



A single number  
that tells you  
what your  
brand is worth  
today won't  
help you make  
it worth more  
tomorrow.

# The Measure and Mismeasure of Brand

**There is a great interest** among many to understand what their brand is worth in sheer financial terms. However, we believe this financial valuation approach has little value. Moreover, relying on the relative financial value of brands for certain decisions can be overly simplistic. For example, a company must choose between two brands. The numbers show that Brand A

# Brand is as understandable and manageable as any other activity – if measured with a

has a higher value than Brand B. The assumption often made is that Brand A is the right one to use. Not necessarily, if:

- Brand B is used in other geographic markets and has not been promoted in Brand A's territory, or
- Brand B has greater long-term potential, e.g., can be stretched or expanded and used in other categories, or
- Brand B is the corporate name and the strategy is to build one brand long-term, not support multiple brands.

The prevailing methods (see page 12) produce a rough number that is half right-brain, half left-brain – and, at best, a half-answer. It might help decide whether to pull the trigger on a merger or divestiture, but it does little to tell management how to protect and grow the value of its brand.

There is a better path. It, too, involves measurement, particularly of the feelings and perceptions in the marketplace about a brand and competing brands, as well as other factors. Its aim is not merely a number, but a clear direction to

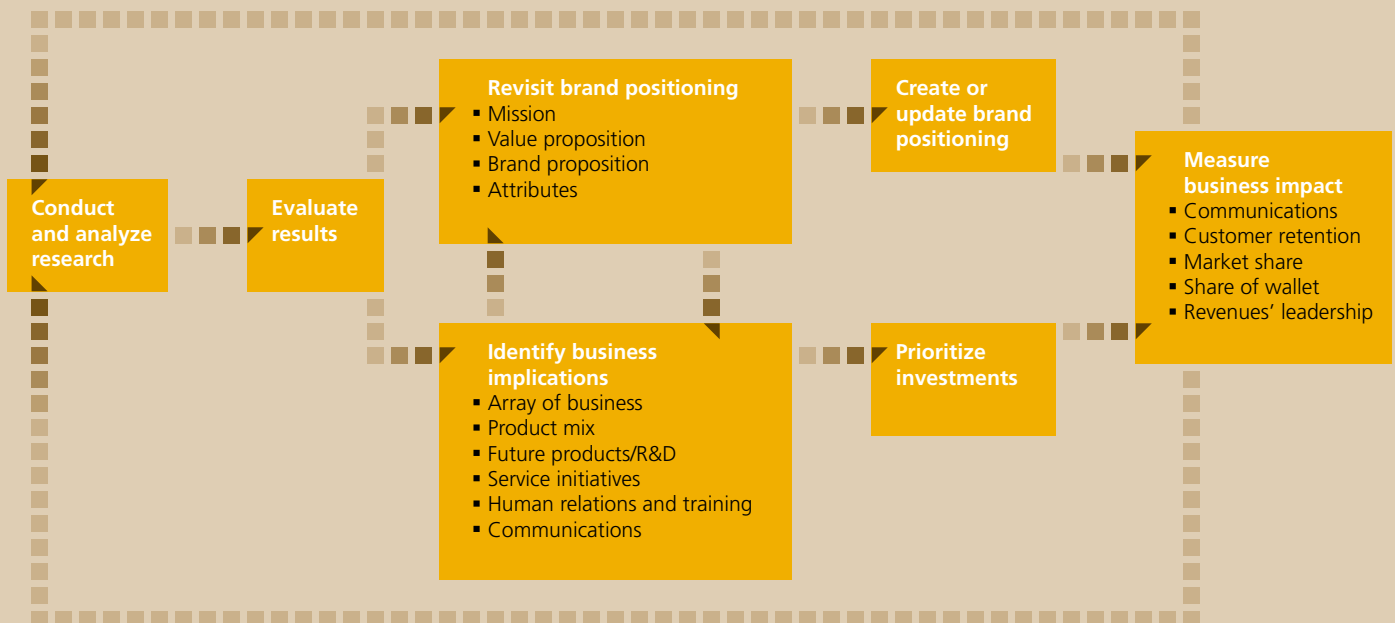
improved business performance, and the ability to refine this path over time. We call it **Strategic Brand Assessment<sup>SM</sup>**.

The desire to determine a brand's value is understandable – in fact, commendable. In the aftermath of dot-coms with sky-high market capitalization passed off as “brand value,” brands are under the microscope as never before. But a single-number approach is, we firmly believe, tangential to effective brand-building and brand management. In fact, for most purposes, brand simply cannot be reduced to a number. Any large, mature brand is an enormously complex set of values, not a single value. Making corporate decisions based on a numeric value for the brand is like managing an economy knowing only its gross domestic product.

Consider that for many companies, business and brand are inseparable. What is Nike without the swoosh or IBM without its richly cultivated identity? Commodity businesses aren't compelling. Would teenagers clamor for generic Asian-made sneakers? Would CIOs buy anonymous e-business services? Not likely. The proof of this is often at the extreme, when a brand becomes so tarnished (think of Arthur

## Brand measurement process

In 6 to 12 months



In 6 to 12 months



# business tool other than a calculator.

Andersen) the license to operate is removed and the business destroyed. At that point, the question of dollar value becomes moot. The value of the brand was the value of the business.

## Valid Brand Measurement

Brand is no more or less than the expression of a company's essential business. As a result, it should be as understandable and manageable as any other business activity. It can be molded, steered back on course, refreshed, adapted to changing circumstances and reinvented. Or it can be distorted, diluted, squandered and neglected into oblivion. This is precisely why brand can and should be measured, but with quite different tools than balance sheets and calculators.

Think of a company's brand as a living, breathing being that resides in the collective imagination of everybody touched by the company as it conducts business. This very real human phenomenon – kids jostling to buy the newest Air Jordan, CIOs hiring IBM because they count on its ability to deliver – is best understood as social and psychological, not arithmetic. Yet one result of any brand measurement

will be the allocation of financial resources to address what the measurement process discovers. Therefore, brand measurement must produce analysis that's persuasive to financial managers, and provide the means to assess return on investment.

To manage a corporate brand, we believe, requires translating the social behavior around it into rational terms, so that its important qualities are quantified as intensities and values and precisely defined components that can be acted upon. This too is measurement – not solely as a function of shareholder value, but rather as two more inclusive measures of value: **stakeholder value** and **contextual value**. The stakeholders include everyone who has a personal interest in the brand, and in proportion to their stake – customers, potential customers, disenfranchised customers, employees, potential employees, investors and brand influencers from financial analysts to community leaders. Contextual value measures the brand and its drivers relative to those of competitors, similar industries and parallel situations.

Strategic brand measurement is a process. It combines standard marketing practices and closely

### 1 Brand drivers and their attributes

Provides brand attributes through research; factor analysis determines the brand drivers, typically 7 to 10.

Customer Service	Product Quality	Value	Innovation
Attentive, listens	Well made	Good for the money	Ahead of the pack
Solves my problem	Lasts a long time	Good by comparison	Source of new ideas
Easy access	Few repairs needed	Range of price points	Known for creativity
Warm, friendly	Attractive		Will change the rules
	Feels substantial		

### 3 Drivers and the competitive context

Evaluates brand against competitors to identify strengths/weaknesses

### 2 Relative importance of brand drivers

Identifies importance of drivers within each segment.

Business Objective	Customers		Prospects	
	Current Products	Expanded Products	New Customers	Early Adopters
	Retain	Increase share of wallet	Increase market share	Generate revenues, leadership
Customer service	■■■■■	■■■■	■■■■■	■■■
Product quality	■■■■■	■■■■■	■■■■■	■■■■■
Value	■■■■■	■■■	■■■■■	■■■
Innovation	■	■■■■■	■■■	■■■■■

### 4 Competitive brand position over time

Shows where to invest to achieve a desired result.

Business Objective	Customers		Prospects	
	Current Products	Expanded Products	New Customers	Early Adopters
Leverage strengths	Customer service	■■■■■	Innovation	■■■■■
	Product quality	■■■■■		
Address weaknesses	Value	■■■■■	Customer service	■■■■■
Capitalize on opportunities	Value	■■■■■	Product quality	■■■■■
			Innovation	■■■■■



# The biggest benefit of valid brand measurement is direction for the business itself.

related methods from the social, behavioral and statistical sciences. As in all good science, there is an art to its application. Properly managed, this process produces information and tools that help senior management make critical decisions, point the business in the right direction and achieve objectives that can:

- focus and intensify the brand
- clarify and refine strategy
- create compelling new offers
- protect against brand risk
- produce competitive advantage
- reduce brand-support costs
- improve short-term profitability

## Methods to Measure a Brand's Value

While financial methods assign a numeric value for brand, and brand image tracking provides benchmark ratings, only Strategic Brand Assessment<sup>SM</sup> provides a roadmap for increasing brand value.

### Brand as Intangible Asset (Numeric Value)

- Explains difference in market-to-book, expected earnings or expected income as brand value
- Uses established accounting methods
- Attributes other intangibles to "brand"

### Brand as Piece of Company Market Value (Numeric Value)

- Uses measures such as advertising, patents, R&D, age, industry structure, expected earnings
- Often used to compare companies across industries
- Only works for public companies

### Brand Index Valuation

- Relies on a historical database of brand image attributes across a range of product categories
- Uses ratings index to benchmark relative brand strength
- Not customized for particular industry and company situation

### Strategic Brand Assessment<sup>SM</sup>

- Defines brand value in business context from perspective of current and potential customers
- Uses customized primary research to define brand drivers and assess relative brand strengths and weaknesses in a competitive context
- Identifies brand positioning opportunities and business investment imperatives for building brand value

In addition, this process will help enhance the traditional benefits of a strong, clearly defined brand – employee retention and recruitment, ready sources of funding and customer loyalty.

### Pinpointing Brand Drivers

At the core of any brand are a handful of elements that can influence and change behavior. We call them "brand drivers." They come from a small, specific universe of "brand attributes." Knowing the brand drivers provides managers with a powerful array of options for bringing brand to bear to solve business problems, seize market opportunities and plot the most profitable course for the business.

There are two elements to brand drivers: The attributes people consider when deciding to purchase a brand in a category, and the actual differentiators – the elements that spur behavior. A company typically has a half dozen or so key brand drivers, which vary in relative importance depending on audience and circumstance. Any brand-driver research needs to be sufficiently deep to understand the changes in relative importance among not only the company's drivers, but also those of competitors. Over time, additional studies will show shifts in this picture, particularly the effects of any actions taken to achieve some desired result.

Depending on industry, brand drivers generally don't alter dramatically year to year. But if the business is technology-dependent or otherwise full of flux, drivers can change quickly. For example, as people become familiar with technology through use, second-order drivers become more important. It makes sense to promote a company's ability to innovate in advance of an important product launch, but after the launch emphasis may need to shift to tangible features, benefits and price.

Despite the decided benefits of Strategic Brand Assessment<sup>SM</sup>, few companies fully know and understand their key brand drivers. Yet companies commit sizable resources to other less strategic brand measurements. The marketing department probably gauges awareness and perceptions of the brand. Advertising recall is typically measured. This research may provide a picture of the brand at a point in time, but no roadmap for the future. To complicate matters, brand measurement in large companies often consists of decentralized, uncoordinated research efforts. The brand "picture" becomes a series of fragments by line of business,

## Measuring Brand: Single Valuation vs. Ongoing Strategic Assessment

<b>Single-Measure Brand Valuation<sup>SM</sup></b>	<b>Ongoing Strategic Brand Assessment</b>
Retrospective	Future-oriented
Focus on single number	Focus on strategic business outcomes
Weighs financial value	Weighs relevance to customer and business
Audience not important	Focus on audiences through segmentation
Compares competitive brand values numerically	Analyzes competitive brand equity
Does not identify strategic opportunities	Identifies and assesses strategic opportunities
Static view of brand strategy	Dynamic view of brand strategy
Serial over time	Iterative and cumulative over time
No feedback beyond numerical change	Feedback to assess decisions
Tactical	Strategic

geographies and target markets. Yet even the most robust of conventional brand studies tends to fall short in helping determine future brand direction.

### **Strategic Brand Assessment<sup>SM</sup>**

Our approach isolates the impact of brand. It digs down and exposes customer decision-making. It involves a comprehensive assessment of the brand in the hearts and minds of all critical audiences, external and internal. The process has four major parts: information gathering and preparation, experimental design, back-end analysis and decision modeling. Of the four, the work up front is the most important. From the initial preparation and analysis – why and what you’re trying to achieve – everything flows.

The results come in terms of strategic options: What’s important, a brand’s strengths and weaknesses, competitive brand strengths and weaknesses, are there white spaces – important areas not served that a brand is positioned to own. What starts to emerge is a roadmap for the brand linked to what the company has been doing recently, what it should do in the future, and direction on how to get there.

In light of this new information, the company’s vision and mission may need modification. It will help the company refine its positioning. Defining the key image attributes follows in a process that starts with the study results, filters them through top management’s knowledge and experience, and makes sure they differentiate in their competitive arena. Next in the process: a communications plan with audiences identified and messages by key audiences. Finally comes implications for the business itself. These can be the biggest benefits of strategic brand assessment – areas of vulnerability that must be buttressed to improve credibility, or

unique strengths that suggest paths for future service offerings. The more extensive and well-planned the research, the more likely that these business implications will have real substance.

Another key measure is organizational alignment – how well the vision is being supported. Are the company’s values well understood internally or are there pockets of confusion or resistance? Is employee behavior toward customers consistent with the image the company wishes to project, or are there disconnects?

Clearly, strategic brand measurement can be a powerful and versatile tool, not only to move a company forward in the directions indicated by its strengths, but also to identify and address weaknesses. It doesn’t merely try to place a value on the corporate brand: It provides the means to maximize brand value and project value into the future.

### **Conclusion**

Realizing that brand has value is a fundamental first step. If attaching a number to the corporate brand is the only way to gain high-level attention and make the point, then by all means do so – but quickly move on to more fundamental goals: Understand the brand, make sure it is strong and relevant and learn how to maximize the brand’s positive impact on tangible business results. To do these things effectively and efficiently requires a brand measurement process that monitors brand drivers – the attributes of the brand relevant to key audiences. Companies that are first to invest in such a process will understand better than their competitors how to differentiate their business, gain share of mind and keep their brand and company vital. These companies are more likely to become industry leaders.