

Deconstructing Brand Equity: Rigorous Analysis Provides A Platform for Action

By Eric Almquist

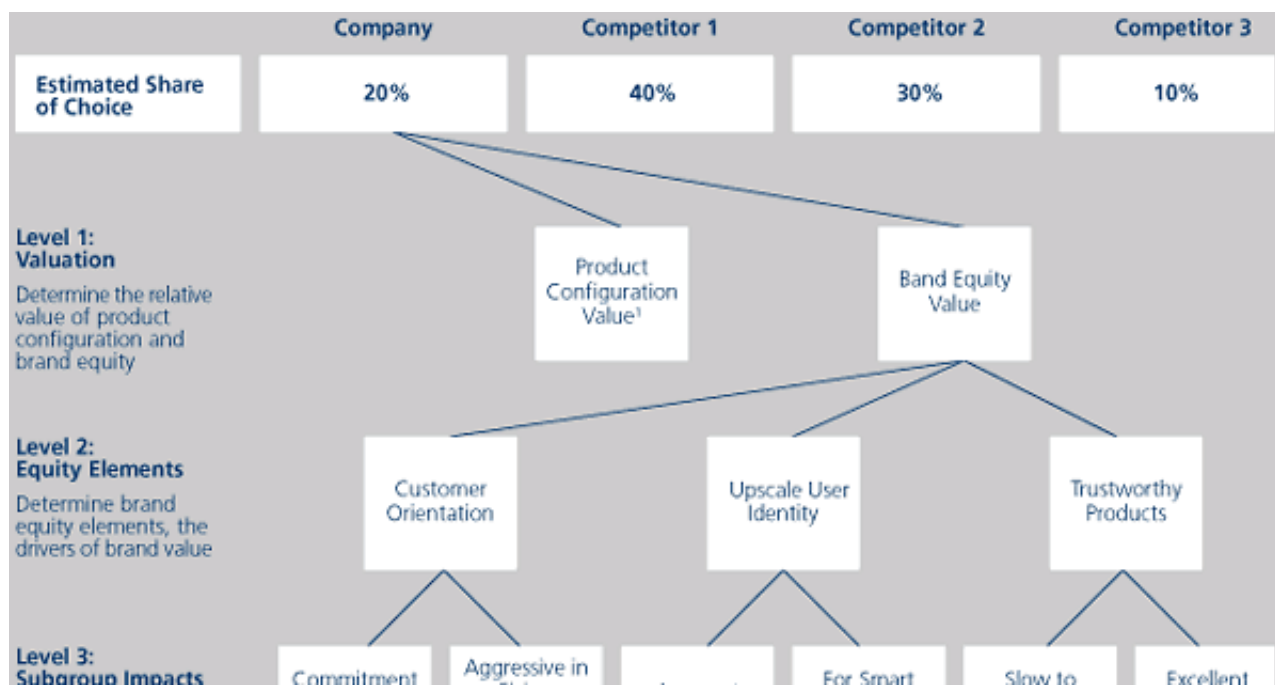
The power that comes from understanding, at a deep and detailed level, how a brand actually shifts demand among different customer segments can't be overestimated. Such an understanding, reached through quantitative analysis, helps executives confidently plan and execute a brand strategy that will drive profit and shareholder value growth.

The key to achieving this understanding lies in the quantification of a brand's "equity" through the isolation of its equity elements. Brand equity is the total value of all attributes implicit in a brand that convince a customer to purchase a particular product or service over competing offerings, all else being equal. (It also influences where employees choose to work and where investors choose to put their money.)

Unlike brand image, which includes all of a brand's positive and negative associations, brand equity represents only those attributes that affect actual customer choices. The equity can have a positive or negative value, depending on whether it makes a customer more or less likely to buy. And, because it represents the value of a brand in the eyes of the customer, it will vary depending on the customer segment.

The different attributes of a brand that influence customer choice are known as equity elements, and they will vary from brand to brand. One means of identifying them and assessing their relative value is a marketing science tool, Strategic Choice Analysis (SCA)[®]. The information that flows from this analysis is rich and detailed, providing a basis for marketplace actions (see Exhibit 1):

Exhibit 1: Brand equity analysis quantifies the drivers of customer demand for each competitor and each customer segment.



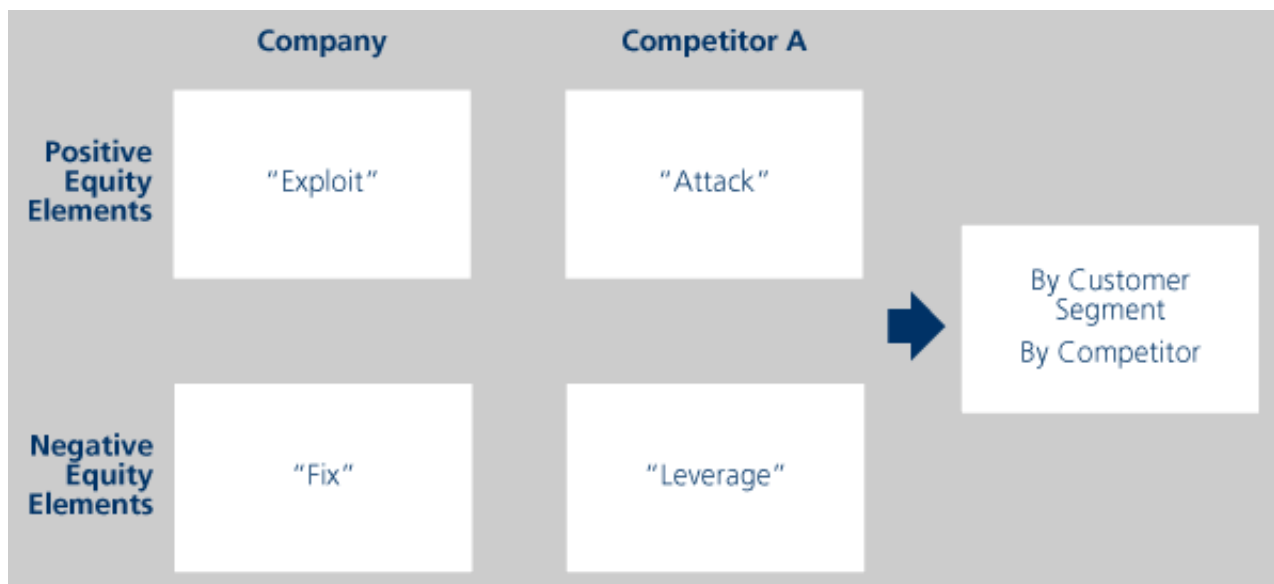


- *At the first level—valuation*—the relative values of product or service configuration and brand equity are measured, by customer segment, for the company and its competitors. This analysis provides a high-level, segment-by-segment view of competitive opportunities and threats directly tied to brand strategy.
- *At the second level—equity element identification*—brand equity is disaggregated to reveal its key drivers. This analysis reveals points of possible leverage for increasing brand equity, as well as brand elements that currently have unrealized potential or that represent negative value.
- *At the third level—subgroup impacts*—the diagnosis becomes even more detailed, revealing how individual elements of brand image drive each equity element. This analysis provides the information needed for companies to take action.

Unlike other common methods for estimating brand value, such as standard market research surveys or balance-sheet analyses of goodwill, an SCA-based approach directly ties brand image to customer behavior, helping companies to attract and retain the loyalty of the most attractive customer segments.

Once managers understand brand equity and its drivers (both positive and negative), they can use it to take action (see Exhibit 2):

Exhibit 2 The analysis will suggest an array of possible moves.



- A company should above all exploit its core equity elements, those that drive positive equity in a given

segment.

- It should fix its negative equity elements, those that undermine its brand strength and represent lost share.
- It should attack its competitors' positive equity elements, in an attempt to neutralize competitors' brand advantage.
- It should leverage its competitors' negative equity elements, taking full advantage of these weaknesses.

This data-driven approach to brand management can unlock insight and innovation in a way never before possible. It will shed light on previously unrecognized opportunities and help managers make smart decisions concerning marketing and customer experience investments, new product development, geographic expansion, and merger and acquisition strategy. The end result will be significant growth in profits and shareholder value.