given a description of the alternative product. In such cases, it is hard to isolate the possible effect of communication distortion (either subjective or objective) on product preference.

Since this approach assesses only the impact of brand identity while holding other variables constant, the impact of changing marketing variables cannot be studied. When we need to understand the impact of changing marketing variables on

Exhibit 2
Brand Equity Outcome Models



different brands (as a means of assessing our brand equity), we need to use the marketing-based comparative approach, which is discussed below.

Marketing-based comparative approaches

In marketing-based approaches, it is the marketing variables that are manipulated to assess their impact on brands.

For instance, in the Brand-Price Trade-off technique a competing brand may be offered at the same price as the brand of interest. If the branded product is chosen, then the price of the branded product is increased while the price of the fictitious brand is held constant. This process is continued until the consumer switches brand. Since the product represented by both brands are identical, the price increase that a consumer is willing to accept represents the brand equity in terms of pricing outcome. This type of analysis (using any suitable experimental design) allows the marketer to assign a financial value to the brand name.

The main advantage of this approach is that the effect of virtually any marketing variable can be studied using this approach. The one drawback of this technique is that we can never be sure whether a respondent based his/her response on category-based evaluations or brand-based evaluations. A negative response to a stimulus could relate to either the brand or to the product category. For instance, if a consumer states that he or she would not buy the brands under question on-line, we cannot be sure whether the response pertains to the brands or to any on-line brand in that cat-

egory. Or another example, if a consumer refuses either of two travel packages offered by two different airlines at a given price, does that mean that neither of the two airlines have enough brand equity to persuade the consumer or that the travel package is simply not appealing? Because such questions cannot be answered using marketing-based comparative approaches, sometimes an alternate approach is needed to address this issue.

Trade-off Analysis

Trade-off analysis is a group of techniques that include conjoint analysis. Discrete choice modelling and choice based modelling are two types of conjoint analysis.

In the conjoint analysis approach, the choice situation faced by consumers is not restricted to the brand or to a single marketing variable. Rather, the respondents are faced with a situation in which choices need to be made among a number of alternatives. The alternatives faced by the consumer could be combinations of products identified by brand name along with one or more marketing variables. Consumers are simply asked to rank their preferences for different brand/product profiles. (The product profiles included in the study are chosen to satisfy certain mathematical criteria that would enable the analyst to identify the individual influences of each variable included.)

Conjoint analysis enables the researcher to identify the individual effect of each variable. As a result, the analyst will be able to determine the effect of marketing variables, irrespective of the influence of

brand identity. However, this may be more of an apparent advantage rather than a real advantage. Conjoint analysis assumes that the variables in the study - such as brand and price - do not interact. If this assumption is not true, then the effect of price as isolated by conjoint analysis may not hold true in reality.

Another problem with conjoint analysis is that while consumers indicate the product profile they prefer the most, it does not follow that they would indeed purchase this the product profile. The best profile may not be good enough to buy.

Conjoint analysis has also been criticized for including product profiles that are unrealistic. (Such profiles are often included to satisfy mathematical criteria.)

In discrete choice modelling (which is a form of conjoint analysis) respondents are given a choice to accept one or reject all the choices presented to them.

Techniques such as choice-based conjoint analysis attempt to provide better answers to problems associated with traditional conjoint analysis. All methods have their own strengths and weaknesses.

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Book Review

Digital Capital: Harnessing the Power of Business Webs

by Don Tapscott, David Ticoll and Alex Lowy
Harvard Business School Press, US\$27.50. 272pp.

Internet-based business is still in its infancy. Although almost every company has a website and most carry on at least a part of their business on the internet, it is no secret that most businesses haven't yet figured out the secret to establishing a competitively-advanced business on the net. Many firms still treat the internet as another medium (like the mail system) to transact traditional business in the traditional way.

Digital Capital: Harnessing the Power of Business Webs by Don Tapscott, David Ticoll, Alex Lowy is just the book for those of us who are still wondering how to get the most out of a web-based business. (By the way, the best-selling author and the new paradigm guru Don Tapscott as well as David Ticoll and Alex Lowy are based in Toronto and have been in the forefront of internet-based businesses for several years.)

Digital Capital examines the economic impact of web-based business models. The book identifies five models that have been successful and explains the steps needed to build on these models. These business models involve creating business networks that are web-enabled or b-webs as the authors call them.

The bulk of the book deals with these five wealth-creation models. What are these five wealth creation models?

Agoras. Agora is a real or virtual place where buyers and sellers come

together to collectively discover the price for a good or service. Price of anything is negotiable. Goods sold through a local Agora, like a flea market, now move through global auctions and exchanges.

Aggregations. Aggregation b-webs organize distribution of goods, services and information. Their value proposition revolves around six variables: selection, organization, price, convenience, matching and fulfillment.

Value chains. Value chain models connect producers who respond directly to consumers. Physical distribution is delegated to b-web partners while the business itself is concerned with value added design processes and relationship management resulting in innovation, quality, time to market and return on invested capital.

Alliance. Alliance is the most virtual of b-webs and include online communities and open-source innovation initiatives. The context leader of an Alliance sets the direction but the members of the alliance contribute to the total experience.

Distributive Network. These networks, in their purest form, service the other types of b-webs by allocating and delivering goods which may include information, objects, money, or resources, from providers to users.

The authors provide a detailed description of each wealth-creation model with a number of examples and discuss the characteristics of each type.

Another unusual feature of this

book (unusual only because it is so badly neglected by authors who deal with subjects like these) is that it contains chapters dealing with human resources and marketing. Since the success of any venture ultimately depends on the people behind the business, it is refreshing to see that the authors have not neglected this important aspect of wealth creation.

Finally, the authors provide step-by-step instructions for 'weaving a b-web':

1. Describe the current value proposition from the customer's viewpoint.

2. Disaggregate. Consider the contributors and their contributions. Compare your business systems with those of others.

3. Decide on the new value proposition.

4. Reaggregate. Define the elements that will deliver the new value proposition.

5. Prepare a value map that depicts value exchanges on the b-web.

6. Define a b-web typing strategy that will improve your competitive advantages.

This is a well-written and useful book. It avoids hype while carefully outlining the wealth-creation process in the digital age. It's one of the best books on the subject - highly recommended.

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