What is brand equity anyway, and how do you measure it?

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This paper examines what is meant by the term 'brand equity'. It identifies three distinct uses of the expression; brand value - the total value of a brand as a separable asset; brand strength - a measure of the strength of consumers' attachment to a brand and brand description - a description of the associations and beliefs the consumer has about the brand. Each of these concepts is discussed with reference to the literature on the subject.

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'What is the answer to the question being asked in cocktail lounges, all the time, all over America – 'What is brand equity anyway, and how do you measure it?'

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INTRODUCTION - FROM BRAND IMAGE TO BRAND EQUITY

Brands have been a major aspect of marketing reality now for over a hundred years. The theory of branding came some time later. David Ogilvy was talking about the importance of brand image as early as 1951 (quoted in Biel 1993). It was first fully articulated, as far as I know, by Burleigh Gardner & Sidney Levy in their classic Harvard Business Review paper of 1955. But despite such distinguished origins, the concept of 'brand image' remained – until recently – peripheral to the mainstream of advertising theory and evaluation. Although it was endorsed from the 1960s onward by the British Account Planning movement (for example King 1970; Cowley 1989), it was also seen by many advertisers and researchers (especially in the United States) as a rather woolly theory – the sort of thing advertising agency people talked airily about when they failed to 'get a hard product message across or to convert prospects' or to 'make sales', as they were supposed to be doing. 'Brand image' was associated with expressions like the 'soft sell' (Reeves 1961, pp 77-86) and the 'weak theory of advertising' (Jones 1991), which gave it, for many, the air of a whimsical luxury that a businesslike advertiser could hardly afford.

Then, in the 1980s, the hardnosed business people began to notice that brands appeared to be changing hands for huge sums of money!

As take-over fever spread, the difference between balance sheet valuations and the prices paid by predators was substantially attributed to 'the value of brands'. Suddenly, the brand stopped being an obscure metaphysical concept of dubious relevance. It was something that was worth money.

This shift of perception was reflected in the way that the traditional expression 'brand image' (with its suggestion of a ghostly illusion), was increasingly displaced by its solid financial equivalent, 'brand equity'. It is not clear who invented the expression, but few uses of it have been traced before the mid-80s (Ambler & Styles 1995). It achieved respectability when it was taken up by the prestigious Marketing Science Institute, which held a major seminar on the subject in 1988, and has been going strong ever since.

In fact, the last few years have seen brand equity become one of the hottest topics in business. In America, there is a now an influential body called the Coalition for Brand Equity (founded 1991), which evangelises for the importance of building brand relationships and brand loyalty. Excellent (and very different) books have been published on the subject (Aaker 1991; Kapferer 1992). It has spawned numerous conferences and seminars. It has attracted a lot of interest from academic researchers, although the greatest part of their work has been connected with brand equity as applied to brand extensions (Barwise 1993). Meanwhile commercial researchers have been busily designing and selling methods for measuring, tracking, and optimising brand equity.

All of this, in my view, is fundamentally a good thing. It represents a long overdue shift in business and advertising thinking: from focus on making a sale, to creating and keeping a customer; from a purely short-term perspective to one that includes the longer term profitability of the business; away from volume alone to recognise the importance of price and loyalty. (The brand equity movement, especially in the States, comes as a necessary reaction to a decade of ever greater dependence on sales promotion.) It has legitimised the idea that the consumer's perceptions are more important than objective reality. And it raises serious questions about the adequacy of ways of evaluating advertising that focuses purely on message communication, conversion, or short-term incremental sales response.

But while I joined the cheering crowds lining the great brand equity parade, I was still bothered by two questions which it did not seem to me had clear enough answers. I have written this paper as an attempt to answer them to myself, and perhaps for anyone else who has ever wondered about them.

These are the questions:

- What exactly do we mean by the term brand equity – and do we all mean the same thing?
- How far can we expect to measure brand equity in an objective way?

WHAT IS BRAND EQUITY ANYWAY?

Karl Popper warned against a common mistake made by philosophers which he called 'nominalism'. The mistake is supposing that you will find the truth by starting with a word and arguing about what it 'really' means. But words, as Humpty Dumpty suggested, mean just what their users want them to mean. They can have various different meanings, and it is pointless to argue about which is 'right' or 'wrong'. When a common expression does have distinct meanings, however, it is as well to be aware of the fact so as to avoid unnecessary confusion. This is true of the expression 'brand equity', which seems to be used in three quite distinct senses (and each of these three has several further nuances of meaning). These are:

a = the total value of a brand as a separable asset – when it is sold, or included on a balance sheet

b = a measure of the strength of consumers' attachment to a brand.

c = a description of the associations and beliefs the consumer has about the brand.

Of these three concepts, the first could less ambiguously be called 'brand valuation' (and often is). For the present argument I shall refer to it as 'brand value'.

The concept of measuring the consumer's level of attachment to a brand can be called 'brand loyalty' – although this phrase is almost as ambiguous as 'brand equity' itself. I prefer 'brand strength' for this sense, and, although I am aware that this is also potentially confusing, that is what I shall call it in this paper.

The third could be called by the traditional name of 'brand image', but for clarity I shall here call it 'brand description'. This reflects its fundamental difference from the other two senses of 'brand equity'; it is unlike them because we would not expect it to be represented by a single number.

Brand value could also be seen as the odd one out in another way, as it refers to an actual or notional business transaction while the other two focus on the consumer. In fact, brand strength and brand description are sometimes referred to as 'consumer brand equity' to distinguish them from the asset valuation meaning.

We would not expect these three concepts to be completely independent of each other. Brand strength should be one of the factors affecting the overall brand value; brand description might be expected to affect, or at least to explain, some of the brand strength. Underlying much of the talk about brand equity, and some of the more elaborate proposals for measuring it, such as the Yankelovich methodology (Taylor 1992), seems to be the assumption of a causal chain along the lines of **Figure 1**

It may become apparent in this paper why I consider both the links in this chain are weak, or at best, obscure. I worry about the dangers of using the same name for all three (or even any two) of these concepts – it gives the impression (deliberately or through carelessness) that they are all aspects of the same thins Like the arrows in the above diagram, it is an easy way to create the illusion that an operational relationship exists which, in reality, cannot be demonstrated.

So I intend to treat these three meanings of 'brand equity' as distinct concepts which require separate discussion. For each one, the questions of definition and measurement are closely linked; an 'operational definition', after all, means just knowing (or at least agreeing) on how something is to be measured. Brand strength will be the one I examine at the greatest length because it is the most relevant to my current interest in advertising evaluation and, for what it is worth, because it seems to me the central meaning of 'brand equity'. The issue of brand valuation has been written about at great length by people better qualified to do so than myself (Kapferer 1992; Barwise *et al* 1989), while a full discussion of brand description would raise other questions beyond the scope of what this paper should attempt.

SENSE 1. BRAND EQUITY = BRAND VALUE

The need to put a value on a brand arises for two main reasons:

1. to set a price when the brand is sold
2. to include it as an intangible asset on a balance sheet, a practice which is now possible in the UK but not everywhere

It has been suggested, following from this, that the balance sheet valuation of a brand should become one of the measures by which the management of the brand (and various inputs such as advertising) can be evaluated.

Consultants have devised formulae which are now widely used for creating brand valuations, foremost among these being Interbrand and management consultancies such as Arthur Andersen (Murphy 1990; Barrett & Bertoloti 1992). However, there remain a number of difficulties of which we should be aware, particularly if using these formulae as indications of a brand's overall strength or health, or as a basis for evaluating performance.

First of all there is the significant difference between an 'objective' valuation created for balance sheet purposes, and the actual price that a brand might fetch in a real sale.

If we think of brands like houses, it seems reasonable to us that an expert should be able to say, within quite narrow limits, what a particular one might fetch – its market value.

However, estate agents and surveyors are able to do this for property (no always, but most of the time) because they have many points of comparison. They have seen similar houses sold and with a little experience can form a sound idea of a 'market price'. But brands are both more different and less frequently sold than houses, so the norms needed to estimate a market price do not usually exist.

More importantly, a brand is likely to have a much higher value to one purchaser than another. If a company already owns factories, manufacturing skills, means of distribution, or indeed other brands (Barwise & Robertson 1992), there may be synergies that make it worth paying a great deal for a particular brand. To a company without the same assets, the same name could be worth relatively little. For acquisition purposes, the value of a brand to a particular purchaser is best estimated by scenario planning – what future cash flows could this company achieve if it owned and exploited that brand? Takeover prices can be higher than current valuations because these incremental cash flows might be far greater than the brand could ever deliver to the existing user.

We can think of brands in this sense as being like properties on the Monopoly board. The face value of Coventry Street is 280: but if you own the other two streets in the yellow set, and have plenty of cash to develop the set when complete, its value to you will be far more. Another player, even paying face value, would never be able to recoup his or her investment.

There is therefore no such thing as an absolute value for a brand. What it might actually realise, if sold, depends a great deal on who might be interested in buying it at the time, and why. If two companies both want it, this might inflate the price considerably more as, in addition to the cash one could generate from the brand is added the strategic advantage of keeping it out of the hands of a competitor. The battle between Nestl and Jacob Suchard to own Rowntree (perhaps the most often quoted example of 'the value of brands') is a good example of this.

Another unresolved difficulty surrounding brand valuation is the issue of separability. John Stuart, when Chairman of Quaker Oats Ltd., was famously quoted: 'If this business were to be split up, I would be glad to take the brands, trademarks, and goodwill, and you could have all the bricks and mortar – and I would fare better than you.' He may, in his particular case, have been right, but the claim would not always apply. And a successful business has other assets besides trademarks and bricks and mortar. Many brand names, removed from the management, the skills, the culture, the support that they normally enjoy, would rapidly lose their customer base. Again, this makes the point that a brand – essentially, the right to a particular name or identity – has a value that fluctuates according to who uses it.

Balance sheet valuations can only concern themselves with the current user and on this basis they try to estimate the future profit stream derived from the brand and within this how much can be attributed to the brand name itself. The main motives for having balance sheet valuations at all are financial, with which I shall not concern myself here. But it has also been argued that the act of valuing brands formally is a good discipline for a company, which will shift its attention away from a concentration on the immediate profit and loss account to a consideration of the longer term.

This sounds as if it should be the case, but how far it really works depends on the formula used to create the brand's value. The preferred methods commonly in use start by considering the brand's current profitability. They then apply probabilities to the current situation growing or continuing, based on various measures of 'brand strength', which in this sense may include consumer research and also other factors such as competitive position (Murphy 1990). The in-depth analysis of all aspects of the brand which is involved is likely to be a valuable exercise. What is questionable is whether such approaches are looking at 'brand value' in a pure sense, or at the business unit as a whole. As sales and, particularly, profitability can be manipulated faster and more easily than the underlying measures of brand strength (which are in any case necessarily subjective), the simplest way to increase a brand's valuation on this basis could by continuing a short-term focus on profits; which is exactly what many advocates of brand equity are keen to get away from.

This raises another crucial issue which we shall return to again – that of separating 'brand strength' from 'brand size'. Coca-Cola will appear a stronger brand than Pepsi, on most usual measures, because it is a bigger brand than Pepsi. One of the key issues in the whole field of brand equity measurement is finding an indication of brand strength which is not simply a tautology for brand size. One extreme view is that the two are, in fact, the same (Ehrenberg 1993). While I disagree with this, it is certainly true that large brands, particularly market leaders, derive a great deal of competitive strength from their relative size, and that many measures of 'brand strength' are strongly affected by brand size.

In summary then, a valuation for balance sheet purposes is not the same as a valuation made on behalf of a particular purchaser. Neither of these is objective and, while the valuation process may have usefulness, it is questionable whether it is practical or desirable to treat such figures as the ultimate criterion of marketing success.

SENSE 2. BRAND EQUITY = BRAND STRENGTH: A MEASURE OF RELATIVE CONSUMER DEMAND FOR THE BRAND

David Aaker (1991) describes brand equity as having five components:

- Brand loyalty
- Awareness
- Perceived quality

- Other associations
- Other brand assets

This is a pragmatic recognition of the different concepts that have been associated with brand strength, and which can be measured. It can be criticised for lacking an underlying theory that relates these five ideas together (McWilliam 1993), but by the same token we may have to be prepared for the fact that no such underlying theory really exists – in which case the concept of brand equity can hardly be said to be a scientific one.

The many different methods that have been published can, for the most part, be described as using one or a combination of the following basic types of measure.

- Price/demand measures (including modelling approaches);
- Behavioural measures of loyalty (buying behaviour);
- Attitudinal measures of loyalty;
- Awareness/salience measures.

Of these, the second is similar to Aaker's loyalty component, the third to his awareness component, while the last is related to - but not the same as – his concept of 'perceived quality'.

Aaker's 'brand associations' broadly describes the area I have chosen to separate out as the third principal sense of brand equity, that is, brand description. Aaker is quite right to include it as one of the dimensions on which a brand should be appraised; I have dealt with it separately because it seems to me essentially descriptive, rather than evaluative.

He is also right, I think, not to include price premium as a core dimension of 'brand equity', though he discusses it briefly (pp 22-23). I would agree that this is best seen as a measurable output of brand equity, rather than a part of brand equity itself (which raises another possible debate about what the phrase actually means). I start with it because it has nevertheless formed one of the most popular approaches to measuring brand equity.

PRICE/DEMAND MEASURES (INCLUDING MODELLING APPROACHES)

One of the frequent benefits of a strong brand is its ability to command a higher price and/or less sensitivity to price increases than its competitors. It follows from this, that two dimensions on which the strength of a brand can be measured are its price premium and its price elasticity.

In other words, a brand is strong if people are prepared to pay more for it.

Each of these can be measured in one of two ways: using market data and using experimental data.

Price 1. Using market data

Suppose we consider that an improvement in price premium, while sustaining share, (or in share while sustaining price) is an improvement in brand equity. This has the merit of simplicity and needs no special research beyond reliable data on relative price and share, such as can be had from a good retail audit. The simplest way to imagine this is by plotting brand share and relative price on two axes of a graph. For each brand, we expect to see a relationship between price and share, popularly referred to as the 'demand curve'. 'Changing the shape of the demand curve' or 'moving the demand curve to the right' have long been recognised as possible desired outcomes of advertising (Jones 1986, pp 95-96). This increase in demand could also be seen as an increase in the brand's equity (**Figure 2**).

In this diagram the Brand Q has a higher share than P when they both charge the same price premium over the market average, or can charge a higher price when they both have the same share. Also, Q loses less share than P when the price goes up; the slope of the line is steeper. These could be seen as two measures of Q's greater brand strength. If P and Q represent the same brand at different time periods, Q later than P, this could be taken as evidence of improved brand equity, caused, for instance, by advertising.

Price elasticity can also be estimated using econometric modelling; in the PG Tips case history (Grand Prix winner in the 1990 IPA Advertising Effectiveness Awards) there is an example of relative price elasticity quoted as evidence of brand strength/ advertising effect (Feldwick 1991).

A refinement of the price premium approach is offered by Longman Moran Analytics in the US (Moran 1994). Here the definition of brand equity is: market share, times price premium, times a 'durability' factor. This last is an estimate of price elasticity based on market data. Crucial to this method (which makes it less easy than it sounds) is the importance of correctly defining the competitive set on which to base share and price differences, so that an apparently small brand may really need to be considered as a dominant niche player in a smaller category.

A further development of this approach is also to take distribution into account. Distribution and price are thus regarded as two 'contaminating' factors which disguise the 'real' underlying demand for competing brands. Simon Broadbent has developed a measure of consumer brand equity which he defines as: 'The sales share we would get, if we were at average price and had average distribution – and average price and distribution elasticities applied. Equity is, in effect, the residual after price and distribution effects have been allowed for'.

It is conceptually a short step from this to identifying equity with the underlying 'base' or constant in an econometric model of sales or share. Broadbent has also been very active in exploring the idea that the constant in such equations can, and does, move over time, reflecting the underlying strength of a brand when all short term factors – price, distribution, advertising, competitive activity or whatever – have been allowed for. This is referred to as the 'floating base'. (Broadbent 1992, 1993). A similar concept can be found in the modelling approach to brand equity measurement offered by The Consumer Affinity Company in the US (Eubank 1993).

The idea of searching for brand equity (brand strength) by factoring out all influences on market performance other than the brand name itself can lead into some complex procedures, such as that of Kamakura & Russell (1993). However, it is interesting that these American academic researchers validate their highly sophisticated approach by comparing results against a simple plotting of price premium versus brand share. In fact, this scatter plot approach remains one of the simplest and most practical ways to consider a brand's strength in the market-place; for most purposes the use of multinomial logit models to estimate something similar may be using a complicated sledgehammer to crack a fairly simple nut.

Price 2. Experimental approaches

Other approaches based on price take a different route. Instead of using market data, they use various forms of pricing research to estimate what share the brand would have at various different relative price levels. The equity measure is basically a calculation of the relative price at which each brand would have an equal share. (This is recognisable as the inversion of Broadbent's definition, given above.)

Joel Axelrod (1992) defines brand equity as 'the incremental amount your customer will pay to obtain your brand rather than a physically comparable product without your brand name'. In order to measure this, customers are divided into different cells and shown different combinations of the test brand and competitors at different price levels, and express preference using a constant sum technique.

Jim Crimmins of DDB Needham (1992) has a somewhat similar approach to measuring 'the amount of value added by a brand name' (to his credit, he avoids the dreaded E word!) The interviewing approach sounds similar to Axelrod's. The output is an estimation of the price at which the test brand and each competitor are equally likely to be chosen. Notice that this measure of 'brand value added' is not absolute, but varies according to which competitor is taken as the comparison. Crimmins reports that the value added by the number one brand in a market averages at 40% compared with store brands, but only averages 10% compared with the number two brand; in both cases there is a wide variation around this median figure.

Steve Roth (1991) describes the use of Brand Price Trade-Off analysis to estimate brand equity. In this approach respondents choose their preferred brand at various different sets of price levels. By pooling all the respondents' individual decision processes the computer can simulate market outcomes at any set of prices. From a brand equity viewpoint, this micro modelling approach shows that a brand can have different 'equity' for different respondents.

As we shall see in looking at behavioural or attitudinal loyalty measures, any serious investigation into quantifying consumers' degree of 'attachment' to a brand is likely to discover this unsurprising truth – that some customers will be far more attached to the brand than others. It follows from this that figures which average all customers to provide a total brand score may be misleading.

Conversely, the process of decomposing a brand's user base into more or less loyal users may be valuable in itself in planning marketing strategy. It may be that one of the main benefits of some 'brand equity research' lies in this area, rather than the quest for a single yardstick for measuring brand strength.

Trade-off or conjoint approaches make it appear quite easy to separate brand name effects from other factors, which may make us forget that in real life separability is not always so clear cut. Can one really separate the Mercedes Benz name, for example, from the reality of the Mercedes Benz car?

Price: some general observations

The merits of using price as an indication of brand strength are that it relates closely to one of the main business benefits of branding. It is valuable in that it takes the focus off volume and adds the dimension of commanding a fair price for a trusted product. Certainly it is a dangerous error to look for evidence of brand strength or advertising effect by considering volumes alone.

However, there is more to brand equity than price premiums. There are strong brands which do not command a premium price, either because they are examples of 'scale economy branding' or because there is no directly substitutable product in the market. Mars Bars would be an example of both. It is possible that relatively low price elasticity would still be an indication of brand strength, but if the policy of the manufacturer were to keep prices low – for example to keep competitors out of the market – this would be a somewhat hypothetical measure.

Another danger is a possible lag effect between price rises and share loss. It is a dangerous game to suppose that a brand can be made ‘stronger’ by increasing its price premium, but this could be one logical outcome of a system which measures brand equity in this way. The story of Marlboro in the period leading up to Marlboro Friday illustrates the risks (Feldwick & Bonnal 1995).

This raises another question fundamental to defining what we mean by brand equity. Is it enough to consider a ‘snapshot’ of the brand’s relative position at one point in time? Or are we really interested in its future potential for growth, its future resilience against attack? If we want to predict the likelihood of future profit streams, price premiums may be a legacy of past strength, (or present greed), more than they are a guarantee of future performance. Many brands in the UK grocery market might be seen as illustrating this uncertainty.

BEHAVIOURAL MEASURES OF BRAND LOYALTY

‘Brand loyalty’, as mentioned before, is another expression whose meaning can vary. It is sometimes used, for instance, to describe the consumer’s attitudinal orientation towards the brand (to be covered later). Its narrower sense, however, is based on records of actual purchasing behaviour as gathered in consumer panels.

One common method of using panel data to generate a measure of loyalty has been the concept of ‘Share of Category Requirements’, often abbreviated as Share of Requirements (SOR or SCR). The SOR for Nescaf is all Nescaf volume expressed as share of all instant coffee bought by respondents who bought Nescaf during the analysis period. This overall figure disguises a wide variation between individual buyers, some of whom will have bought no other coffee in the period (SOR100%), to those who only bought it once out of n coffee purchases (SOR I/n*100%).

On this basis the more loyal customer is the one for whom the brand represents a higher share of category requirements; for instance, someone who buys seven jars of Nescaf in ten coffee purchasing occasions is more ‘loyal’ than someone who buys only three.

A good deal of attention has been paid to this behavioural definition of loyalty as an indicator of brand equity, especially in America. The idea is that the buyer with a higher share of category requirements is, obviously, far more important to the business (overall weight of purchase being equal) – also, implicitly, more emotionally attached to the brand and less willing to accept a substitute. (It does not, in fact, follow that this should always be the case and I am not sure what evidence exists for this assumption.) Therefore, if a brand’s buyers show, overall, a higher average SOR, this could be seen as a sign of brand strength. (More usually nowadays the criterion is a higher proportion of buyers with a SOR above a certain level, rather than the average. Crimmins (1992) suggests the proportion of buyers with an SOR over 60%; Christiani (1993) argues for considering the whole distribution.)

Larry Light (1994), a distinguished American researcher and Chairman of the Coalition for Brand Equity, uses the following example to demonstrate that brands with the same market shares can differ in loyalty as measured by SOR. He posits three imaginary brands: Brand A, which 100% of the user population buy 15% of the time; Brand B, which 15% buy 100% of the time; and Brand C, which half of the population buy 30% of the time. It will be seen that each of these brands has an identical 15% market share; but in terms of profitability, Brand B is claimed to be the most profitable (and the most secure?), and Brand A the least.

The problem with this (admittedly hypothetical) example is that brands like A, B and C are not known to exist in normal markets. We have already observed that every brand shows a distribution of different loyalty levels ranging from 100% loyalists to those who only bought the brand once. Andrew Ehrenberg and his colleagues have shown repeatedly that, over any time period, this distribution follows a standard pattern, which can be predicted within fairly narrow limits from three parameters. Two of these are market specific and can be estimated from knowing the category rate of purchase and the number of brands in the market; the third is simply the brand's market share. Hence any brand's average 'share of category requirements' can also be predicted, within narrow limits, from the same three parameters. Ehrenberg also shows that average Share of Requirements actually varies little between brands in a market, though it is normally higher for brands with a larger share, an instance of the so-called 'Double Jeopardy'. (Ehrenberg 1988; Ehrenberg *et al* 1990; Ehrenberg & Scriven 1995). Table 1 illustrates a typical finding.

TABLE 1

US instant coffee (annual)	**Market Share**	**Share of category requirements**
Maxwell House	19	39
Sanka	16	36
Taster's Choice	14	32
High Point	13	31
All other brands	12	32
Folgers	11	29
Nescaf	8	28
Brim	4	21
Maxim	3	23

Source Ehrenberg & Scriven 1995

There is an apparent conflict between Ehrenberg's findings (which have never been seriously disputed, though often ignored) and much American research based on SOR. The logic following from Ehrenberg's data is that brand equity measures based on share of category requirements are, once again, mere tautologies for brand share; share of category requirements will only go up if brand share goes up.

An alternative to SOR as a way of defining loyalty is to look at patterns of purchasing over time, and use this to estimate the probability of each panel member buying the brand on the next purchase occasion. Alain Pioche of Nielsen describes such a system, and illustrates how it can be more sensitive than SOR by the following three purchasing sequences, where 1 = a purchase of the brand and 0 = purchase of another brand:

1, 1, 1,1, 1,0,0,0,0,0

1,0,1,0,1,0,1,0,1,0

0,0,0,0,0, 1, 1, 1, 1,1

The SOR here is identical for all three at 50%. On the basis that past buying is the best single predictor of future buying behaviour, Pioche estimates the probability of each respondent buying the brand next time as A~.21, B=.43, and C=.79. The results must be aggregated to create an overall measure for loyalty to a brand. This would then have the potential to vary continuously in time (Pioche 1992).

This idea has an intuitive appeal – it is like reading the form at a horse race. We might think, however, that at the aggregate level it will be unlikely to tell us anything new about the brand's health – if more people are buying the brand more often, this should be reflected in its overall brand share!

What both SOR and this 'stochastic' approach show us is that any brand is bought by different groups of people, some very loyal (in behavioural terms), some not at all so. This mode of analysis is valuable in that it recognises that some customers are far more important to the brand than others, and that if these can be identified and targeted there can be significant improvements in marketing efficiency. This is the reverse of traditional 'conversion' models of marketing where the target was essentially conceived of as a non-user; it reflects a new and proper emphasis on the importance of the existing customer base.

Once the attempt is made to decompose the customer base in this way, a number of interlocking segmentations become possible which can make the process a complex one. Three common divisions are as follows:

- Weight of category purchase. Here we should expect a wide distribution from heavy to very light users, where (at least) the 80:20 rule generally applies – a minority of buyers account for a majority of total category consumption;
- Share of Category Requirements (SOR) cuts across this, so that some of a brand's more loyal users will be heavy category users, and some very light. (Ehrenberg (e.g. 1988, p 174) pointed out that customers whose share of category requirements is 100% are likely to include a lot of very light users, as the easiest way to be classified as 100% loyal is to have only bought the category on a single occasion in the analysis period. This will also apply to others with a high SOR. Nevertheless there will be some heavy category users who are 80%-100% loyal and these will account for a disproportionate volume of the business.);
- In America, where deep price discounting has become a major force in packaged goods markets, there have been attempts to find general consumer segmentations that hold true across categories – so that some individuals are more brand loyal, some buy across a wide repertoire, and some are particularly likely to buy on deal (McQueen *et al* 1993). Discussion then arises as to whether an occasional buyer of your brand is a more or less attractive prospect if he/she is a loyal buyer of a competing brand or a 'deal selective'.

All this may seem to be straying far away from our particular inquiry, and so in a way it is. However, the relevance of this to an overall measurement of brand equity is that a buyer whose 50% SOR is based on preference would constitute a greater brand asset than a buyer whose same SOR was based on deal buying. This suggests that analysis of buying patterns alone can be misleading unless it also includes some information about price.

Behavioural loyalty measures attempt to use consistency of behaviour as a proxy for attitude, or what we might call commitment. Given the influence of other factors such as inertia, availability and price it is not obvious that this is entirely sound. Another way of looking at brand equity is to get a fix attitudinally on the number of buyers who are strongly committed to your brand, compared with the number who simply buy it because of price, because of habit or inertia, or just because it is the only one there. We shall describe some of these now.

ATTITUDINAL MEASURES OF BRAND LOYALTY

In this section we concern ourselves with general evaluative measures (affective or 'liking') more than with specific associations and beliefs about the brand (cognitive or 'thinking'), which belong more properly under our third main definition of brand equity as brand description.

These can take various forms, which we need not describe in detail: scales ranging from 'the only one I would ever consider' to 'I would never consider'; constant sum preference scales; brand 'for me' – 'not for me'. Any form of experimental price testing (as Axelrod or Crimmins, above) can be seen as a form of attitudinal research which takes claimed willingness to pay a price as its scale (hence it has been whimsically called 'dollarmetric scaling'). General measures of 'esteem' or 'quality' are intended to be sufficiently vague to cover all types of product or service, so we can include them under general affective measures.

In a way such attitudinal measures take the most direct approach to the underlying concept which we suppose we want to measure – the relative preference, 'wantability', or attachment the consumer has for the brand, separated from 'external' factors such as price or distribution. Brand strength defined in this way is essentially attitudinal, following Gordon Allport's classic definition:

Attitude: 'A mental and neural state of readiness, organised through experience, exerting a directive or dynamic influence upon the individual's response to all objects and situations with which it is related.'

If brand attitudes are handled crudely on the 'eight out of ten cats prefer' basis or, worse still, as a single averaged figure, we need to be careful – again – that we are confounding numbers of a brand's devotees with the degree of their individual devotion to it. If we do this, then larger brands will tend to get the higher scores, and once again, we will learn nothing other than the fact they are big (Barwise & Ehrenberg 1985). In fact, the use of preference and other measures to stand for 'brand equity' has led to renewed interest in trying to understand how they represent different parts of the customer base by disaggregating them into groups (as in the analysis of loyalty, with which some researchers have tried to combine it).

One method of attitudinal segmentation is the conceptually very simple one proposed by Cramphorn (1992). This segments buyers of a brand into two groups, the discriminating and the undiscriminating, on the basis of a validated series of attitudinal statements. The percentage of discriminating buyers, plotted against brand share on the other axis, positions a brand as relatively stronger or weaker than others the same size.

A more complex attitudinal segmentation is Market Facts Inc's Conversion Model (Ceurvost 1994). This segments buyers and non-buyers into four groups each: users are entrenched, average, shallow, or convertible, while non-users can be available, ambivalent, weakly unavailable or strongly unavailable. It is claimed that trends in movements between these groups anticipate and predict market share movements; in particular, that as early as April 1991 the model predicted the decline in Marlboro share which led to Marlboro Friday.

If this is true, it means that the questions are a major advance on the traditional 'intention to buy' question which was used for many years as a predictor of future behaviour. In fact, as Bird & Ehrenberg found, claimed intention to buy reflects past behaviour much more than future behaviour (Bird & Ehrenberg 1967; 1968; Barnard 1990).

So a brand with a higher intention to buy than its present brand share would imply is generally not, as you might expect, a brand that is about to grow, but a brand that is probably in decline. The number of respondents expecting to buy it is merely a reflection of past glories.

The proponents of the Conversion Model argue that behavioural loyalty alone can misrepresent consumers level of emotional attachment to a brand, quoting evidence that many buyers with a high SOR have low emotional commitment. They also point out that in infrequent purchase choices, such as banks, cars, or credit cards, SOR is not a practically useful concept (Ceurvost 1994).

AWARENESS/SALIENCY MEASURES

Brand awareness is one of Aaker's five dimensions of brand equity. He defines it as 'the ability to identify a brand as associated with a product category' – an important qualification. There is a difference between 'mere' awareness of a name, and associating it with a particular product. Being the first name to come to mind when thinking of coffee, hand drills, mouthwash is one indication that a brand 'owns' that particular category. Such associations can persist for a long time.

Brand awareness has a long pedigree as a desired outcome of marketing activity, deriving from the very earliest models of advertising effectiveness such as St Elmo Lewis' AIDA in 1907. In most markets, recognition or a sense of familiarity with a brand name is considered a step towards improving acceptability and preference, other things being equal.

Awareness can be measured as recognition (prompted by the brand name), or spontaneous (prompted by some definition of the product field), with a further refinement in collecting the first name mentioned.

One of the best known general measures of brand equity, the Landor Image Power study, consists of two measures; one is a simple measure of brand awareness, the other a more complex factor called 'esteem' (a general quality rating) (Owen 1993). The findings of this survey indicate that these two measures are substantially independent of each other, showing that brands that are well known or easily called to mind are not always highly thought of or likely to be preferred (although more so in America than in Europe!).

Another major cross category survey of relative brand strength, the Young and Rubicam Brand Asset Valuator (1994), includes 'familiarity' as one of four key dimensions of brand strength (the others being esteem, relevance and differentiation). Even here they are careful to point out that their definition of 'familiarity' embraces more than mere name awareness.

In fact it is arguable that high levels of awareness are created by a brand's size, ubiquity, and/or scale of promotional activity, while they tell us relatively little about the brand's 'strength' in the sense of the consumer's attachment to it or preference for it. Such measures tend to favour brands that are relatively or absolutely large, so that once more we are in danger of confounding size with strength.

SENSE 3. BRAND EQUITY = BRAND DESCRIPTION: DESCRIPTIVE ASSOCIATIONS/ATTRIBUTES OF THE BRAND

Some researchers talk about the collection of brand image data, positioning mapping and the like as if this is ‘brand equity’. David Aaker includes this as one of his dimensions of brand equity. It is widely assumed that the associations or attributes which a brand acquires are the main creators of the brand’s strength, as when Alex Biel (1992) argues that ‘Brand image drives brand equity’.

A wide variety of techniques, qualitative and quantitative, exist for eliciting consumers' associations with and perceptions of a brand, by inviting the respondent to link each brand with words or pictures, or in multi-dimensional scaling, to position them relative to each other.

More relevant to the brand equity debate are attempts to relate this kind of data, which are essentially descriptive, to dimensions of attitudinal or behavioural loyalty, that is, brand strength, as described above. It is through this linkage that what we might call brand image data have attached themselves to the brand equity concept, in procedures which are often known in America as ‘brand equity modelling’.

Attempts to model general affective attitudes to brands in this way can follow two main approaches, which I shall call cross sectional or time series. Cross sectional is to look for correlations between the individuals in the sample – so that if the strongest preferrers show a strong tendency to rate the brand on attribute Y, the inference is that associating the brand with attribute Y creates preference. This procedure is not new; it goes back to the St James model of the 1960s and the objections made against it at the time, that it is impossible to distinguish cause and effect in such correlations, is still a matter for debate. Time series analysis requires a set of such data over time from a tracking study; if a sudden decline in one particular attribute happens at the same time as a decline in general favourability scores, that attribute is assumed to be an important ‘driver’. Both approaches can be and often are combined with the loyalty segmentations described, so that the ‘drivers’ for each brand’s loyalists or rejectors (including competitive brands) can be computed. All these procedures are controversial, but undeniably attractive for many reasons that go beyond the measurement aspect of brand equity; they offer guidance for advertising and marketing strategy, and an appearance, at least, of controlling complexity – ‘If we can improve this image dimension for these people, our brand equity – and profit – will go up this much’. In their favour it must be said that they grapple with the complexity of a real user base, where different individuals vary. Not everyone will be convinced they deliver all they promise.

SO WHAT IS BRAND EQUITY?

All the research methodologies described above have been linked with the attempt to measure ‘brand equity’. I will not attempt to pontificate on their relative ‘validity’ or usefulness. But what is clear that they are far from measuring the same thing. For example:

- A brand’s ability to command a price premium is different from its SOR. (The brand leader may have 40% more ‘equity’ than the store brand measured as price premium, but the same SOR among its buyers, or less.)
- ‘Loyalty’ as shown by probability models is different from attitudinal measures (Pioche pp 37-39); also, as mentioned, different from SOR.
- Different price measures give quite different results. (Crimmins is explicit (p 18) in pointing out that his measure of brand value is not the same as the price premium in the market.)
- Ceurvost points out that the Conversion Model’s measure of ‘commitment’ is not related to SOR.

And no doubt others.

What we have, in fact, is an array of different dimensions. Any of these might be considered a relevant measure of a brand's health, strength, (or even 'equity'), depending on the brand's individual circumstances – and depending, importantly, on the use to which the findings will be put. Some measures, such as the basic combination of share and price difference, are obviously useful as a general retrospective indication of the brand's competitive performance (and add something to other standard measures such as brand shares). Others, for instance the attempts to measure levels of consumer 'commitment' to the brand, can act as early warning systems to detect future defections – and the same research can often add diagnostic information suggesting the necessary action to avoid this. Brand awareness may be relevant when considering extending a brand into a new category. Price premium may be important to some brands, not at all to others.

But as Barwise (1993) points out, none of these short term measures of brand loyalty has yet been shown to have any long-term predictive power; so there is an element of judgement involved in their use. And there is no reason to suppose that any of these measures – or even a cocktail of different ones – represent an objective and absolute measure of something called 'brand equity', still less that this is equivalent to the value which a brand should be sold or accounted for.

When we look for an operational definition of brand equity, we are asking the wrong question. Brand equity is necessarily a vague concept, like 'personal health and fitness', or 'a sound economy'. These concepts imply general questions: how well are we doing now? how well can we expect to do in the future? Such questions are not answered fully by any one measure. At certain points in time, one or more measures may be of crucial importance – such as cholesterol level or inflation. But there is also a danger that continuing to concentrate on one measure to the exclusion of other creates its own problems (low inflation leads to unemployment; low cholesterol diets cause depression). Brand equity needs to be approached in the same spirit.

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NOTES & EXHIBITS

FIGURE 2

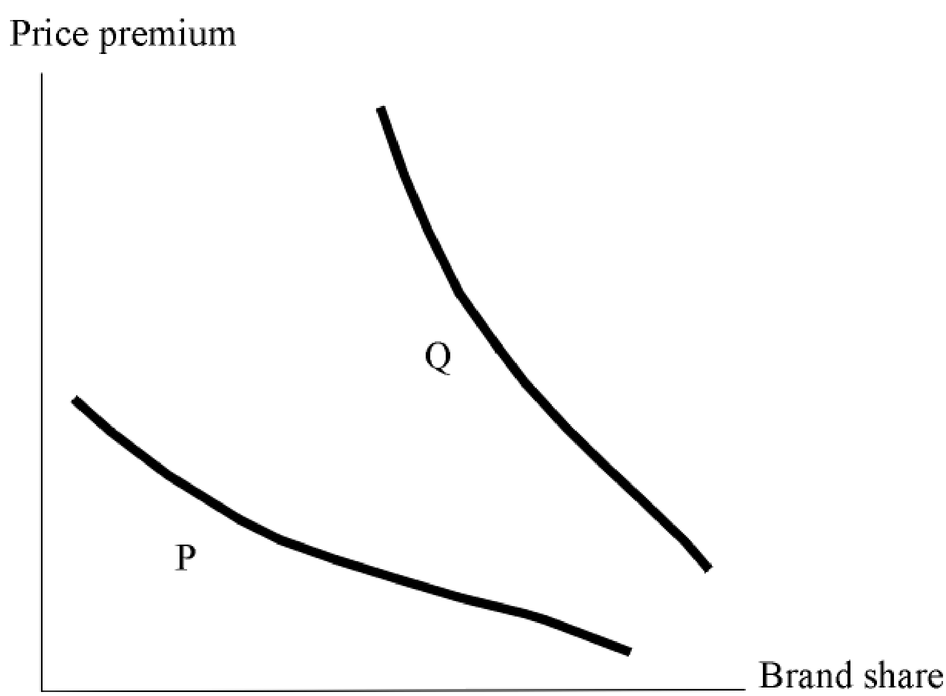

FIGURE 2