AT LAST!

BRAND MEASUREMENT EQUALS BRAND PERFORMANCE

The evolution of present day brand measurement can be traced back to the theories set out in the popular 1991 text by David Aaker, *Managing Brand Equity*. He went on to contend that metrics such as sales that were competing with his proposed measure 'tend to be short term and provide little incentive for investment in brand building' (Aaker, 1996).

And with that, many from the marketing research fraternity embarked on an 18 year misadventure as they attempted to develop predictors of the theoretical construct - brand equity.

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There has been little convergence on how to measure brand equity. Originally it was proposed that brand equity could be measured by the 'Brand Equity 10' (Aaker, 1991), which recommended the use of ten measures. In a more recent academic journal article on the topic (Vogel et al, 2008), four measures were proposed. However, none of these four measures were the same as those originally proposed by Aaker in 1991. Meanwhile, marketing research firms have developed their own methods: Research International has developed the Equity Engine; IPSOS the Equity Builder; AC Nielsen the Winning Brands; and Millward Brown the BrandDynamics; all of which stake their claim at measuring brand equity in some way or another.

Yet, throughout the ages, the business finance community has continued to value brands based on the economic use method involving discounted cash flow of future sales.

Future sales, stored value and goodwill are all expressions that marketers' brand definition should be based upon. The definition is crucial, because if how we define brand is wrong, then what we are measuring is unlikely to be right, and therefore the actions we undertake based on this measure are more likely to be misdirected.

THE MISSING CLARITY

If the objective of brand management is largely about protecting stored value and increasing future sales, then surely brand measurement should be about that same business outcome. Contrary to the belief of generations of marketing graduates, brand equity is not an outcome. At best, based on the myriad of often divergent definitions, it is an input.
If the brand outcome is future sales, brand measurement should also be about future sales.

It follows that brand measurement should produce strong correlations with future sales. For example, how is it possible that a brand measure could be flat while relative sales are rising (taking account of any lagged effects)? Quite simply, if your current brand-tracking research does not strongly correlate with changes in market share, then it is not measuring brand.

In a recent article by Knowles and Olins (2009), it was stated that reliable brand-tracking methodologies must be able to demonstrate that brands have the capability of generating superior returns over time. That is, a brand needs to be measured in terms of its ability to generate future cash flow. This would be the only way in which brands could be classified as assets to the organisation.

Similarly, Brock (2002) emphasised that brand-tracking research should be conducted with the aim of both explaining and predicting changes in brand performance in the marketplace—that is, sales or market share. This implies that a brand-tracking methodology should go beyond attitudinal aspects such as brand awareness, familiarity, relevance, bonding, presence and so on, or otherwise should not claim to be effectively monitoring brand.

Knowles and Olins (2009) conducted a review of a number of well-established commercial brand-tracking methodologies, and concluded that a key ingredient missing from these approaches was the linkage between attitudinal measures and consumers' purchase intentions. Robust measures used in brand-tracking studies need to be linked with the ability to predict future purchase intention or market share. It is for that reason organisations (for profit) invest millions of dollars every year to build their brands—and yet, organisations undertake such brand investment in the absence of a predictive model of what drives market share.

BRAND DEFINITION

In commerce, brand is the sum of all variables that influence future sales. Brand management involves identification of brand drivers and calculation of their relative importance. It sets out to influence the market's perception and experience of those variables, with a view to retaining or increasing market share.

In that context, brand is a vessel for stored value in the form of future sales. A brand driver is an experienced or perceived, price or non-price, emotional or rational variable that can be statistically verified as significantly driving future purchase behaviour.


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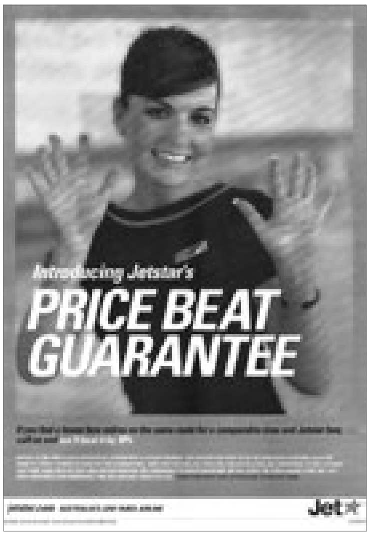
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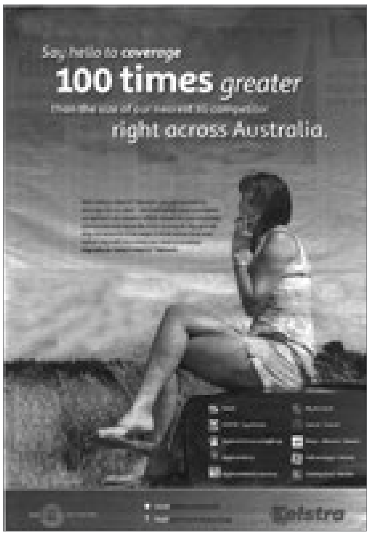
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BRAND MEASUREMENT DRIVING SALES

It has long been understood that value for money (what is paid for what is received) is a measure for predicting future sales (Rust et al, 2004), and therefore the ideal basis for brand measurement. A number of leading Australian businesses have used value as a basis for informing brand management decisions.

In October 2006, the Australian telecommunications carrier Telstra launched its 3G mobile network under the brand 'NextG'. Telstra claimed the NextG network was 100 times bigger geographically and up to five times faster than any other 3GSM mobile network in Australia.

According to the main competitor, Optus, geographical network coverage and network connection speed were significant brand attributes and drivers of market share. The launch of NextG caused a sharp, predicted deterioration in relative value for money of the Optus brand.

However, Optus management did not wait for the predicted loss of market share to eventuate. Instead, it rebalanced the relative value of the Optus brand by launching a comparative price campaign. Optus brand measurement had indicated that the relative importance of 'being competitively priced' would offset the sudden improvement in the geographical coverage and network connection speed of Telstra.

The primary learning from this was that Optus understood which brand drivers were underlying future sales and was monitoring its relative performance on those drivers.

Another example is the Qantas 'fighting' brand based around a low-cost value proposition—Jetstar. Jetstar also uses a value-for-money based metric for monitoring its brand. Despite the volatility of the airline market, it has consistently recorded a strong relationship between predicted sales from its brand-tracking research and actual passenger numbers.

The ability to predict changes in market share arises from understanding the relative importance and performance of brand drivers. In the case of a low-cost airline, it was pivotal to identify the vital few brand drivers to invest in. Jetstar chose the non-price driver of 'cabin performance' and the positioning driver of 'relative price' to focus its attention.

In the Qantas Group report at the time, Jetstar accounted for some 40% of profit. 12 months earlier, that number was closer to 10%. Jetstar is rapidly and effectively making ground on its competitors.

BRAND BUILDING USING BRAND MEASUREMENT

The first step in developing an effective brand tracker is to produce a list of hypothesised drivers of market share (Roberts, 2007). From this, the relative performance and importance of these drivers is obtained via data collection and analysis. This information provides organisations with a clear view of how each competitor is performing on the most important drivers of future sales. Based on this information, the candidates for brand-building can be assessed by management. This decision should be carefully deliberated, as there are several important factors to consider. For instance: the financial cost of the investment, the alignment with staff, the time required to make the change, and the additional time required for customers and non-customers to experience and perceive the changes respectively. Broadly, the model is depicted in **Figure 1**.

The approach used by Forethought, 'Prophecy Thoughts®', enables managers to make marketing decisions with confidence, as simulations of different scenarios can be easily conducted through an interactive simulation tool.

As changes are made to selected brand drivers in the simulation tool, the methodology behind Prophecy Thoughts® predicts changes to market share. This input can then be used as part of a calculation to assess the net present value of the investments.

NON-PRICE BRAND DRIVERS	PRICE BRAND DRIVERS
VALUE	
BRAND CHOICE	
FUTURE SALES	

FIGURE 1.

MARKET PERFORMANCE OF BRAND MEASUREMENT

Through the use of Prophecy®, Forethought has produced brand trackers that have demonstrated strong relationships between brand strength (an index that is produced from Prophecy®) and predicted changes in market share.

Research conducted by Forethought has indicated over a number of years that the measure of brand strength is highly correlated with market share. That is, the stronger the strength of a brand, the higher the brand's relative market share. This measure was also found to be predictive in nature: the correlations that were obtained between the brand strength and predicted changes in market share (lagged by one quarter) were in excess of 0.70. This is illustrated in **Table 1**.

The predictive power of Prophecy Thoughts® is also evident in studies conducted within the Australian domestic aviation market, with correlations exceeding levels of 0.80. The results are illustrated in **Table 2**.

If the measure of success of brand-tracking is high correlations with changes in market share, then there are two main challenges. The first relates to the inertia-effect of buyer behaviour. That is, the psychological commitment to past decisions leads to a replication of that same behaviour in future purchases. The consequence is a high market share today that partly correlates with high market share tomorrow. A recent study (Vogel et al, 2008) has found that the value construct explains future sales beyond the inertia-effect.

Finally, perhaps ironically, the more the brand measure is considered predictive by the marketer, the less predictive management seeks to make it as they strive to intervene and alter the outcomes. In other words, if the prediction of changes in market share is negative, as was the case in the above mentioned Optus example, management seeks to change the predicted sales outcome. If management is successful in intervening, then the correlation between predicted and actual sales is lowered, and the model for explaining future sales appears weaker.

PRODUCT	LAGGED CORRELATION*
PREPAID MOBILE	0.76
POSTPAID MOBILE	0.79
HOME PHONE	0.92
BROADBAND	0.69
OVERALL BRAND	0.77

TABLE 1.

The relationship between brand strength and predicted changes in market share—Australian telecommunications market

* Mapping the brand strength index in a quarter against market share in the next quarter

PRODUCT	LAGGED CORRELATION*
Q2	0.87
Q3	0.84
Q4	0.81
OVERALL BRAND	0.84

TABLE 2.

Relationship between brand strength and market share—Australian aviation market

* The Result for Q1 has not been reported due to change in methodology between Q1 & Q2

BRAND MEASUREMENT RULES

Following are five rules to assess the veracity of your current brand measurement. These rules will enable buyers and suppliers alike to objectively examine the effectiveness of their brand measurement approach.

BRAND MEASUREMENT SHOULD:

1. Mirror or at least reasonably approximate market reality and be intuitive to management;

2. Enable the primary constituents of brand (drivers) to be quantified into actionable performance metrics;

3. Reveal the relative importance and performance of price and non-price brand drivers in achieving future sales;

4. Explain and predict changes in market share; and

5. Provide management with insight into which brand driver to compete on.

CONCLUSION

If your current brand tracker does not strongly correlate with changes in market share, then it is not measuring brand.

Brand is simply stored value in the form of future purchase behaviour. 'Brand equity' has become an abstruse catch-all for cloudy terms like brand personality, brand health, brand image, brand involvement, brand awareness, brand disposition, brand orientation, brand engagement, brand loyalty and so on.

If the objective of brand management is largely about increasing future sales, then surely brand measurement should be about that same business outcome. Contrary to the belief of generations of marketing graduates, brand equity is not an outcome. At best, based on the myriad of often divergent definitions, it is an input.

The term 'brand equity' is simply distracting us from the core of what brand is about – future sales. Management needs to be focused on undertaking brand-tracking studies that provide strong linkages between what they are seeking to achieve and what they are seeking to measure. This will provide the best mechanism to build the long-term profitability of the brand and bring about some convergence between what marketers need and what boards of directors want.

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