BRAND EQUITY MEASUREMENT

Brand Audits–Designing Brand Tracking Studies–Brand Equity Management System–Financial Brand Equity– Brand Valuation Methods

Brand Equity Management System

A brand equity measurement system is a set of research procedures that is designed to provide timely, accurate, and actionable information to marketers so that they can make the best possible tactical decisions in the short run and strategic decisions in the long-run.

Key Components of BEMS:

Brand Audit:

- Conduct a thorough analysis of current brand perceptions, strengths, weaknesses, opportunities, and threats.
- Identify inconsistencies in messaging and visual elements across product lines.

Brand Positioning:

- Define a clear and unified brand positioning strategy that reflects XYZ Corporation's values and resonates with the target audience.
- Develop key messaging that communicates the brand's unique value proposition.

Integrated Marketing Communications (IMC):

- Implement a cohesive IMC strategy to ensure consistent brand messaging across all communication channels.
- Utilize a mix of traditional and digital platforms to reach diverse consumer segments.

Digital Transformation:

- Enhance the company's online presence through an updated and user-friendly website, engaging social media campaigns, and e-commerce integration.
- Leverage data analytics to understand consumer behavior and tailor digital strategies accordingly.

Brand Loyalty Programs:

- Introduce customer loyalty programs to reward repeat purchases and foster a sense of brand loyalty.
- Encourage user-generated content and testimonials to amplify positive brand experiences.

Employee Training:

- Train employees to embody the brand values, ensuring consistent brand representation at all touchpoints.
- Foster a brand-centric culture within the organization.

Brand Audits

A brand audit is a comprehensive examination of a brand's current position in the market compared to its competitors. It involves evaluating the effectiveness of a brand's strategies and assessing how well it is meeting its objectives. The purpose of a brand audit is to understand the strengths and weaknesses of a brand, identify areas for improvement, and develop strategies to enhance the brand's performance.

Here are three areas included in a brand audit:

- **Internal branding:** This includes company culture and educating employees so they understand and share a company's values and mission. Internal surveys can provide you with information about your employees and culture when auditing internal branding.
- **External branding**: This is the story your products, services and messaging tell your customer. Components like advertisements, logos, websites, email campaigns and social media presence are all part of your company's external brand.
- **Customer experience:** This can include customer service interactions or content engagement. Auditing this area can show how well customers are experiencing your brand through sales processes and customer support.

Steps you can take to ensure a successful brand audit:

1. Determine your framework

This framework can help you focus on areas that affect your brand positioning. Refer to your original marketing plan for insight into how you initially planned to appeal to the market.

Consider your target customers, product offerings, social media channels, pricing and competition. During your audit, plan to gather as much data in these or other categories as possible.

2. Review external marketing

Reviewing your external marketing means viewing everything your customers see. This can include:

- Logos
- Brochures
- Brand colors
- Advertisements
- Letterheads
- Business cards
- Packages and labels

Review these for consistency across all platforms and delivery methods, including website and social media presence, emails, newsletters and other marketing campaigns.

3. Conduct customer surveys

Customer surveys can be a straightforward way to understand how your customers perceive your brand. Use a combination of customer focus groups, email surveys, social media polls, phone surveys and online surveys to get customer feedback.

4. Review your website data

You should audit the content of your website and review its analytics to gather data about how people interact with your site. Here are some questions to consider as you do so:

- How are people navigating to your page?
- What links are they clicking?
- Is your website attracting your target market?

Analytics can help if pages need to be rewritten, redesigned or rearranged to guide visitors to your top products or content. During this audit, look for ways to increase traffic or conversions.

5. Review social media analytics

Use your social media analytics to see how people are engaging with your brand. This data will help you determine if your social media marketing strategy is reaching your target market. Read comments, review followers and view shares to identify who is engaging with your brand, how often and if you're reaching the right people.

6. Review sales data

A brand audit is also an opportunity to review your sales data as it relates to your company's brand. You want to identify when you sell the most products or services, how customers purchase them and any trends related to your marketing initiatives. For example, if you see an increase in purchases when you run banner ad campaigns, you can identify exactly what brand messaging in those advertisements persuade customers.

7. Review target demographics

While reviewing sales, social and website analytics, consider who is buying your products or services and engaging with your content. Some data analytics tools can tell you more about your customers, like what other interests they have or their common shopping behaviors.

During this part of the audit, survey people in the target demographics you want to convert to customers. Learning what they think about your brand and what influences them can help you identify actions to increase your customer base.

8. Conduct an internal survey

It's important that employees know and feel passionate about your company's mission. This helps them effectively sell products, create marketing materials and represent the company depending on their role. Surveys can show you exactly what employees know and feel about your brand and mission and how leadership may improve company culture.

9. Conduct competitive research

Evaluate some of your competitors' brands to see what similar companies do. Examine their logos, websites, marketing copy and social media accounts. Repurpose some questions you asked your target market and customers to understand more about how they respond to your competition.

10. Review comprehensive results

Review all the data you collected to see what you learned about your brand. Look for trends between the analytical data and qualitative feedback to see if they match your expectations. This can teach you what your brand does well, what you might stop doing and how you can improve.

11. Create an action plan

Based on your results, create a detailed action plan to implement any potential brand changes. Start with creating some baseline goals and a timeline to achieve them. Prioritize your goals by what might have the biggest impact on your business. Consider what you might achieve immediately, like writing a newsletter, and what might take more time, like creating a new website. Include metrics for your goals to help you track progress.

12. Monitor your progress

Continue to monitor your progress as you execute your action plan. If your goal was to increase your social media conversion rate by 10% over a specific time period, track this data regularly to see if it's working. You may have learned some new strategies from your competition or other research and will want to regularly evaluate their effectiveness and conduct future brand audits as necessary.

Designing Brand Tracking Studies

A brand tracking study is a research method used to track the perception of a particular brand over time. This type of study can be used to assess how well a brand is performing, identify any changes in perception that need to be addressed, and determine what factors might be influencing the public's perception of the brand.

Key Metrics of Brand Tracking

1.Brand reputation

- A brand's reputation is an important aspect to track in your market research, as it can have a big impact on whether people trust your brand enough to spend their money with you.

2.Brand perception

- Brand perception refers to the way your brand makes people think and feel. Much like reputation, it can be affected by a variety of factors, such as the quality of the product or service, the company's reputation, marketing and advertising efforts, and customer service

3.Brand awareness

- Brand awareness is one of the most important metrics to measure in your brand tracking research. It measures how well the public is aware of a particular brand and can be used to gauge the success of marketing campaigns and other promotional activities.
- Measuring brand awareness over time can help you identify any changes in perception and determine what factors might be influencing the level of awareness people have of your brand.

4.Brand recall

- Recall is a metric used in market research to measure how often a customer remembers a brand. This can be done through surveys, where customers are asked if they remember a certain brand. This is often used to measure the effect of a marketing campaign. Bear in mind: recall is not the same as brand recognition.

5.Brand loyalty

- Loyalty to your brand is a key measure of brand health, as it indicates how likely customers are to stick with a particular brand, which is especially important if you’re trying to increase your customer lifetime value (CLV).
- There are a number of factors that can influence loyalty, including the quality of your product or service, your brand’s reputation, marketing and advertising efforts, and customer service.

6.Branding linkage

- Branding linkage = Brand association after a ‘non-branded’ content effort
- If a viewer can associate an unbranded marketing effort from your business as being connected to your business, you’re on the right track. If not, you need to reconsider some creative decisions.

7.Branded searches

- Branded searches are when a person searches for a specific product or company on the internet. They are usually looking for information about the company, such as the address or phone number, or they are looking to buy a product from the company. Branded searches can also be used to track how well a company is doing online. For instance, people googling ‘Nike running shoes’ shows their branding success: they’re not simply looking for ‘running shoes’.

8.NPS (Net Promoter Score)

- The net promoter score (NPS) is a metric used to measure customer loyalty and is calculated by asking customers how likely they are to recommend a brand to others. Your NPS number is based on the answer to the question “how likely are you to recommend our company/product/service to a friend or colleague?” Respondents then give their answer on a range from 1 to 10. It’s a classic when it comes to brand tracking.

9.Brand favorability

- A brand’s favorability is a measure of whether people favor your brand over another or not. Bear in mind: this doesn’t necessarily show whether they love you. They might favor your brand over your arch enemy—but it's still possible they don't like either of you. Combine it with purchase intent and market share to learn more.

10.Brand equity

- Brand equity measures the value of a brand, in the context of your market and competitors.

There are four main elements that make up brand equity:

1. Brand awareness
2. Loyalty to your brand
3. Perceived quality
4. Brand association

- When you bring together all of these elements, you'll begin to understand how much of your market *belongs* to you and how much your brand is worth.

Brand tracking methods

- Surveys and interviews (although many researchers prefer to rely on an integrated program focused on newer methods of data collecting)
- Ad Testing.
- Predictive Analytics.
- Text Analytics.
- Social Listening/ Conversation Mining/ Social Intelligence.
- Recall Measurement.
- Segmentation.

Surveys and interviews.

- **Surveys:** A survey is a structured set of questions, often presented in written or digital form, designed to gather information from a group of people. Respondents answer the questions based on their experiences, preferences, or opinions.
- **Interviews**: An interview involves a direct conversation between an interviewer and a respondent. It can be structured with predetermined questions or unstructured, allowing for a more open-ended discussion. Interviews aim to explore perspectives, gather detailed information, and understand the interviewee's thoughts on a specific subject.

Ad testing

- Ad testing is a process of evaluating and comparing different advertisements to determine their effectiveness in achieving specific goals, such as attracting attention, generating interest, and driving desired actions from the target audience.

Predictive analytics

- Predictive analytics is the use of statistical algorithms and machine learning techniques to analyze historical data and identify patterns that can be used to predict future events or outcomes. It involves extracting insights from past data to make informed predictions about what is likely to happen in the future.

Text analytics

- Text analytics is the process of extracting meaningful insights and patterns from unstructured text data. It involves using computational techniques and algorithms to analyze, interpret, and derive valuable information from large volumes of textual information, such as documents, emails, social media posts, and more. The goal of text analytics is to uncover patterns, trends, and knowledge that can inform decision-making and improve understanding of the underlying content within textual data.

Benefits of brand tracking studies

Brand tracking studies are valuable tools for businesses to monitor and assess the performance and perception of their brand over time. Some of the key benefits of conducting brand tracking studies include:

1. **Performance Measurement:** Brand tracking helps businesses measure the effectiveness of their marketing strategies and initiatives. It provides insights into how well a brand is performing in terms of awareness, recall, and other key performance indicators.
2. **Brand Health Assessment:** These studies allow companies to assess the overall health of their brand by tracking key metrics such as brand awareness, brand loyalty, and brand associations. This information helps in understanding how consumers perceive the brand.
3. **Competitive Analysis:** Brand tracking studies often include benchmarking against competitors, enabling businesses to compare their brand performance with industry rivals. This competitive analysis helps identify areas of strength and weakness relative to competitors.
4. **Consumer Insights:** By regularly monitoring consumer opinions and attitudes, brand tracking studies provide valuable insights into customer preferences, needs, and expectations. This information is crucial for making informed decisions and adapting strategies to meet changing consumer demands.
5. **ROI Measurement:** Businesses can evaluate the return on investment (ROI) of their marketing campaigns and promotional activities by correlating changes in brand metrics with specific initiatives. This helps in allocating resources more effectively.
6. **Identifying Emerging Trends:** Brand tracking studies help businesses stay ahead of emerging trends and shifts in consumer behavior. By identifying changes in perception and sentiment, companies can proactively adjust their strategies to capitalize on new opportunities or address emerging challenges.
7. **Risk Mitigation:** Tracking brand metrics over time allows businesses to identify potential issues or negative trends early on. This proactive approach enables companies to take corrective actions to mitigate risks to the brand's reputation.
8. **Strategic Decision-Making:** The insights gained from brand tracking studies inform strategic decision-making. Companies can use the data to refine their positioning, messaging, and overall brand strategy to better align with the expectations and preferences of their target audience.
9. **Long-Term Planning:** Brand tracking studies provide a longitudinal view of brand performance, allowing businesses to make informed decisions for long-term planning. This is especially important for establishing a strong and enduring brand presence in the market.

Brand Valuation Methods

Brand valuation is the process of estimating and assigning a monetary value to a brand. It involves assessing the financial worth of a brand as an intangible asset, considering various factors that contribute to its strength, recognition, and influence in the marketplace.

Brand Valuation Approaches

Brand valuation are three main approaches for brand evaluation and brand evaluation models are the same as the models for measuring Tangible assets. They are:

1. Cost Approach

2. Market Approach

3. Income Approach

These are the models/methods by which the brand is valued and in today's market a brand value carries great importance and there should be proper experienced people doing the brand valuation as that would talk about the Total Asset Value of the company.

1. Cost Based Approach: The brand is valued according to the cost of developing it. This is an analysis of the past and relies on hard facts. Overall, the cost approach is more appropriate to value those assets that can be easily replaceable, such as software or customer databases. The Cost-based approach includes the following different methods:

A. Accumulated Cost or Historical Cost Method: Historical cost method value the brand as the sum of all costs incurred in bringing the brand to its current state. The biggest drawback in the method is difficulty in identifying the cost involved and separating them from marketing expenditure which was responsible for brand building.

** Value of Brand = Brand Development Cost + Brand Marketing & Distribution Cost+ Other Related Costs.

B. Cost to Recreate Method:

- The Cost to Recreate Method uses current prices in order to estimate the cost of recreating the brand today.
- As the Historical Cost of Creation Method, the Cost to Recreate Method is optimal to obtain a minimum value and when dealing with a newly created brand.
- This method tries to overcome the difficulties arising from the historical cost by focusing on the present instead of on the past.
- However, the main issue is that some brands cannot be realistically recreated because they might have been created in a period when advertising expenditure was negligible and when brands were nurtured over time by word-of-mouth, which is not possible today anymore.
- It could also be difficult to define the cost of recreation of the brand because it is not easy to delineate the performance of brand leaders.
- The value obtained with this method will include the same pitfalls and obsolescence as the company's intangible assets.
- The final issue is that the cost to recreate method is still not a good indicator for the future.

C. Replacement Cost Method: This approach values a brand using an estimated cost of creating a similar but new brand. Here the biggest difficulty is in estimating costs. Assumptions required for estimation are often questionable and arbitrary.

D. Capitalization of Brand: Attributable Expenses Method: The Capitalization ofBrand-Attributable Expenses Method defines the brand value as the business value attributable to the brand, which depends on the proportion of accumulated advertising expense over the total marketing expenses incurred, including other selling and distribution costs.

E. Residual Method: The Residual Value Method states that the value of the brand is the discounted residual value obtained subtracting the cumulative brand costs from the cumulative revenues attributable to the brand.

2. Market Approach:

- **Comparable Company Analysis (CCA):** This method involves comparing the brand to similar publicly traded companies and their brand values. Ratios such as market capitalization to brand value are analyzed to derive a valuation.

- **Comparable Transactions Analysis (CTA):** Similar to CCA, CTA involves analyzing the brand values of comparable companies but focuses on recent transactions involving the sale or licensing of brands.

3. Income Based Approach: The Income-based Approach is the most popular among financial analysts and it comprehends many different methods.

A. Royalty Relief Method:

- The Royalty Relief method is the most popular in practice. It is premised on the royalty that a company would have to pay for the use of the trademark if they had to license it.
- The methodology that needs to be followed here is that the valuer must firstly determine the underlining base for the calculation (percentage of turnover, net sales or another base, or number of units), determine the appropriate royalty rate and determine a growth rate, expected life and discount rate for the brand.
- Valuers usually rely on databases that publish international royalty rates for the specific industry and the product.

B. Price Premium Method:

- The premise of the price premium approach is that a branded product should sell for a premium over a generic product.
- The Price Premium Method calculates the brand value by multiplying the price differential of the branded product with respect to a generic product by the total volume of branded sales.
- It assumes that the brand generates an additional benefit for consumers, for which they are willing to pay a little extra. The fault in this method is that where a branded product does not command a price premium, the benefit arises on the cost and market share dimensions.

Importance of Brand Valuation

Brand valuation has been by far used for many purposes by companies.

1. Mergers and Acquisitions: Usually, a company or an organization does not pay the book value while acquiring another business entity. Now the difference between the paid acquisition price and book value is known as Goodwill. Goodwill can be defined as the value of a business entity which is not directly attributable to its tangible assets and liabilities. Estimating the financial

value using brand valuation of a brand helps us to determine the premium over book value that a buyer should be paying.

2. Licensing: One of the approaches to take advantage of the value of a solid brand is by broadening or permitting the brand. It is feasible for both the licensor and the licensee to profit financially from an authorizing course of action. The licensor profits by another wellspring of income that requires minimal capital speculation. The licensee benefits by having a lower channel, publicizing and client obtaining costs.

3. Financing: While companies don't convey marks on their monetary records as long-term resources, money related markets perceive the commitment brands have on investor esteem. Organizations with solid brands consistently acquire preferable budgetary terms over organizations with poor brands. The higher the estimation of the brand through brand valuation, the better the terms.

4. Brand Reviews: Usually, brand investment reviews entail the comparison, across brands and against competitors of hard measures, such as sales and market share, and soft measures, such as reputation and awareness. For some brands, it is also important to determine financial value. Brand valuations allow companies to gauge their return on brand investment and to develop appropriate investment strategies across a portfolio of brands.

5. Budget Allocations: The marketing mix is utilized by advertisers who must settle on choices about the assignment of spending plan and assets. Organizations can now more precisely gauge the blend of promoting vehicles required to expand both spending proficiency and advertising viability. For a few organizations, brand valuations are a basic component of the marketing mix.

Advantages of Brand Valuation

Certain benefits of Brand Valuation for companies are:

1. Brand valuation changes the outlook of the firm and makes the executive's frameworks that initially recognize and afterward measure the key drivers of brand an incentive in the firm, from both the advertising and the money (investor esteem) perspective.

2. It builds up the frameworks that catch a past filled with these brand esteem drivers and hence loans validity to the valuation procedure sometime in the future while decreasing the cost.

3. It empowers the brand to be overseen against indistinguishable criteria from different interests in the firm.

Disadvantages of Brand Valuation

The drawbacks of brand Valuation are:

1. Nearly all models don't meet prerequisites, for example, dependability, undeniable nature and objectivity.

2. All buyer situated models don't think about money related qualities and accordingly are not appropriate for merger and securing, outside announcing, spending arranging, brand authorizing and encroachment of brand rights. Conversely, all monetary arranged models don't consider brand planning and brand the executives.

3. Only the brand valuation models consolidating both buyers arranged and budgetary situated perspectives think about money related angles just as non-fiscal viewpoints. Subsequently, the brand assessment is very abstract concerning the change of non-fiscal qualities into money-related qualities by utilizing, for example, none experimentally tried scoring-models. Moreover, they are not straightforward because of their business foundation

4. An unlimited, acknowledged model does not exist.

5. An extra and frequently ignored point is the comprehensive thought of the organization and its few corporate assessment approaches.