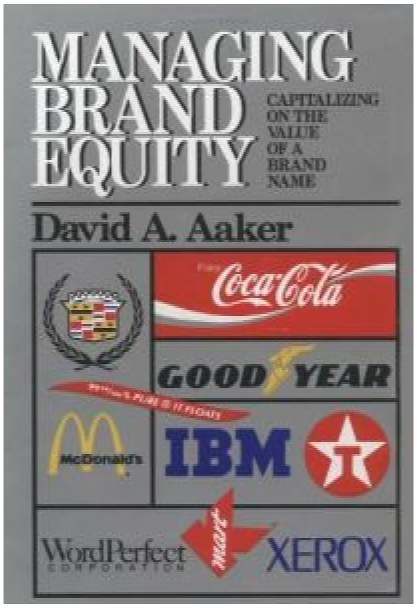

Book Managing Brand Equity

Capitalizing on the Value of a Brand Name

David A. Aaker
Free Press, 1991

Recommendation

Think Coca-Cola and what comes to mind? That's brand power. Author David A. Aaker illustrates how such powerful brands connect with customers. Unfortunately, Aaker doesn't show you how to build up your name or how to make the most of your ad dollars. But he does provide compelling, insider case studies, going back to the launch of Procter & Gamble's Ivory soap in 1881. Aaker sets three goals and just about achieves them: 1) Show managers how brand equity provides value, 2) Showcase examples of good and bad marketing and 3) Discuss how to manage brand equity. But, while Aaker explains brand equity by listing its components, the correlation between the parts and the whole is not clear - even with the ever-present flow chart. Regardless, being as well-known as IBM would make you tingle, and if you are looking for interesting historical perspective more than practical managerial advice, *BooksInShort* recommends this book, particularly to advertising and marketing executives.

Take-Aways

- Brand name is one of the most important intangible assets of any business.
- Most managers fail to realize how brand name affects long-term growth.
- Companies' names, brands, symbols and slogans - and their underlying assumptions - all add up to brand equity.
- Managing brand equity creates a competitive advantage by distinguishing your company from your competitors and achieving loyal, satisfied customers.
- Brand equity is comprised of brand loyalty, brand awareness, perceived quality, brand associations and other proprietary brand assets.
- Loyalty reduces marketing costs and makes customers feel confident.
- Awareness creates a familiarity with your company.
- If your brand has perceived quality, most customers will buy your products.
- Positive brand associations can create brand extensions.
- Be careful when developing brand extensions. Unwise brand extensions can cause irreversible damage to your brand name - and your company.

Summary

The Basics of Brand Equity

Your business's brand name is its most important intangible asset. It is the basis of competitive advantage and of future earnings, yet it is seldom managed in a coordinated, coherent manner. Yet, many managers don't think about building long-term brand equity.

> "To get rid of customers, a business often actually has to be rude, uncaring, unresponsive and/or disrespectful. It should not be difficult to avoid such behavior, yet customers experience it all the time."

Brand equity links to five assets: brand loyalty, name awareness, perceived quality, brand associations and proprietary pluses such as patents, trademarks and relationships. Brand equity provides value by attracting new customers and retaining old ones, increasing loyalty and providing a platform for growth via brand extensions. Gaining new customers is expensive, but keeping existing ones is comparatively inexpensive. A sound customer base helps your brand, because existing customers can help generate new customers.

> "Quality is the only patent protection we've got." [James Robinson, CEO, American Express]

Most people buy familiar brands because they are comfortable with what they know. They reason that if it is familiar, it is reliable and here to stay. Customers believe in the quality of the products they buy. Perceived quality influences buying and brand loyalty, especially when a buyer is not motivated or can't comparison shop.

Brand Loyalty

Brand loyalty is the foundation of a brand's equity. Customers don't become loyal when they buy products according to features, price and convenience. Those are objective factors. When they buy your brand in spite of better prices and greater convenience, then they are loyal. And that's subjective. Brand loyalty measures customers' likelihood to switch brands.

> "A customer base can too easily be taken for granted when the interest is in short-term sales rather than in building and maintaining equity."

Various levels of brand loyalty exist. Each level poses a different challenge. "Switchers" are indifferent to your brand and price-sensitive. "Habitual buyers" are neither satisfied nor dissatisfied with your brand. Though they can be vulnerable to competitors, habitual buyers are hard to convert because they are not looking for alternatives. "Satisfied buyers" are not likely to switch brands unless they perceive substantial incentives for doing so. "Friends" are customers who truly like the brand. "Committed customers" feel proud of discovering or using a brand. "The brand is very important to them, either functionally or as an expression of who they are." A committed buyer is a Harley-Davidson biker with a Harley tattoo.

> "Customers need reasons to change. The key to keeping them often is simply to avoid driving them away."

Brand loyalty aligns with experience. A person may become loyal to a brand because of perceived quality or strong positive associations. But it depends on the product. Some customers are loyal to brands with low perceived-quality (fast-food restaurants) or dislike brands with high-perceived quality (Japanese cars).

Measuring Brand Loyalty

You can measure brand loyalty by examining behavior, examining switching costs, determining how much people like the brand and evaluating satisfaction. Look at resale rates, the percentage of sales and the number of brands customers bought. Analyzing the costs of switching may provide insight into brand loyalty. The risk of change also plays a role. Measuring satisfaction is obvious: dissatisfied customers are most likely to switch brands.

> "The name is the basic core indicator of the brand, the basis for both awareness and communication efforts."

Brand loyalty translates to strategic value. It reduces marketing costs, provides trade leverage, attracts new customers while reassuring old customers and gives a company time to respond to competition.

The key to maintaining brand loyalty is to treat the customer with respect. Stay close to the customer, reward loyalty and provide extra rewards. Many companies make the mistake of aggressively trying to attract new customers while disregarding old ones. Recruiting new customers is difficult, but retaining old customers is much easier. Furthermore, existing customers can help attract new ones.

Brand Awareness

Customers become aware of a certain brand when: 1) the brand serves as an anchor to other associations, 2) they are familiar with or like the brand, 3) the brand becomes a signal of substance and commitment, and 4) they will consider buying the brand.

> "It is not enough to avoid damaging a brand - it needs to be nurtured and maintained."

Don't try to establish a brand without first establishing your name. Once you establish recognition, it is easier to attach a new association to your brand, such as a product attribute. Recognition comes with a sense of familiarity. Most people are more comfortable buying brands they know. Their brand awareness signals commitment and substance - factors that matter in a customer's decision to buy an expensive item, such as a car.

Achieving Brand Awareness

You can achieve, maintain or improve brand awareness by: 1) being different or memorable, 2) using a slogan or jingle, 3) developing a symbol or widely exposing an existing symbol, 4) generating publicity, 5) sponsoring an event, 6) considering brand extensions, 7) using cues, and 8) repeating. Brand recognition depends on repetition.

Perceived Quality

Because it is subjective, perceived quality differs from other forms of quality. Perceived quality is hard to identify. People often confuse it with other aspects of brand equity. Generally, it attaches to reliability and performance, or other aspects of the brand.

> "What a business does usually is easily imitated. It is more difficult to respond to what a business is, since that involves acquiring or neutralizing specialized assets or skills."

Perceived quality also develops your company's position and price premiums. For example, is your product classified as super premium, premium, value or economy? Is your brand the best in its class or is it competitive? Most customers believe you get what you pay for. To deliver high quality, businesses must: 1) make a commitment to quality, 2) create a quality culture, 3) seek customer input, 4) measure performance, 5) allow employee initiative, and 6) increase customer expectations.

Perceived and Actual Quality

High actual quality must translate into perceived quality. Look for an indicator of high quality. Price provides a cue, especially with low-priced consumer products. For example, price tends to signal quality in wine, perfume and durable goods.

> "Brand awareness involves a continuum ranging from an uncertain feeling that the brand is recognized, to a belief that it is the only one in the product class."

Businesses can explain why quality is superior, offer guarantees or use external measures. For example, a meaningful guarantee can provide convincing support for a quality claim. For a guarantee to be effective, it should be unconditional, easy to understand, easy to invoke and meaningful.

Brand Associations

A brand association provides a strong link to the brand. Usually, most brands need more than one association to become memorable.

“Awareness, although a key brand asset, cannot by itself create sales, especially for a new product.”

Associations help customers: 1) process and retrieve information, 2) differentiate the brand, 3) generate a reason to buy, 4) create positive attitudes or feelings, and 4) provide a basis for extensions. Associations can include a product’s attributes, customer benefits, relative price, customers, celebrities or spokespersons, lifestyle or personality, product class, competitors and geographic area.

“Perceived quality is an intangible, overall feeling about a brand.”

One of the most popular positioning strategies is to associate an object with a product attribute or characteristic. However, positioning strategies that focus on too many product attributes present a confusing, contradictory image. Intangible factors, such as general attributes or technological leadership, also contribute to brand associations.

“The underlying value of a brand name often is its set of associations - its meaning to people.”

Customer benefits usually go hand-in-hand with product attributes. Companies famous for marketing their customer benefits include Snickers and Miller beer. Snickers ads stress the psychological benefits of their candy bars by marketing them as a reward at the end of the day. Ditto for Miller, whose ads promote "Miller time."

Relative Price

Positioning your brand according to relative price is difficult. The brand usually needs to be clearly in one price category. Then, you must position its offerings away from others at the same price point.

“An obviously direct way to find out what a brand means to people is to ask them.”

Some products can have as many as five price levels. Consider the various U.S. department stores. The most upscale department stores include Saks Fifth Avenue, Neiman-Marcus and Bloomingdale’s. The next level of stores may include Macy’s, Nordstrom’s and Hecht’s. General lower-priced department stores include Sears, Montgomery Ward and J.C. Penney’s. Finally, discount department stores include K-mart, Ames and Target.

Be careful when you sell a lower-priced product in a higher-priced market, and vice versa. Either strategy can alienate customers who have certain expectations about your brand.

You can position a brand according to its use or customers. Celebrities usually create strong brand associations. Other marketing tricks include advertising your product based on its "lifestyle or personality," product class, competitors or geographic area.

The Name Game

Your company’s name is important because it is so hard to change. If you do try to change your name, you risk losing customers for a very simple reason - they won’t be familiar with your new name.

Corporate names should be simple and easy to learn, memorable, meaningful and different (or unusual enough) to attract attention. Names also can use humor, puns or alliteration. They can use a mental picture or image, or attempt to elicit emotion. Examples include Apple, Pledge, Joy and Obsession. A good name also supports a symbol or slogan and suggests desired brand associations. Names also should be distinctive and should be available legally.

Symbols and Slogans

A symbol can create awareness, associations, or feelings of attraction - which add up to customer loyalty. Symbols can be anything: geometric shapes, packages, logos, people and cartoon characters (i.e., Prudential’s rock, the Pillsbury Doughboy, the Jolly Green Giant, Mr. Clean and Apple Computer’s apple with a bite out of it). Symbols also can serve as indicators of brands and product classes.

While symbols are concrete, slogans can change. Slogans provide an additional brand association and help generate equity. Slogans also should be specific, to the point and memorable by being interesting, relevant, funny or catchy. They also need to link to the brand. Examples include AT&T's "Reach out and touch someone" and American Express' "Don't leave home without it." AT&T creates feelings of warmth and friendship, while American Express creates a sense of urgency.

About the Author

David A. Aaker has written more than 70 articles on branding and eight books on branding, advertising and business strategy. Aaker currently is the J. Gary Shansby Professor of Marketing Strategy at the University of California at Berkeley.