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managing brand value strengthens business health

– *Judy Hopelain*

Most companies closely measure their businesses across multiple dimensions, from productivity to return on investment to cash flow. Brand and marketing spending effectiveness are the last holdouts in the move toward analytical rigor in core business processes. Failure to analyze brand and marketing investment impact prevents marketing from having a seat at the decision-making table. Ensuring and demonstrating the effectiveness of current and potential future marketing investments in meeting business objectives is a must-do for senior marketing executives today. Understanding the near-term impact of the current marketing campaign is often a starting point for brand measurement initiatives. Brand measurement systems help companies direct their efforts and resources to areas with the greatest brand and business impact.

Given brand's intangibility, it's no wonder that few businesses actively measure the impact of their brands. Prophet's 2002 Best Practices Study found that only 35% of 90 global corporations surveyed proactively monitor their brands. Those 35% know that by doing a better job of measuring their brands' health and linking those results to business performance, both the brand and the business are strengthened.

A brand is a set of expectations and associations evoked from experience with a company or product. It's all about how customers think and feel about what the business or product actually delivers, from beginning to end. If the customer's experiences are positive, they are likely to have a positive perception of the brand, leading to increased likelihood of repeat purchase and positive word of mouth, leading to measurable bottom-line contributions in terms of increased market share and profitability.

Getting at such overall business benefits requires brand managers to understand the causal relationships between customer attitudes, customer behaviors and financial results. The underlying thinking here is that brand perceptions influence the brand's performance, and brand performance drives business results.

Customer Experience		Business Impact
Brand Perception Metrics	**Brand Performance Metrics**	**Financial Metrics**
Actionable metrics that diagnose customer **attitudes** about the brand experience	Metrics that diagnose the brand's impact on customer **behaviors**	Measurements that determine a company's financial position & define its **financial performance**
Examples: • Awareness • Understanding • Relevance • Credibility • Extendibility • Consideration • Purchase Intent • Customer Service	*Examples:* • Purchase Conversion • Customer Acquisition (new) • Account Penetration • Cross Purchasing • Price Premium • Share of Wallet • Advocacy/Referrals • Customer Loyalty	*Examples:* • Revenue Growth • Margin/Margin Growth • Brand Value • Return on Marketing Investment

Creating a brand measurement system that will help effectively manage the health of the brand and the business requires understanding the interplay between the various types of metrics, undertaking a strategic metrics selection process that ensures the business and brand goals are aligned and appropriate metrics are put in place to assess those goals, and understanding the "rules" for implementation.

As shown above, metrics fall into three categories. Financial metrics describe a company's financial performance. These include the typical metrics that most companies measure, from revenue growth to margin growth, as well as some non-traditional measures such as brand value or return on marketing investment. Performance metrics help assess how the various brand perceptions and brand-building activities combine to drive customer behavior, which then result in revenue or profit growth. These metrics range from customer acquisition to price premium to customer loyalty. Perception metrics, such as relevance, awareness, and preference, monitor the more intangible aspects of a brand and help gauge the effectiveness of brand-building activities across all points of interaction with a customer.

The challenge for marketers is to understand the causal relationships between brand perception, brand performance and financial metrics, rather than just collecting additional data, and then to select metrics that help achieve their business goals.

Causality, or Brand Influence, is determined through understanding the drivers of demand, or factors that lead customers to choose one brand over an alternative. These drivers require an understanding of the extent to which the "brand" is important in the selection process. Brand Influence is determined through in-depth quantitative customer research (e.g., conjoint analysis) and interviews with key stakeholders.

For example, one airline undertook customer research to better understand Brand Influence, with conjoint analysis revealing that customer service and prestige were the top drivers of brand value. This knowledge led to the airline's realization that to achieve 20% revenue growth (financial metric), perceptions of customer service and prestige needed to be increased to improve purchase conversion and customer acquisition rates (performance metrics). Improving customer service required the airline to measure and monitor its customer service levels (perception metric), as well as those indicators of customer service (short wait times, amenities for frequent travelers, etc.). To improve perceived prestige, the airline needed to increase customer understanding of its brand (perception metric), as well as the luxury services which it offered. The Brand Influence link between these various metrics is highlighted in the figure (see page 6) through the circled metrics and connecting arrows.

Using the determinants of Brand Influence as a backdrop, the task then becomes one of weighing which metrics should be used in combination as a way of measuring how well the brand is working to support business goals and objectives. Five basic rules underlie the selection of metrics. The metrics should be:

• **Simple to Use –** The more complex the metric, the more time spent on measuring the brand than managing it.

• **Meaningful –** There must be a direct link to brand-building efforts as well as business results.

• **Actionable –** An apparent business decision should be associated with the metric, with the focus on "need-to-have" metrics, not "nice-to have" metrics.

• **Repeatable –** Consistent, repeatable application of a metric is necessary to deliver valuable information.

• **Time-bound –** Results should be compared, benchmarked and evaluated against other brands within the portfolio and the competition at regular intervals.

This article provides the strategic overview under which brand metrics can be developed and put to good use. Various ways exist to develop meaningful and quantifiable measures, involving custom surveys, syndicated data, or financial performance. For the sake of expediency and affordability, a blend of approaches is often best, particularly given the frequency with which a business needs to measure for meaningful results.

Understanding brand value is about understanding how your brands are valuable and how they can be leveraged. To manage brands effectively with metrics, marketers must clearly understand the link between the brand and business strategy. Well-designed metrics can help diagnose the brand's health and show how it can be better managed. They can also provide the rationale for more effective brand and business resource allocation. In the final equation, a more measured approach to gauging the brand's performance will help marketers link brand to business objectives and get themselves invited to the decision-making table.

Judy Hopelain is the managing partner of the San Francisco office of Prophet (www.prophet.com), a management consulting firm that integrates brand, business and marketing strategies.

She can be reached at jhopelain@prophet.com.

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