

Product and Brand Management
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Lecture 53
Brand Equity: Measuring Outcomes - 1

Now let us go ahead with measuring the outcomes. We tried to understand brand audit, and brand research to analyze what kind of strategic steps we should be taking. We thought of the marketing program aspects of decisions related to a marketing program. The value chain is the guiding force and the resonance pyramid is the guiding force.

We have an architecture in mind, we are thinking from the perspective of a designer. We have taken some steps. We have gone ahead. We have generated a hierarchy. We have designed a portfolio, and we are going ahead with that portfolio, it is living by itself, and it is working now. The most important element which comes to us, is to let us look into the outcomes, whatever we have done let us try to measure those.

That is the most important element because we want to go ahead now, we want to go further. So we have to look at what we have done, before again talking to people, what should we do now and then to decide on what is to be done next. It is a longitudinal ongoing process. Then as I said generating brand equity is the objective, value has to come up.

Value has to be enumerated in terms of numbers. It has to be deciphered that way because that will bring on premium, that will bring on stockholders value, stakeholders value at large. So that is the point of concern for the next two sessions at large.

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Measuring Brand Equity

- Brand equity consists of two components—brand power (strength) and brand value—and to understand how customers evaluate brand equity, we need to have an understanding of both these components.
- Brand value or the financial performance
- Brand Power (strength) or customer-based measures

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

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Now brand equity consists of as we know two components largely and as we have mentioned. We have talked about this brand power which is the strength and brand value. To understand how customers evaluate brand equity we need to have an understanding of both these components. Then I have tried to elaborate on almost all these aspects before as well.

I will not be going on expanding on these concepts at this stage or elaborating upon the subject as such. I am referring to these with reference to measuring the outcomes. So, brand value or financial performance is where the perspective comes in and brand power is the strength, which means customer-based measures, and that can be seen that way.

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Methods of Measuring Brand Equity

Comparative methods

- Comparative methods are research studies or experiments that examine consumer attitudes and behavior toward a brand to directly estimate specific benefits arising from having a high level of awareness and strong, favorable, and unique brand associations.
- You must have noticed customers comparing automobiles, cricket teams, restaurants, movies, movie stars and so on
- There are three types of comparative methods:
 - Brand-based comparative approaches
 - Marketing-based comparative approaches
 - Conjoint Analysis

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

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Now, there are some comparative methods for these. Comparative methods are research studies or experiments that examine, and mark these words, those can be conducted in controlled and uncontrolled or non-controlled environments as well. So, experiments that examine consumer attitudes and behavior towards a brand to directly estimate specific benefits arising from having a high level of awareness and strong, favorable and unique brand associations.

I mentioned quantitative techniques when I was talking about brand research. If there are or if we have designated two aspects as variables, the correlation of those variables, and the impact of one on the other can be deciphered, if we go for descriptive research design-based consumer research. But then I mentioned one more thing: we have to understand the mindset of the consumer, we have to understand the feelings and emotions of the consumer.

That means the objective has always been to reach the hearts of the consumer. So their reflexivity perspective always accompanies us. Now you must have noticed customers comparing automotive. It is a general thing, it is a very common site actually. For example, in institutions like these, budding executives, engineers, technocrats, managers, and professors keep on talking about what kind of automotive they would be buying in times to come, and then they start comparing the engine efficiency because most of them are aware of this kind of thing, the engine efficiency, torque and that kind of things. Now you must have noticed people talking

about comparison in terms of cricket teams, which team is doing what, and what kind of player strength they have and so on. COVID has definitely put up a huge hindrance in this kind of a thing but things are opening up slowly.

We are at the end of 2021, and hopefully, 2022 would be relieving as far as this disaster goes. So restaurants. People compare restaurants whenever they plan for weekends or whenever they plan for evening dinners or afternoon lunches, they compare restaurants. They remember the kind of cuisine, they remember the kind of menu, and they try to put up, they try to generate references and so on.

In movies, you must have seen people comparing one movie of the same star with her or his earlier movie or two different stars, two different movies, two different directors and so on. So there are several comparisons which come into being. Now there are three types of comparative methods largely, one is brand based comparative approach, and that is precisely when I said that comparing automobiles or that kind of thing. Then marketing-based comparative approaches, and then conjoint analysis largely. We can talk about these three, otherwise there can be several others also.

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Brand-based comparative approaches

- Consumers may interpret marketing activity for a fictitiously named or unnamed version of the product or service in terms of their general product category knowledge, they may also have a particular brand, or exemplar, in mind. (Searching for PATH WAY to become a BRAND)
- **Exemplar** may be the category leader or some other brand that consumers feel is representative of the category, like their most preferred brand.
- **Applications-** One natural application of the brand-based comparative approach is product purchase or consumption research for new or existing products, as long as the brand identification can be hidden in some way for the “unbranded” control group.

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

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Consumers may interpret marketing activity for a fictitiously named or unnamed version. I have talked about this when I said that they are shown pictures of cars with logos and without logos.

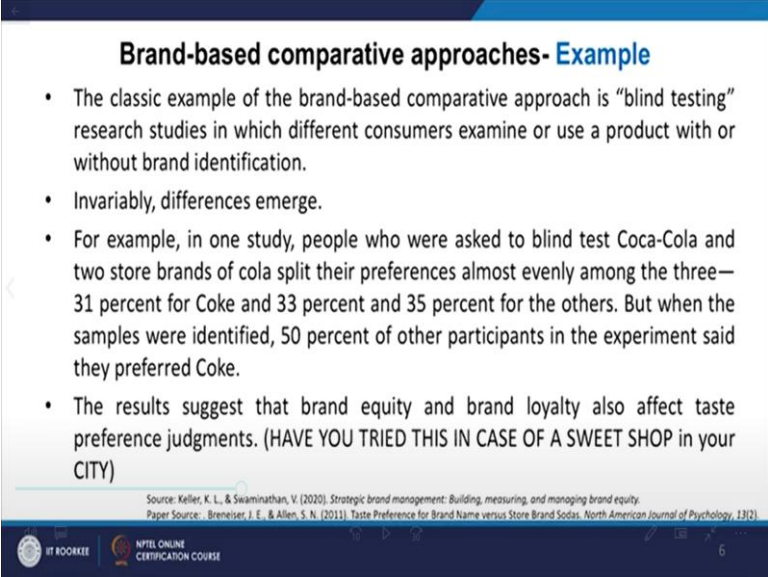
So here comparative approaches can be thought of, and those kinds of methodologies can be engaged here when the objective is to compare.

Consumers may interpret marketing activity for a fictitiously named or unnamed version of a product or service. In terms of their general product category knowledge, they may also have a particular brand or exemplar in mind which means here the brand managers are searching for a pathway to becoming a brand.

To follow the footsteps of an established brand or to compare where they stand and compare to the other brands even if they are not so good, or not so strong as compared to themselves. Exemplar may be the category leader or some other brand that consumers feel is representative of the category like their most preferred brand, so that is where a benchmark comes into play.

One natural application of brand-based comparison comparative approach is product purchase or consumption research for new or existing products. As long as the brand identification can be hidden in some way for the unbranded control group. The point is how comparatively likable the brand is.

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Brand-based comparative approaches- Example

- The classic example of the brand-based comparative approach is “blind testing” research studies in which different consumers examine or use a product with or without brand identification.
- Invariably, differences emerge.
- For example, in one study, people who were asked to blind test Coca-Cola and two store brands of cola split their preferences almost evenly among the three— 31 percent for Coke and 33 percent and 35 percent for the others. But when the samples were identified, 50 percent of other participants in the experiment said they preferred Coke.
- The results suggest that brand equity and brand loyalty also affect taste preference judgments. (HAVE YOU TRIED THIS IN CASE OF A SWEET SHOP in your CITY)

Source: Keller, K. L., & Swaminathan, V. (2020). Strategic brand management: Building, measuring, and managing brand equity.
Paper Source: Breneiser, J. E., & Allen, S. N. (2011). Taste Preference for Brand Name versus Store Brand Sodas. North American Journal of Psychology, 119(2).

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The classic example of the brand-based comparative approach is blind-testing research studies in which different consumers examine or use a product with or without brand identification. Now

this is interesting actually, I brought a gift (earrings) for my daughter once and I did not show her the brand name and she said, “well they look nice.”

Then I suddenly suggested from where they are and the likeability increased, if she would watch this video someday, she would accuse me of revealing that secret but definitely, this happens. The same happens in blind testing basically. For example, in one study people who were asked to blind test Coca-Cola and two store brands of cola, split their preferences almost evenly among three that is 31% of Coke and 33 % and 35 % for the others.

They did not know what they were drinking but when the samples were identified 50 per cent of other participants in the experiment said they preferred coke. So, the point is that the name actually justifies the taste most of the time, and that is why we like coke or many of you like Pepsi.

So, the results suggest that brand equity and brand loyalty also affect taste preference judgments. Now have you tried this in the case of sweet shops in your city? You buy something, your favorite samosa from somewhere and you do not tell someone at the office or home that you have purchased that samosa from the favorite shop of the city.

So, they would say well somehow, and if you say that I have purchased this from that particular shop that the reception becomes stronger. That is where the branding perspective comes in, and it is a very important thing for us to realize. Where do we stand, why not 70%, why 50 %? These may be the question now after the revelation comes in front of, let us say, any research.

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Marketing-based Comparative Approaches

- Marketing-based comparative approaches hold the brand fixed and examine consumer response based on changes in the marketing program.
- **Applications-** There is a long academic and industry tradition of exploring price premiums using marketing-based comparative approaches.
- **For example,** Intel would routinely survey computer shoppers to find out how much of a discount they would require before switching to a personal computer that did not have an Intel microprocessor in it (say, an AMD chip) or, conversely, what premium they would be willing to pay to buy a personal computer that did have an Intel microprocessor in it.

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

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After brand-based comparison, there is a marketing-based comparative approach. Now in this kind of approach, they hold the brand fixed and examine consumer response based on changes in the marketing program. You want to judge what kind of actions you have taken and how they have been working.

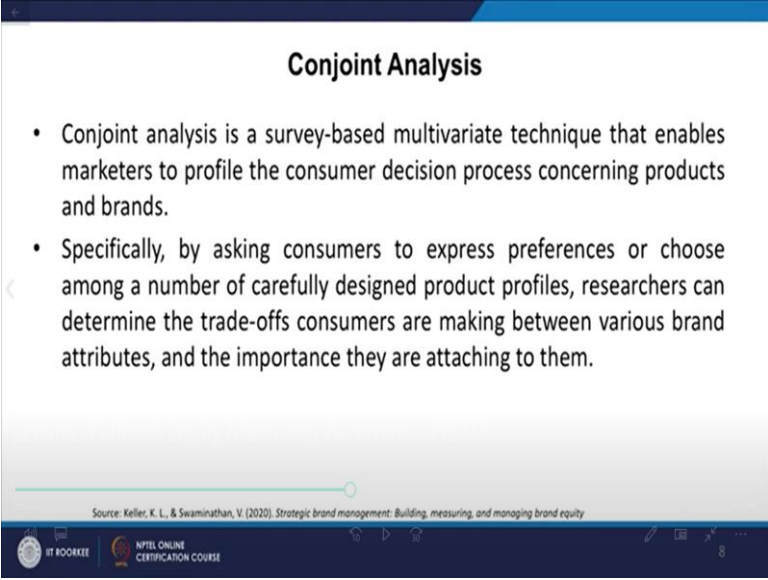
So, the application of this kind of approach is that there is a long academic and industry tradition of exploring price premiums using marketing-based comparative approaches. For example, Intel would routinely survey computer shoppers to find out how much of a discount they would require before switching to a personal computer that did not have an Intel microprocessor.

I think many manufacturers utilize this strategy. I cannot say this with conformity, but I presume that I have heard somewhere that other computers having other processors might have offered some discount or lower prices to attract customers. Intel precisely wants to know to what extent customers would stay, and remember I mentioned price elasticities in some of our preceding discussions.

So that is where marketing program-based or marketing-based comparative approaches come in. For example, you have gone through a wonderful integrated marketing communication campaign that is going to impact you. That is the point when you decide to charge a premium. If the sales are going high you may think in terms of keeping the price consistent also.

For example, I would not be able to comment on the pricing of McDonald's at this moment but their marketing program or specifically integrated marketing communication along with the introduction of some new products can be measured across these kinds of approaches.

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Conjoint Analysis

- Conjoint analysis is a survey-based multivariate technique that enables marketers to profile the consumer decision process concerning products and brands.
- Specifically, by asking consumers to express preferences or choose among a number of carefully designed product profiles, researchers can determine the trade-offs consumers are making between various brand attributes, and the importance they are attaching to them.

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

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Let us think of conjoint analysis. It is a survey-based multivariate technique. Several variables are there that enable marketers to profile the consumer decision process concerning products and brands. Specifically, by asking consumers to express preferences or choose among a number of carefully designed product profiles. Researchers can determine the trade-offs consumers are making between various brand attributes and the importance they are attaching to them. So, you have to divide the whole scenario into several variables, and then you have to find out the correlation of those variables with each other and try to decipher which specifically is impacting what, and that is the point of analysis.

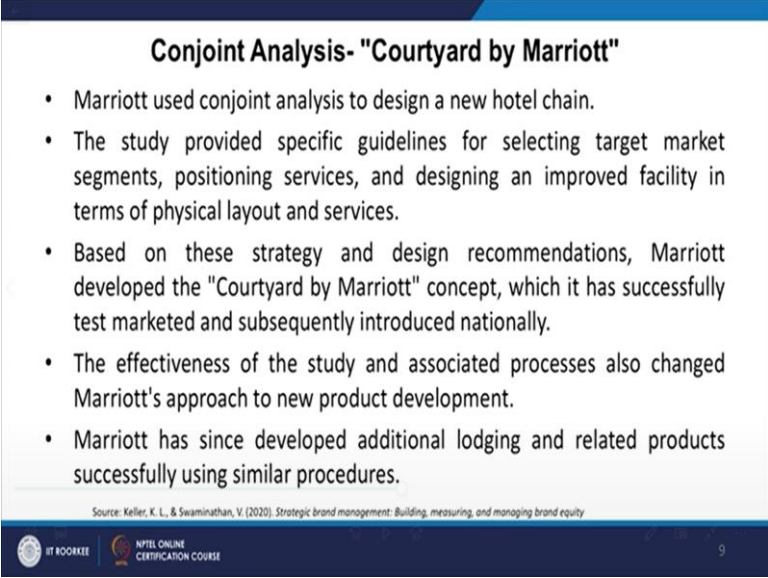
You see the point is that we have been introducing several aspects to our branding journey. We are utilizing elements, we are accompanying those elements with different kinds of marketing programs and efforts. We are utilizing multipliers. We have talked about multipliers in the value chain.

While we are focusing on those multipliers we must understand what kind of an impact those multipliers are putting on as far as the whole marketing program scenario goes. How that has

been converted into market performance because that is going to be the deciding factor in developing stockholders' value.

If we have already gone to the stock market, and we have got a response from the side of the stockholders that is a different point. Here the value of the stock itself suggests the fact on what has been done. But to what extent it has been done, would be the question, and if we are going towards the stock market then it is a very important question at this stage and that is where multivariate analysis and similar aspects come into play.

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Conjoint Analysis- "Courtyard by Marriott"

- Marriott used conjoint analysis to design a new hotel chain.
- The study provided specific guidelines for selecting target market segments, positioning services, and designing an improved facility in terms of physical layout and services.
- Based on these strategy and design recommendations, Marriott developed the "Courtyard by Marriott" concept, which it has successfully test marketed and subsequently introduced nationally.
- The effectiveness of the study and associated processes also changed Marriott's approach to new product development.
- Marriott has since developed additional lodging and related products successfully using similar procedures.

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

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Now Marriott used conjoint analysis to design a new hotel chain. It is very interesting and very important because you want to go for expansion. Now the courtyard by Marriott used conjoint analysis to design a new hotel chain and here we are talking about expansion, and I will be talking about brand extension as the concept in my subsequent sessions.

You see the point is, an organization is trying to grow, and they are trying to use the elements in the upcoming scaled-up business. The study provided specific guidelines for selecting target market segments, positioning services and designing an improved facility in terms of physical layout and other services.

They went through all the understanding which we have developed in terms of branding research. They have started working on measuring the brand outcomes and utilizing those for

expansion. Based on these strategies and design recommendations, Marriott developed the Courtyard by Marriott, which it has successfully tested, marketed and subsequently introduced nationally and at a larger level.

The source is mentioned for you, and you can further decipher that but just to tell you, it is a huge hotel chain with very large property sizes. I have been told that they have more than 12,000 or more rooms with them or this may be a vague number but we can check. It is a large number that they manage in terms of rooms as hotel rooms and the quality has been exceptionally established.

It is not that such other chains are not there. There are several good chains but we are using this example for actually pondering upon how conjoint analysis worked for them for coming up with the courtyard by Marriott. The effectiveness of the study and associated processes also changed various approaches to new product development.

What customers would like to have further, what customers would feel is redundant as such, would not give value at all despite the fact that would require lots of resources and energy and that is precisely what they thought of. Here everything is in terms of generating brand equity at the later stages. Marriott has since developed additional lodging and related products successfully using similar procedures, the methodology worked for them.

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Conjoint Analysis- "Courtyard by Marriott"

- A questionnaire was designed to question respondents on characteristics they prefer in hotels.
- Each respondent was given seven cards, one at a time.
- Each card dealt with one of the seven facets (sets of attributes) of hotel facilities- External factors, **rooms**, food, lounge, services, leisure, security.
- For each card there was one facet which had their own attributes with corresponding price. For example, in the case of entertainment (attribute of **Rooms**), the five levels range from color TV at no extra cost to color TV with a choice of three in-room movies for \$2.50.

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

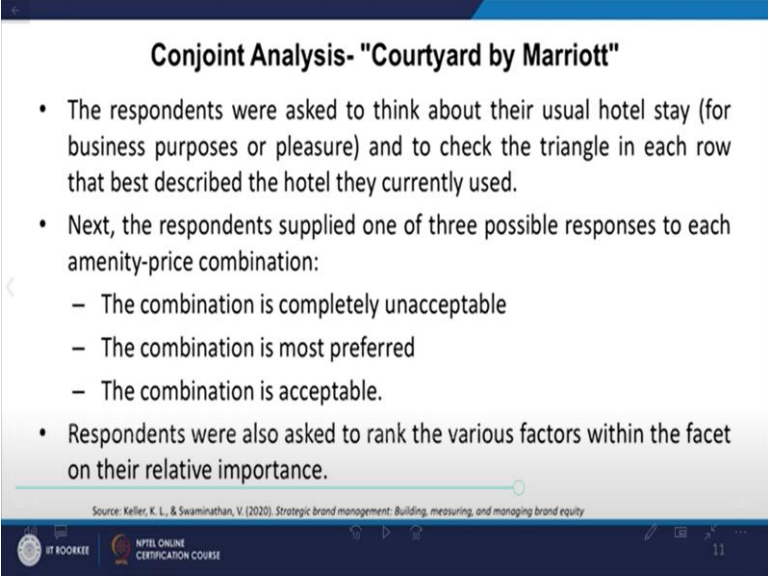
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A questionnaire was designed to question respondents on characteristics they prefer in hotels. Each respondent was given seven cards, one at a time. Each card deals with one of the seven facets, sets of attributes of the hotel, i.e. external factors, rooms, food, lounge, services, leisure, and security. For each card, there was one facet which had its own attributes with the corresponding price.

For example, in the case of the entertainment attribute of rooms, the five levels range from color TV at no extra cost to color TV with a choice of three in-room movies for two and a half dollars or so. This is an example of what they did, and as it has been mentioned in the source which has been from Keller and Swaminathan in ‘Strategic Brand Management, Building, Measuring and Managing Brand Equity’ we have taken this example from this book.

So, the point is that this kind of analysis has been used by several organizations in several brands to understand the correlation of the variables they choose to compare with their own services and other services. And to look for the way forward, especially with the perspective of capitalization of the brand they hold, and that is what precisely we are referring to.

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Conjoint Analysis- "Courtyard by Marriott"

- The respondents were asked to think about their usual hotel stay (for business purposes or pleasure) and to check the triangle in each row that best described the hotel they currently used.
- Next, the respondents supplied one of three possible responses to each amenity-price combination:
 - The combination is completely unacceptable
 - The combination is most preferred
 - The combination is acceptable.
- Respondents were also asked to rank the various factors within the facet on their relative importance.

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

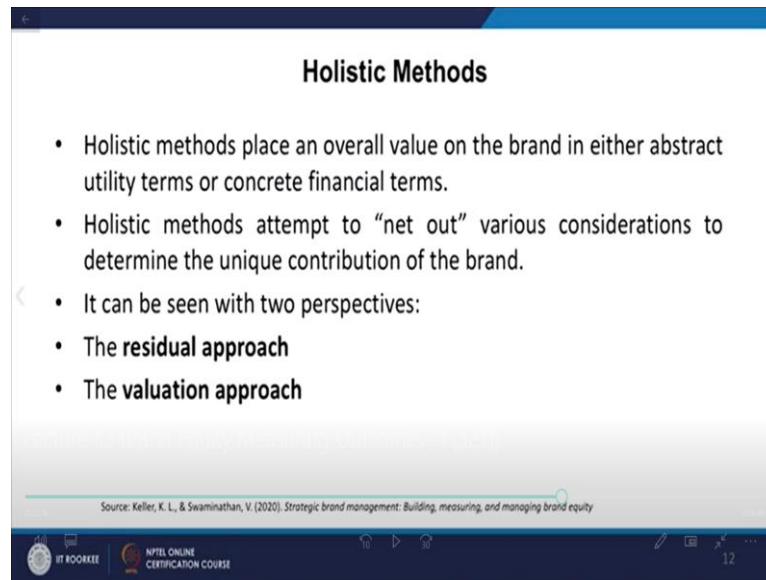
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The respondents were asked to think about their usual hotel stay for business purposes or pleasure and many people do that. Then you must have filled up feedback forms. Those feedback forms are questionnaires to check the triangle in each row that best describe the hotel they currently used.

So, respondents were asked to put up what the purpose is. Next, the respondent supplied one of the three possible responses to each amenity price combination. In the end, we all want to know if the price is felt to be justified by the consumer, or if it is just a piecemeal kind of acceptance by the consumer and once he gets the better deals might be shifting to other services.

The immunity price combination wherein the combination is completely unacceptable, the combination is most preferred and the combination is acceptable. Respondents were also asked to rank various factors within the facet of their relative importance.

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Holistic Methods

- Holistic methods place an overall value on the brand in either abstract utility terms or concrete financial terms.
- Holistic methods attempt to “net out” various considerations to determine the unique contribution of the brand.
- It can be seen with two perspectives:
 - The **residual approach**
 - The **valuation approach**

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

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Now come the holistic methods, there are some holistic methods. Holistic methods place an overall value on the brand in either abstract utility terms or concrete financial terms. Holistic methods attempt to net out various considerations to determine the unique contribution of the brand. It can be seen from two perspectives; the residual approach and the valuation approach.

Again, here it is very important for us to understand one thing, and I will just reiterate, we have talked about brand-based comparative approaches, and when I say brand: name, symbol, logo all the elements together and what it means, what do we feel about that. Then we have marketing program-based comparative approaches. So, what we are trying to do is, we are having competition in mind that can be as wide as a share of the pocket competition.

Since we want to attract customers, to gain the number of customers, to gain market share, comparison and direct competition and direct comparison is a mainstay. Because we want to understand if all this kind of intensity which we are going through is required to establish or is required to propel our brand.

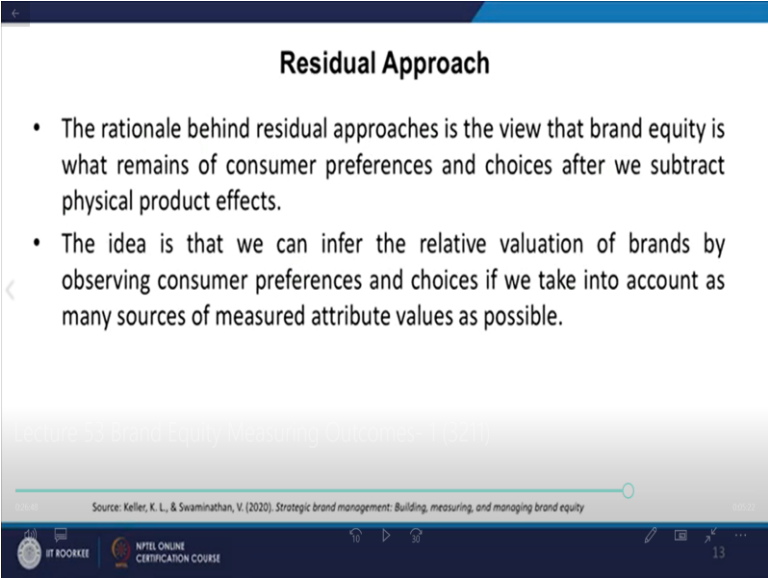
Many a times there may be a question in front of brand managers that there are many organizations which are known, but not so well known. So, what kind of a premium we would be gaining out of them is what we are doing in terms of our marketing programs. That is where

marketing program-based comparison analysis comes into play. Then comes conjoint analysis, so here the comparison is coming our way.

Now, once we have gone through comparison that is precisely element to element or aspect to aspect, or variable to variable, or dependence or independence kind of a thing. At this moment when we are going for point-to-point comparison, dependence and independence of variables, so as to understand, that, is the price justified? For example, what kind of expansion should we be doing in terms of our services, for example, what media did?

Now we want to move towards a holistic scenario, so point to a holistic understanding and that is an important thing for us to realize at this stage because we talked about designing architecture in terms of potential. So, we have to be precise on point-to-point comparison and then we have to have a holistic kind of view in front of us, and that is where holistic methods come in, and then two approaches broadly would explain the point which I am trying to make here.

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Residual Approach

- The rationale behind residual approaches is the view that brand equity is what remains of consumer preferences and choices after we subtract physical product effects.
- The idea is that we can infer the relative valuation of brands by observing consumer preferences and choices if we take into account as many sources of measured attribute values as possible.

Measuring Brand Equity: Residual Approach

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

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First is the residual approach. Now the rationale behind residual approaches is the view, what remains of consumer preferences and choices after we subtract physical product effects. There is a core product, a sweet or chocolate, and then there is 5 Star, my favorite. So that is the perspective, we have this kind of an element while talking of. There is a shoe and then there is Nike. There is an institution and then there is IIT Roorkee.

That is the perspective we are talking of as far as the whole situation goes. The idea is that we can infer the relative valuation of brands by observing consumer preferences and choices, if we take into account as many sources of measured attribute values as possible.

How would the name live by itself? It is not that the brand manager is not worried about what kind of attributes they have projected in front of the consumers, the utility the consumer has in mind and the justification of the price, the consumer has in mind. It is not that they would be overlooking that anyways. The point is they want to reach the stage wherein you randomly go to the shop and ask for the name and that is where brand managers focus.

For example, you just go and you say, Good Knight mat or I talked about Handiplast or Band-Aid, or Eno. It straight away comes to your mind and then that means that Eno as a product carries everything which it is supposed to carry. The point is that you think in terms of the name before the product at the stage.

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Valuation Approach

- A widely held belief is that much of the corporate value of many companies are wrapped up in the value of their brands.
- In determining the value of a brand, firms can choose from three main approaches: the cost, market, and income approaches.
- The **cost approach** maintains that brand equity is the amount of money that would be required to reproduce or replace the brand (including all costs for research and development, test marketing, advertising, etc.).
- As per the **market approach**, brand equity as the present value of the future economic benefits to be derived by the owner of the asset.
- The **income approach** argues that brand equity is the discounted future cash flow from the future earnings stream for the brand.

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

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Then comes the valuation approach. A widely held belief is that much of the corporate value of many companies is wrapped up in the value of their brands. We talked about corporate branding, we talked about the desire of the brand manager that everything should be known by the name of the company itself, and they should live up to their name with all the products they can produce and take to the customers.

Here the same measurement approach is also there with us, and that says that the corporate value of many companies is wrapped up in the value of their brands. In determining the value of a brand, firms can choose from three main approaches; the cost, the market and the income approach and I will briefly mention these.

The cost approach maintains that brand equity is the amount of money that would be required to reproduce or replace the brand including all costs for research and development test marketing, advertising etc. So that is one way to look at it. Then the Market approach; it says that brand equity is the present value of the future economic benefits to be derived by the owner of the asset. So again that is one way to look at it.

The third is the Income approach which argues that brand equity is the discounted future cash flow from the future earnings stream for the brand. All three look at the strength and potential, and that is how valuation is done. I will be coming back to you with lots of insights on how different organizations do that, and how it becomes useful for all the organizations in the world at large. Till then, goodbye.