

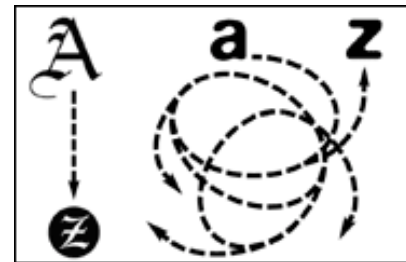


## Brand Vitals: Essential Principles for Monitoring Brand Health

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### The Case for Brand Measurement

If you don't know where you are, it is hard to figure out how to get where you want to go. Seems obvious, but many companies find themselves planning brand strategy without an adequate picture of their current position. While market share and revenue provide a top level view, they do not reveal the underlying customer dynamics that indicate how to ensure future success or mitigate vulnerabilities. Sales and market share alone cannot prescribe what do to next to sustain a healthy brand.<sup>1</sup>



To set realistic objectives and create effective brand-building programs, marketers need up-to-date information about their customers. They need answers to basic questions such as:

- Which customers like us and which ones don't?
- How *much* do they like us?
- Why do they like us?
- How is that different from a year ago? Six months ago?
- What does that mean for our business?

Executing brand measurement via online surveys isn't hard to do, particularly now that many companies have established customer databases. The hard part is knowing *what* to measure. Every marketer has a story about an expensive tracking study where nothing ever changed. Or if it did change, the reasons why were anyone's guess. Most likely they were tracking the wrong things. Awareness and attitudes have never been bankable, so why track them exclusively? Yet, a recent ANA survey<sup>2</sup> shows that market share (81%), awareness (79%) and brand attitudes (79%) are the three most commonly used brand measures.

<sup>1</sup> Reynolds, Thomas J and Phillips, Carol B, "In Search of True Brand Equity Metrics: All Market Share Ain't Created Equal", Journal of Advertising Research, June 2005

<sup>2</sup> "ANA/MMA Accountability Survey: Marketing, Finance Not on the Same Metrics Page", September 2007

## Measuring What Matters

To be of practical use, brand measurements should relate to revenue and market share. Measurements should be taken frequently enough to generate data that will be useful in building correlational models. A well designed model shows how changes in media spending and program types impacted results in the past and predicts the impact of future alternatives.

The number of measures is also important. There should not be too many, so that brand managers can focus on what matters. More companies have gotten in trouble by having too many measure than having too few. Yet, it is possible to have too few. There is growing evidence that reliance on 'silver bullet' measures, such as the popular 'Net Promoter Score', is risky<sup>3</sup>. Our experience is that 5-7 key measures is optimal. While the specifics of these measures need to be tailored to each business, the framework is the same, with metrics drawn from each of three general classes:

1. Beliefs: Indications of how customers and potential customers think of your brand relative to their meaningful alternatives, especially in the areas of quality and value.
2. Behavior: Purchase frequency and volume (products), visit frequency and spending (transactional services) or relationship length and churn (subscriptions).
3. Intent: Likelihood of future purchase or of switching.

Most important, measures and the frequency of measuring should be appropriate to the specific dynamics of each business, and what it takes to convert, or move customers from one level of the purchase funnel to another, from awareness to purchase to advocacy.<sup>4</sup>

## Getting Started

Putting the right metrics in place starts with a deep understanding of what really drives your business. Do you really know the relevant choices and decision drivers from the customer's perspective? If not, laddering research or a baseline segmentation study is a logical first step.

Once the competitive landscape and decision drivers are understood, it is important to define the target. Is your business influenced more by existing customers or by acquiring new customers? What matters more, a handful of 'best customers' or a broad spectrum of less frequent users? If current customers are the key driver, then a sample based on a proprietary database may be most appropriate. However, if a continual stream of new customers is

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<sup>3</sup> Keiningham, Timothy, L., et. al, "A Longitudinal Examination of Net Promoter and Firm Growth, Journal of Marketing, July 2007

<sup>4</sup> Copeland, John and Hopelain, Judy, "On Track: The Next Generation of Measures Offers Improved Business Performance and Eases Budget Concerns", Marketing Management, September/October, 2005

essential to growing your business, then a more general sample of category users is appropriate.

Finally, it is important to establish the right measurement frequency. Measurements should be taken just often enough to be sensitive to changes in the category or the marketing environment.

## Selecting the Right Metrics

Five metrics are generally sufficient to provide an actionable picture of brand health. All five can be assessed with a customer or potential customer survey:

- Relative Quality Perceptions: The beliefs that drive behavior across most categories are 'price' and 'quality'. Loyal customers think their brand is superior for some reason and this superiority overcomes or offsets their price sensitivity. Occasional users or non-users generally have different quality perceptions that result in greater price sensitivity. Relative quality perceptions can be measured using a simple four pointscale – Superior, Good, Acceptable and Not Acceptable. Ratings of all the relevant brands gives an accurate picture of how customers and non-customers think of your brand relative to competitors. By examining quality perceptions for different behavior groups, it becomes clear how a brand must impact customers in order to grow.
- Relative Price Perceptions: Price sensitivity can also be measured using a four point scale. The level of price sensitivity for each brand in the competitive set can be rated according to how much price presents a barrier to purchase: “not a barrier”, “a minor barrier”, “a significant barrier”, or an “absolute barrier”. (Note that both quality and price ratings assume marketers know the relevant competitive set).
- Loyalty Behavior: Research has demonstrated that consumers self-report their behavior via surveys or purchase diaries fairly accurately. Data should include not only brands purchased, but also purchase frequency and amount spent. For subscriber-based services such as telecom services, length of relationship and monthly spending provide a more accurate picture.
- Brand Attributes: In every category, there is usually a handful of criteria that drive brand choice. These criteria are often related to quality and are useful as diagnostics for understanding value perceptions.
- Intent: Future trends can sometimes be anticipated by simply asking customers to evaluate whether their most recent purchase behavior is “normal”, or above or below “normal” and project future brand purchase behavior in terms of frequency, brands and amounts.

***Does Your Measurement System  
Address these Questions?***

- 1. How is my brand doing versus competition?*
- 2. Where does my offering stand in relation to what the customer wants?*
- 3. How are loyal customers defined? What behaviors need to be encouraged for the brand to become 'healthier'?*
- 4. What is the contribution of loyal customers to creating revenue and profits for my brand and for the category as a whole?*
- 5. What elements of the marketing mix will make my brand stronger?*
- 6. What are the leading indicators for problems with my brand?*
- 7. How can I optimize my positioning and other strategic marketing decisions?*

*"In Search of True Brand Equity Metrics: All Market Share Ain't Created Equal", Thomas J. Reynolds & Carol B. Phillips, Journal of Advertising Research, 2005*

## **Monitoring Brand Health**

While a one-time brand 'snapshot' is useful for knowing where you are at any given time, the data is most valuable when collected systematically over time and analyzed to create a 'movie' of where the brand is headed. Two analyses are particularly revealing.

First, consumers can be classified into segments based on their responses to the two measures of relative brand perceptions, 'Quality' (Q) and 'Price sensitivity' (P). Imagine a 4 X 4 matrix, with each consumer assigned to a different box according to their Q/P rating (see figure 1). In theory, the strongest brands would have more customers in the Q/P classification "Superior Quality/Price Not a Barrier".

Taking this a step further, the strongest brands would also source most of their business from consumers who hold those beliefs. By comparing the customer and volume distributions across the matrix for different brands, it is possible to assess relative brand 'health'.

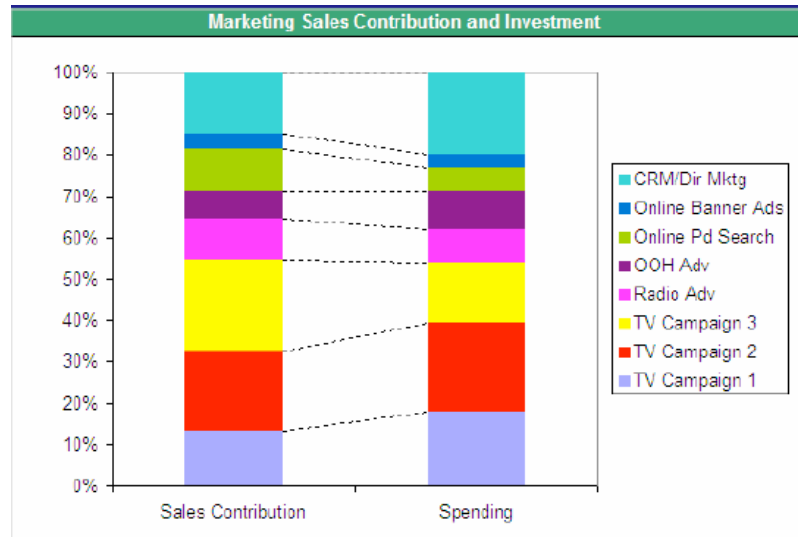
Changes in distribution across the matrix over time for a single brand indicate changes in brand health. Thus, this one simple analysis yields a virtual gold mine of information about sources of volume, and how that volume relates to brand beliefs.

A healthy brand is one whose volume is increasingly sourced from customers who have strong quality perceptions, low price sensitivity, and strong future intent. Brands that source volume increasingly from customers with low quality perceptions and high price sensitivity are in trouble. In order to grow, they need to increase quality perceptions and work to wean customers from price promotions and discounts.

## Building a Brand Impact Model

With a little effort, the data from a brand health measurement system can be combined with program data to create a marketing and media mix model. This type of model is an essential tool for understanding how to optimize spending for maximum impact. It reflects the short-term relative effectiveness and ROI of all marketing spending - digital and online marketing efforts, as well as traditional media. When the model is extended to quantify longer-term effects on a brand's business, it becomes even more valuable. Spending scenarios can be optimized to maximize total sales or return and generate specific spending recommendations, accompanied by an estimate of sales, ROI and expected "lift".

In the client example to the right, a major metropolitan zoo learned that not all marketing activities were contributing their 'fair share' to customer traffic. By adjusting their spending allocation, the zoo was able to increase its marketing efficiency by nearly 20%.



## Summary

Though most companies have created some type of marketing accountability process, nearly all are inconsistent in how those processes are managed and applied. Creating an actionable brand health monitoring system doesn't have to be complex or expensive. While it takes a little effort to identify and select the right 'brand vitals', to commit to consistently monitoring those vitals over time and combine the data with information about marketing activities to create a model, the results are well worth the effort.

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