

## 9. Brand Equity

A *brand* is a name or symbol used to identify the source of a product. When developing a new product, branding is an important decision. The brand can add significant value when it is well recognized and has positive associations in the mind of the consumer. This concept is referred to as **brand equity**.

### What is Brand Equity?

Brand equity is an intangible asset that depends on associations made by the consumer. There are at least three perspectives from which to view brand equity:

- **Financial** - One way to measure brand equity is to determine the price premium that a brand commands over a generic product. For example, if consumers are willing to pay \$100 more for a branded television over the same unbranded television, this premium provides important information about the value of the brand. However, expenses such as promotional costs must be taken into account when using this method to measure brand equity.
- **Brand extensions** - A successful brand can be used as a platform to launch related products. The benefits of brand extensions are the leveraging of existing brand awareness thus reducing advertising expenditures, and a lower risk from the perspective of the consumer. Furthermore, appropriate brand extensions can enhance the core brand. However, the value of brand extensions is more difficult to quantify than are direct financial measures of brand equity.
- **Consumer-based** - A strong brand increases the consumer's attitude strength toward the product associated with the brand. Attitude strength is built by experience with a product. This importance of actual experience by the customer implies that trial samples are more effective than advertising in the early stages of building a strong brand. The consumer's awareness and associations lead to perceived quality, inferred attributes, and eventually, brand loyalty.

Strong brand equity provides the following benefits:

- Facilitates a **more predictable income** stream.
- **Increases cash flow** by increasing market share, reducing promotional costs, and allowing premium pricing.
- **Brand equity is an asset** that can be sold or leased.

However, brand equity is not always positive in value. Some brands acquire a bad reputation that results in negative brand equity. Negative brand equity can be measured by surveys in which consumers indicate that a discount is needed to purchase the brand over a generic product.

## Building and Managing Brand Equity

In his 1989 paper, *Managing Brand Equity*, Peter H. Farquhar outlined the following three stages that are required in order to build a strong brand:

1. **Introduction** - introduce a quality product with the strategy of using the brand as a platform from which to launch future products. A positive evaluation by the consumer is important.
2. **Elaboration** - make the brand easy to remember and develop repeat usage. There should be accessible brand attitude, that is, the consumer should easily remember his or her positive evaluation of the brand.
3. **Fortification** - the brand should carry a consistent image over time to reinforce its place in the consumer's mind and develop a special relationship with the consumer. Brand extensions can further fortify the brand, but only with related products having a perceived fit in the mind of the consumer.

## Alternative Means to Brand Equity

Building brand equity requires a significant effort, and some companies use alternative means of achieving the benefits of a strong brand. For example, brand equity can be borrowed by extending the brand name to a line of products in the same product category or even to other categories. In some cases, especially when there is a perceptual connection between the products, such extensions are successful. In other cases, the extensions are unsuccessful and can dilute the original brand equity.

Brand equity also can be "bought" by licensing the use of a strong brand for a new product. As in line extensions by the same company, the success of brand licensing is not guaranteed and must be analyzed carefully for appropriateness.

## Managing Multiple Brands

Different companies have opted for different brand strategies for multiple products. These strategies are:

- **Single brand identity** - a separate brand for each product. For example, in laundry detergents Procter & Gamble offers uniquely positioned brands such as Tide, Cheer, Bold, etc.
- **Umbrella** - all products under the same brand. For example, Sony offers many different product categories under its brand.
- **Multi-brand categories** - Different brands for different product categories. Campbell Soup Company uses Campbell's for soups, Pepperidge Farm for baked goods, and V8 for juices.
- **Family of names** - Different brands having a common name stem. Nestle uses Nescafe, Nesquik, and Nestea for beverages.

Brand equity is an important factor in multi-product branding strategies.

## **Protecting Brand Equity**

The marketing mix should focus on building and protecting brand equity. For example, if the brand is positioned as a premium product, the product quality should be consistent with what consumers expect of the brand, low sale prices should not be used compete, the distribution channels should be consistent with what is expected of a premium brand, and the promotional campaign should build consistent associations.

Finally, potentially dilutive extensions that are inconsistent with the consumer's perception of the brand should be avoided. Extensions also should be avoided if the core brand is not yet sufficiently strong.