

Product and Brand Management
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Lecture 40
Customer-Based Brand Equity - 1

Hello friends, welcome back to Product and Brand Management, we are pursuing brand and branding, we are trying to understand the context of branding and how to develop a brand, the subsequent journey is related to how a brand can be initiated, steered, developed, established and then how to measure where we have reached in terms of equity which we have generated in due course of time.

These are slightly complex looking but very simple subject areas. One does not have to think that lots of complexity is involved in this kind of thing although you would realize that lots of analysis and calculation goes when we talk of brand equity measurement. I will come back to that point later in due course of time when we would be talking on brand valuation etc.

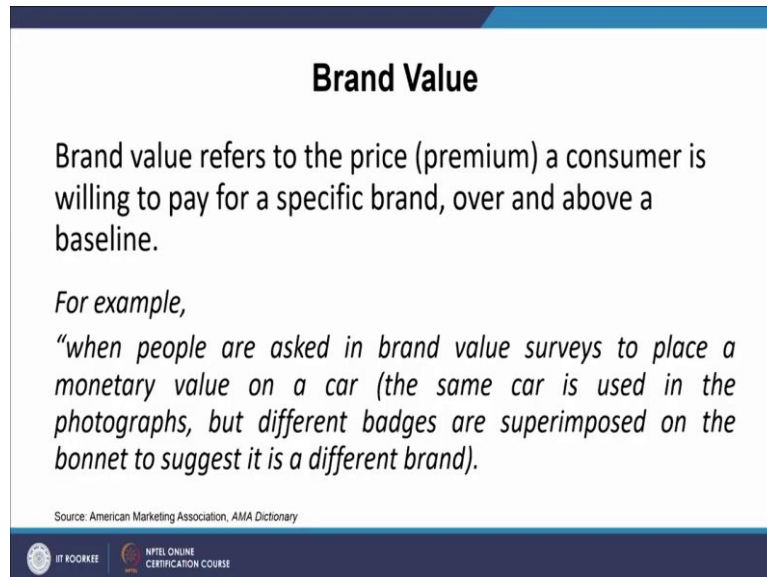
But let me give you a premise on how brand equity, brand power, brand value, these things work. I will give you a brief introduction to these elements then I will be taking you towards a pyramidal structure which is used for analysis and for developing an understanding of brand and then we will be going along towards brand value chain, brand elements and everything related to brands so let us see what do we have in store in terms of customer-based brand equity.

First of all, let's get on to some aspects, some terms which are associated with customer-based brand equity. For example, brand value; in simple terms you put up a number to what you think about a brand or how do you take up a brand and that is brand value as simple as that. But then is it that simple? Are you individually eligible, I should not say eligible but are you individually capable or am I individually capable of putting up a number so easily as far as the brand or our name goes.

And we have talked about what brand in context is, so how to give name, how to give a number to a name basically that, this is the rupee-based value of this name. Definitely it has to be a longer procedure but as I said it does not happen in a day, it takes a longitudinal kind of an exercise slightly longer. As customer is the king, whatever customer feels, whatever she thinks about the brand is the most important element.

Recently you would have heard about Nykaa. Nykaa is doing well, their IPO is coming up and they are taken well within a very short span of time. How are they doing well, how they are being taken, what kind of numbers they are getting in terms of as far as their brand value goes is what we are talking about.

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Brand Value

Brand value refers to the price (premium) a consumer is willing to pay for a specific brand, over and above a baseline.

For example,
"when people are asked in brand value surveys to place a monetary value on a car (the same car is used in the photographs, but different badges are superimposed on the bonnet to suggest it is a different brand).

Source: American Marketing Association, AMA Dictionary

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So, let us see systematically. What brand value is? It refers to the price (premium) a consumer is willing to pay for specific brand over and above a baseline. Now, you see when you say price premium, remember the lessons of pricing which we have taken. The videos on types of prices, there I introduced you to a concept of an aspect of desire associated with price, then there is a cost perspective, now how much a marketer wants to charge over that cost perspective and how much the customer is willing to pay as far as above that cost goes.

Now, that is where a meeting point comes in. Now if we talk about price, this way we realize that there is an element of desire and there is an element of willingness and that is what precisely value is - the kind of willingness, customer has to put up a number as far as the premium to the price goes. Sometimes you would have heard that a customer would say that it is priceless now means that anything can be given against possessing that particular product.

So, for example when people are asked in brand value service to place a monetary value on a car now - it is a survey which has been done and authors have referred to it and I have been referring to American Marketing Association and Keller's and Swaminathan's book so which

I have already told you. So, you see both these sources when we talk about they have given these beautiful kinds of instances and case studies.

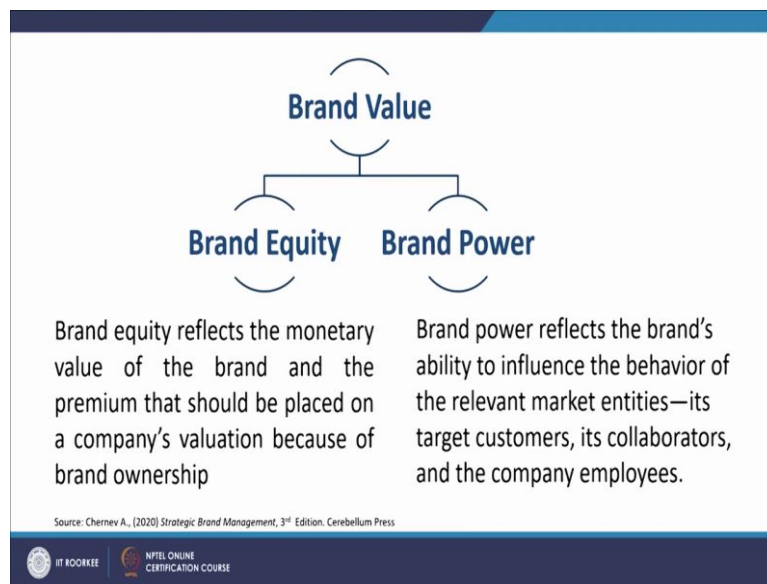
Now, for example one is not aware of what kind of a car we are referring to here and you have never seen that model. Now, I put up a tag on that you may have something in mind and you say that okay having this particular name, this particular logo, this can be a value which can be given to this particular model, now some other customer is called upon and the logo and the name is changed definitely there would be a perspective associated with that.

Now that is precisely what this experiment says that when people are asked in brand value service to place a monetary value on a car, the same car is used in the photograph but different badges are superimposed on the bonnet to suggest it is a different brand. I remember during my younger days we did not have that kind of a money as far as pocket money goes and in peer group it is a very respectable thing if you are wearing a denim jacket of particular brand.

So, I remember I saw one of my friends and he was wearing a very known brand as far as that particular denim jacket goes and I was very attracted to that. I said where did you buy this from, so he said to tell you a secret I did not buy this jacket of this brand I found this logo in the market. This is a dummy logo basically I got it stitched here and no one knows that this is original logo or dummy logo and then just for the sake of my peer group I am wearing a respectable brand basically.

You see the value with that particular name as far as that denim jacket goes went high and the respect of my friend in my peer group also went high so that is where the brand value perspective goes. Now you just remove that logo from that denim jacket - it is just another denim jacket and that is what we are referring to so we will go ahead with this discussion.

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Brand value has two components as the authors have talked about brand equity and brand power. These are subjects to be discussed at a very very long length basically but again the point is and there are several methodologies which have been involved in due course of time by several experts around the world who have worked upon brand equity. There is no single way through which brand equity is calculated by several kinds of organizations. They have their own methodologies and designated procedures and data collection procedures associated with that.

But just to give you a larger view what everyone thinks about whosoever is involved in analyzing brand equity as a measure. Brand equity reflects the monetary value of the brand and the premium that should be placed on a company's valuation because of brand ownership. Now here one thing which is coming to us and before I go ahead I want you to remember value with an 's' -i.e. values. I will come back to that later on but as of now I want you to concentrate on value as a measure basically as a number.

So, brand equity again we are talking of value given to a particular kind of a product and that emanating through that product towards the value given to the company as a whole or value enjoyed by the company as a whole, the organization as a whole, the company's valuation. So, we are moving from customer to stockholder and that is where brand equity works.

I will be talking about this slightly at a longer length when I will be discussing about brand value chain in a couple of sessions from now but till then just remember that we are talking about a journey from a products value to an organization's value in terms of its equity, what

kind of premium should be placed on a company's valuation. For example, just the name of the company. What would one pay for just that name?

And then there are several elements of assets and those kinds of things but I would not take you into a deeper accounting procedure. I am just giving you a marketing-based view of as far as brand value perspective goes through brand equity and brand power which reflects the brand's ability to influence the behavior of the relevant market entities, its target customers, its collaborators and the company employees and here comes the keyword, the target customers.

Remember, I initiated my discussion with IITs. Now what value IIT has for its industry partners, why they seek association with IIT's students? I always refrain from taking students as customers, I never do that but let us take them as beneficiaries and respondents and then look at brand value which IITs enjoy, IIT Roorkee specifically where I am standing.

So, you see the perspective which is associated with brand power is that any target beneficiary or customer for an organization which sells product to that customer what kind of power the brand enjoys in her eyes that is the most important element along with the company employees and collaborators, what kind of relevance, importance, prestige IIT holds for me as part of IIT, just to tell you, it holds an immense, immense kind of power as far as me being an employee of IIT.

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Brand Power

- Brand power is a key indicator of brand equity. Power of the brand measures the size of company's audience and their perception toward company. Whereas, in marketing term, brand power is calculation of familiarity and favourability of the organization.^[2]
- Corebrand, a research firm, using the Brand Contribution to Market Cap method concerted familiarity and favourability to size and quality of the firm in order to measure the power of a brand.^[1]
- Brand familiarity is the how well known a company is. To measure this parameter in accounting terms 'Size' of the company is taken. Similarly, for measuring brand favourability, reputation, perception, and potential of investment of an organization is calculated. According to the Corebrand, Familiarity and favourability of an organization will further help the firm to indicate the strength of its brand image.^{[1], [2]}

Source: [1] CoreBrand, Correlating Brand With Financial Performance. (May 2014)
[2] Stewart, D. W., & Gugel, C. T. (Eds.). (2016). Accountable marketing: Linking marketing actions to financial performance. Routledge

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Brand power is a key indicator of brand equity. Both of these reflect upon each other. So, although brand value is at the center, brand equity and brand power they constitute more or less equal parts of brand value but again then these are reflective of each other, they reflect upon each other. So, brand power is a key indicator of brand equity. Power of the brand measures the size of the company's audience, number of people associated in terms of being targets and their perception towards the company.

Whereas in marketing terms brand power is calculation of familiarity and favorability of the organization, I will elaborate these two terms just a few seconds from now. You see core brand, a research firm using the brand contribution to market capitalization method concerted familiarity and favorability to size and quality of the firm in order to measure the power of a brand.

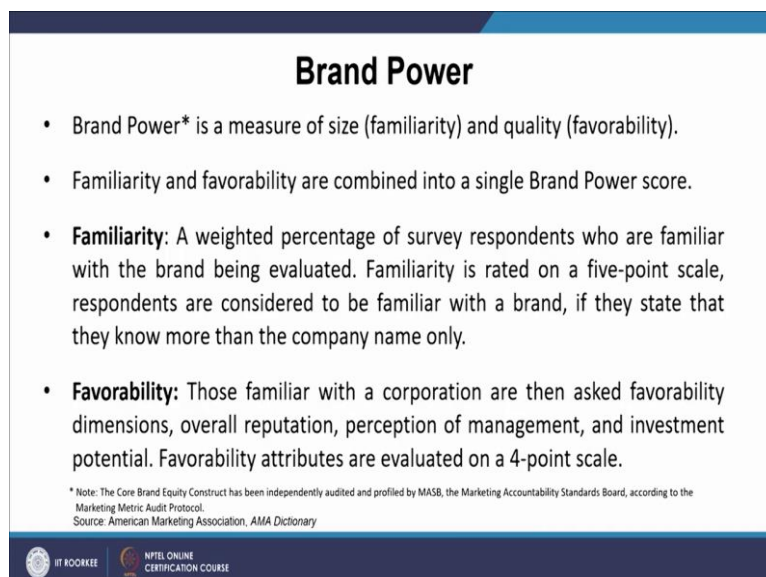
Here, I remember I discussed with you that what is the aspect of brand equity of a research firm for that matter. Now you see here you would again be realizing that I mentioned specifically when I say that X organization says that this is there, now the authenticity to that perspective automatically evolves but we seldom question or we seldom think about the equity which that organization enjoys, why? Probably because the target of that organization is the participant organization in terms of that rating or valuation process course. So for let us say any organization which is actually measuring the equity or the power for them the target is their participant organizations.

Now brand familiarity is how well known a company is. To measure this parameter in accounting terms size of the company is taken, similarly for measuring brand favorability, reputation, perception, potential of investment of an organization is calculated. I have very simply said that potential of investment of an organization, perception, reputation is calculated it is a difficult process but not difficult if we pursue it longitudinally.

When you say reputation just imagine you see you would have heard one of your elders talking about, I hold a reputation in my community. Now how that reputation has got built up in due course of time and that is not measured in one go, so one has to go to the people whom our elder has been associated with and we have to ask them what reputation they hold about him and that is how these things come up together same is the story with the brand.

What reputation the cricket player holds? You have to ask the audience in due course of time they would reminiscence the matches which the cricketer would have played, and they would have gone through several kinds of narratives and they would have enjoyed those matches and, so all those things. For example, what kind of reputation Mr Bachchan enjoys? Talk to his fans you would realize that. So according to the core brand, familiarity and favorability of an organization will further help the firm to indicate the strength of its brand image, I will come to brand image later.

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Brand Power

- Brand Power* is a measure of size (familiarity) and quality (favorability).
- Familiarity and favorability are combined into a single Brand Power score.
- **Familiarity:** A weighted percentage of survey respondents who are familiar with the brand being evaluated. Familiarity is rated on a five-point scale, respondents are considered to be familiar with a brand, if they state that they know more than the company name only.
- **Favorability:** Those familiar with a corporation are then asked favorability dimensions, overall reputation, perception of management, and investment potential. Favorability attributes are evaluated on a 4-point scale.

* Note: The Core Brand Equity Construct has been independently audited and profiled by MASH, the Marketing Accountability Standards Board, according to the Marketing Metric Audit Protocol.
Source: American Marketing Association, AMA Dictionary

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I have just talked about favorability and familiarity but just to highlight one more point on familiarity, a weighted percentage of survey respondents who are familiar with the brand

being evaluated. Familiarity is rated on a five point scale, respondents are considered to be familiar with the brand if they state that they know more than the company name only.

Now, this is a general procedure which is followed a scale is utilized and they are asked to put up that familiarity perspective somewhere on that scale. How familiar you are with this brand for example. Obviously if someone from someone's family is studying at IIT so their familiarity level is higher, someone who has himself or herself studied at IIT familiarity is definitely is much higher and so on.

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Ten Best Global Brands				
2021 Rank	Brand	Brand Value (\$m)	Change in Brand Value	Sector
1	Apple	408,251	+26%	Technology
2	Amazon	249,249	+24%	Retail
3	Microsoft	210,191	+27%	Technology
4	Google	196,811	+19%	Technology
5	Samsung	74,635	+20%	Technology

Sources: Based on Interbrand, "Best Global Brands," 2021

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Ten Best Global Brands				
2021 Rank	Brand	Brand Value (\$m)	Change in Brand Value	Sector
6	Coco-Cola	57,488	+1%	Technology
7	Toyota	54,107	+5%	Retail
8	Mercedes-Benz	50,866	+3%	Technology
9	McDonald's	45,865	+7%	Technology
10	Disney	44,183	+8%	Technology

* Tesla (#14) makes the biggest leap up the table and is the fastest growing brand of the past year with an unprecedented 184% increase in brand value after re-entering the rankings in 2020.

Sources: Based on Interbrand, "Best Global Brands," 2021

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Let me take you to some numbers and here is Apple \$ 408251 million seems huge. Now if you want to put it up in billions let us make it slightly smaller 408 something billion kind of

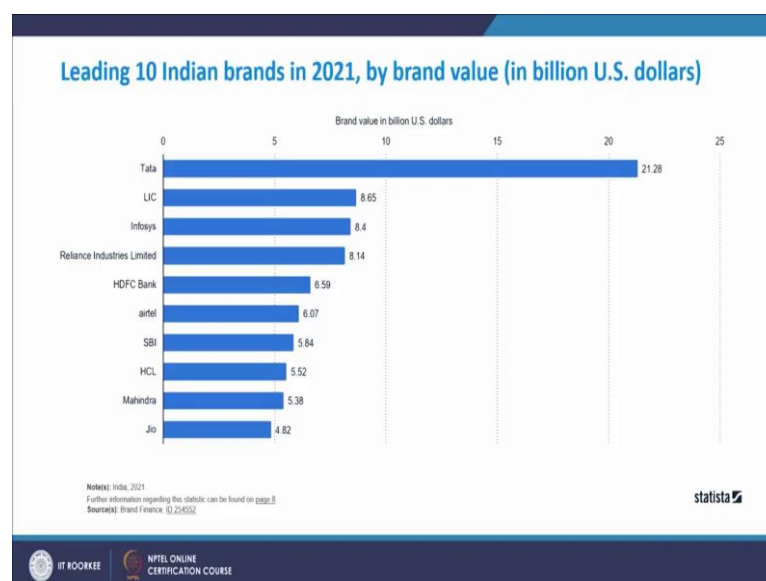
but you see if you want to convert it into rupees, multiply it with the current rate of dollars let us say 70 somewhere and let us see what happens and then you want to convert into crores multiply it with 100 again so let us multiply this number somewhere 408 into 7000 and let us see what kind of crores do we get that is the kind of brand value Apple enjoys.

How we have reached to this number? I will be coming back to that, that is interesting although we have to learn it in due course of time even after this course. So, the change in brand value in due course of time and this data is 2021 is plus 26 percent, its rising sharp there are several reasons to that, there are several elements of that, those elements we would be covering and that is what an organization tries for, putting up a higher brand valuation to or are struggling for that, developing a high brand value for their brand.

Amazon again not too far, Microsoft, Google, Samsung and several others, Coca-Cola one of the favorites all-time favorites, Toyota, Mercedes-Benz, McDonald's all the children's favorite Disney, huge, probably in due course of time after COVID-19 has gone, Disney again would have larger influx of customers and the recall value.

And one very fast rising kind of brand basically Tesla reaching to number 14 and it has taken a very big leap actually within past few years, they say its almost 184 percent, they are doing good which has put themselves up in that kind of a ladder.

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And here is one of my favorites Tatas you see this is about India and we are talking of 2021 in billion US dollars 21.28 just to mention I remember somewhere I read that maybe cross

checked and verified through some sources but in late 90s the brand valuation of Tatas was probably less than 1 billion to now almost 22 billion dollars, which is a huge jump.

How have they done this it is a whole lot of a story. If you are interested, go to their website, try and understand what they have done in due course of time, how have they done this? You would realize what I am talking about and then measurement we will be talking about. LIC doing fairly good and remember LIC's actual concentration is on the nation itself so here their targets are related to India, Infosys doing very good, Reliance, HDFC and then Jio has sprung up, Mahindras are doing very good. So, this is the overall chart for further details you may visit statista and try to understand what is going on.

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Most valuable brands worldwide in 2021 according to statista and you have a huge list starting from Apple to several others in between you would find Mercedes-Benz, Walmart and I am not campaigning for all these basically but I have been teaching branding for a long time so it excites me when I talk about these brands. For example, Walmart have come across a long journey in terms of establishing themselves for their customers. And Home Depot, AT&T, Disney and Verizon, Samsung, Microsoft I have already talked about.

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David Aaker's 10 attributes of brand equity; David Aaker is an eminent author, he has contributed a lot in terms of as far as understanding on brand and branding goes and he talks about differentiation, satisfaction or loyalty, perceived quality and remember we are talking of how to reach at a particular level of brand equity. Our concern is how you would be playing a particular kind of a role in terms of being a brand manager or a product and a brand manager later when you join an organization or if you are working somewhere.

So, you must be understanding on what kind of a role you would be able to play, what points you should be choosing on to as far as generating a particular kind of an impact goes, differentiation, satisfaction or loyalty, perceived quality, leadership or popularity, perceived value, brand personality, organizational associations, brand awareness, market share, market price and distribution coverage and here we are.

Most of these are associated with customer perspective, customer perception, how customer experiences the product which is the reflection of the organization as such. I will be coming back to all these in the due course of time but just keep these elements in mind and just to reiterate, let us say differentiation and think of Apple and you would realize what David Aaker is trying to say.

Let us say satisfaction; you talk to Apple users again you would realize. You can choose any other for example, think of Toyota and again think in terms of awareness, talk to people you would realize. So that is the perspective actually which we are referring to here. Principles of branding and brand equity. There are certain principles. What we are trying to do here is that

we are trying to put up a vast knowledge, a larger procedure which is actually longitudinal in character into concise aspects and then we are putting, we are converging it into principles so as to understand how strategically we can generate a path for ourselves.

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Principles of branding and brand equity

- Differences in outcomes arise from the “added value” endowed to a product.
- The added value can be created for a brand in many different ways.
- Brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand.
- There are many different ways in which the value of a brand can be exploited to benefit the firm.

Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity

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Now principles of branding and brand equity are associated with differences in outcomes which arise from the “added value” endowed to a product. We have talked about this. You just buy a general product, let us say toothpaste and then one of your favorites which you have liked and it has a huge brand value then it can happen in terms of shoes for example.

You go to any local shop around your locality, buy a good sports shoe you will feel happy because price would be slightly within the limits, it would be very comforting actually and then you would enjoy, you might not notice the kind of difference because that shoe is comfortable to you but then you go to one of your favorite brands you pay a price which you slightly effortfully pay and then you wear that shoe you feel very happy, very content but then ask someone who does not know about this brand difference probably you will realize what I am trying to say.

And I am not at all talking about the equality of procedures which these shoe manufacturers would have used. Remember these large brands they have huge production facilities and excellent technological utilization and material and those kinds of things definitely are there but I am just talking about customer perception at this moment, the added value can be created for a brand in many different ways and that is where brand value would come in terms of when customer knows about the procedures. Customer has already experienced that

strength, longitudinal value which she would have experienced by using that particular kind of a product.

Brand Equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand. There are many different ways in which the value of a brand can be exploited to benefit the firm. Ultimate goal is raising the levels of valuation of the organization itself.

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Customer-based Brand Equity

- CBBE concept approaches brand equity from the perspective of the consumer.
- Stresses that the power of a brand lies in what resides in the minds and hearts of customers.
- Differential effect that brand knowledge has on consumer response to the marketing of that brand.
- Consumers perception of the brand plays a key role in determining the worth of the brand.
- *Keller et al. (2017) defines Customer-based brand equity as the differential effect that brand knowledge has on consumer response to the marketing of that brand.*

Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity

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Now, let us see what customer-based brand equity after all is. CBBE concept approaches brand equity from the perspective of consumer. It stresses that the power of a brand lies in what resides in the minds and hearts of customers. You would realize in due course of time that this is where the capability of an organization to make the customer aware about the differentiation they have not only in terms of the product but also in terms of the process which they utilized for developing that product.

That is why you always say, let us say BMW a dream machine, Mercedes-Benz an engine par excellence that is what I am referring to and then that cannot be done by a local manufacturer anyways, so now differential effect that brand knowledge has and by local manufacturer I am not referring to national level plants or those kind of I am just talking of very localized kind of a manufacturing systems.

Now differential effect that brand knowledge has on consumer response to the marketing of that brand; differential effect, you see generating or establishing the difference in the minds

of the customers, the difference you actually have in terms of the comparison the customer might go for with the other products in the similar category, where consumer's perception of the brand plays a key role in determining the worth of the brand.

Keller defines customer-based brand equity as the differential effect that brand knowledge has on consumer response to the marketing of that brand. Remember these keywords brand knowledge. I will come back to that, which differential effect that brand knowledge has on consumer response to the marketing of that brand. Just remember this, I will come back to you with lots of insights on as far as brand equity and understanding of brand equity goes.

Keep reading about the references, keep reading the text through the references, which I have extended to you and as always look around you, try to feel the difference between the brand you like and not so branded products, try to think in terms of what kind of effect that brand has on you as a customer, I will be coming back to you, till then, goodbye.