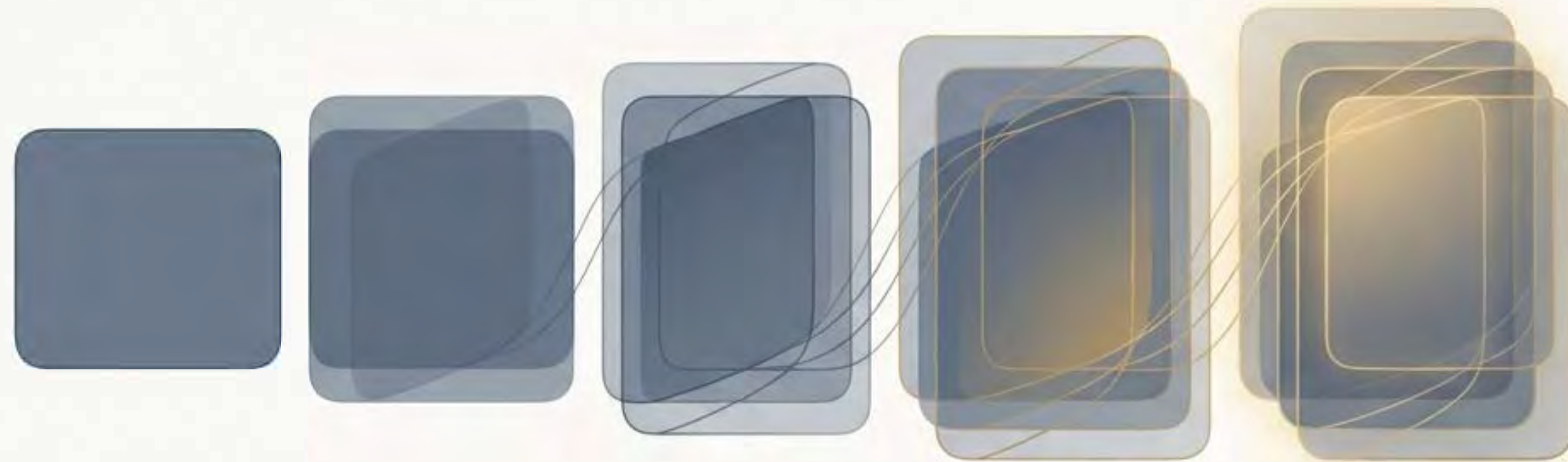
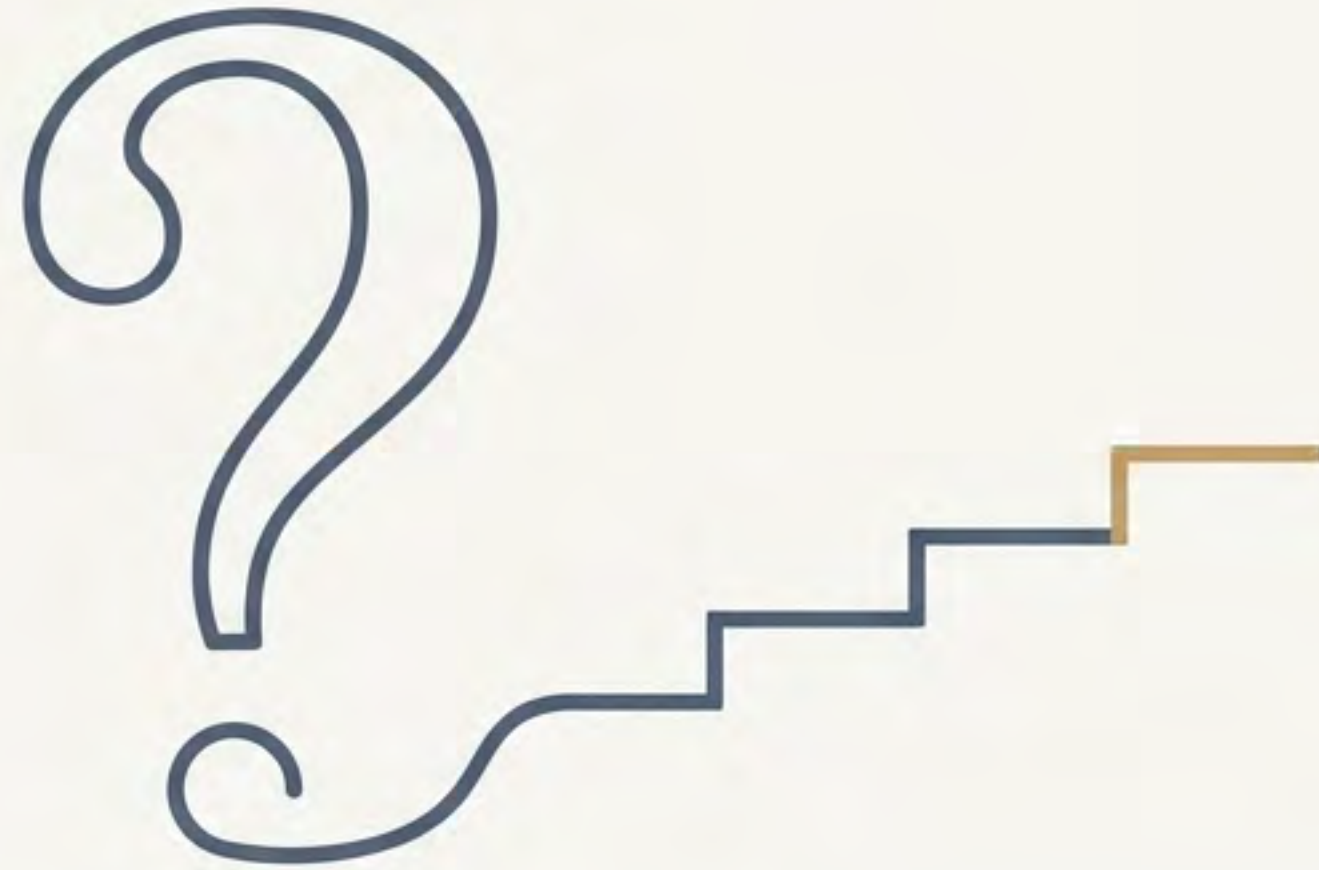


The Brand Value Chain: A Framework for Measuring True Market Impact



From Strategic Plan to Financial Equity



How do we know if our brand is truly working?

The primary goal of brand research is to provide managers with relevant data to guide their decisions. However, raw data isn't enough; it requires structure to be actionable. Effective research is driven by managerially relevant questions and organized around the process by which brands generate market value.

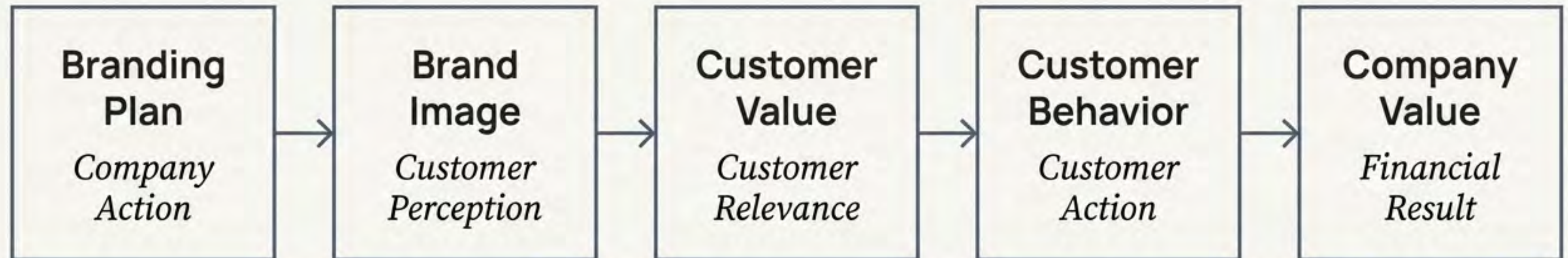
THE SOLUTION

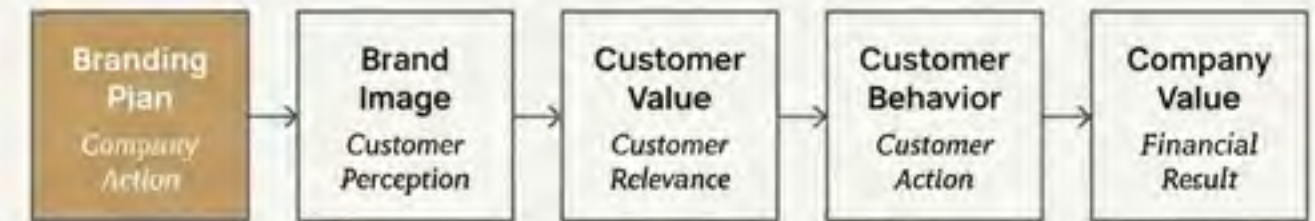
This presentation outlines a five-stage framework to systematically evaluate brand impact, tracing the journey from initial plan to final market value.

A Five-Stage Journey to Quantify Brand Value

The process by which a brand creates market value can be summarized as a sequence of five interconnected stages. To assess market impact, research must address an essential question at each stage.

Framework for Evaluating Brand Impact





Stage 1: Did we implement the brand management plan effectively?

Evaluating Brand Design

Goal: To assess how well the implementation of brand identifiers (logo, motto, packaging) and associations aligns with the plan.

Key Challenge: Inconsistencies arise as companies grow, operate in multiple markets, or use external entities like franchisees.

Tools:

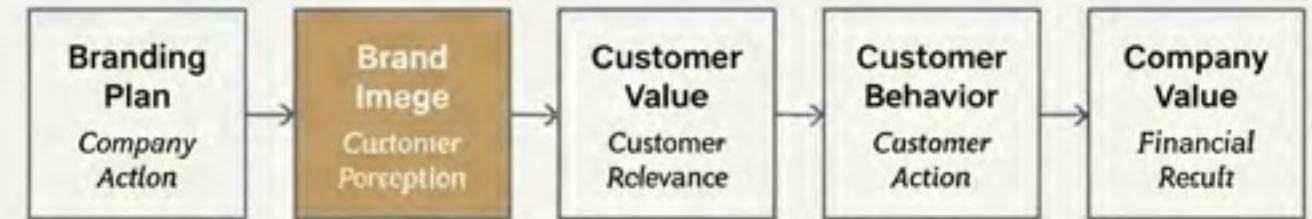
- **Brand Inventory:** A comprehensive catalog of all brand identifiers and associations as they appear in the market.
- **Brand Identity Guides:** Documents that provide clear instructions on identifier usage and serve as a benchmark for assessing consistency.

Evaluating Brand Communication

Goal: To assess whether brand elements have been effectively communicated to the target audience, even if the design was correct.

Tools:

- **Brand Exposure Measurement:** Verifying message reach (e.g., ad viewership, event attendance, online banner notices).
- **Message Alignment Research:** Evaluating if the target audience's understanding of the campaign message matches the company's intentions.

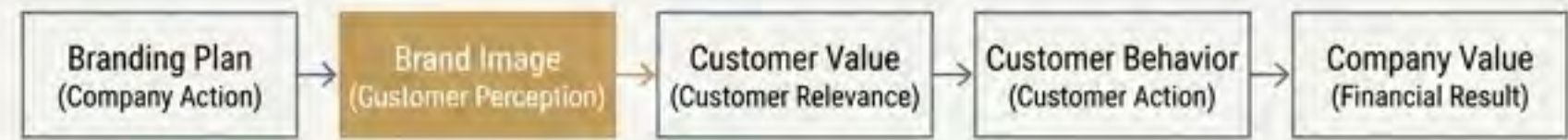


Stage 2: How is our brand represented in customers' minds?

Brand Image refers to the set of associations that people link to a particular brand name. It's not what the company *says*, but what the customer *perceives*.

Research into brand image focuses on two key aspects of these non-observable perceptions:

- 1. Brand Awareness:** Do they know we exist?
- 2. Brand Associations:** What do they think of when they hear our name?



Deep Dive: Measuring What Customers Know and Feel

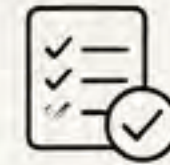
Assessing Brand Awareness



Brand Recall (Unaided)

Asks respondents to identify brands within a category without prompts.

Example Question: "Name all the cereal brands you can think of."



Brand Recognition (Aided)

Presents a brand to respondents and asks if they find it familiar. Considered a weaker measure than recall.

Example Question: "Which of these brands have you heard of?"

Analyzing Brand Associations (The 4 Dimensions)



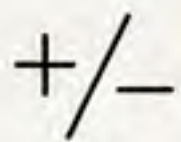
Type

The specific ideas and concepts linked to a brand. Can be company-defined (e.g., Starbucks -> 'social responsibility') or personal (e.g., Starbucks -> 'my morning drink,' 'expensive').



Breadth

The number and variety of mental constructs linked to the brand. (e.g., a lifestyle brand like Ralph Lauren has broader associations than a functional one like Dollar Shave Club).



Valence

How favorable the connections are (positive vs. negative). (e.g., positive for TOMS vs. negative for Volkswagen after its 2015 scandal).



Strength

How firmly and quickly a brand name is linked to a concept. (e.g., Google is strongly associated with 'online search').

Stage 3: How does our brand create value *for* the customer?



This stage moves beyond perception to personal relevance. A brand creates value for customers across three key dimensions, reflecting the benefits and costs from their perspective.



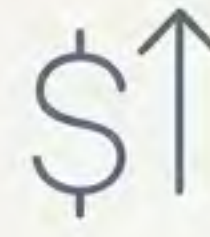
Functional Value

Does it help them identify the offering, signal its performance, and enhance their perception of that performance? (e.g., Branded vs. generic pharmaceuticals).



Psychological Value

Does it create personal relevance by conveying emotions, facilitating self-expression, or signaling social responsibility?



Monetary Value

Is the customer willing to pay a price premium for the offering *because* it is associated with the brand?

Deep Dive: Techniques to Uncover Perceived Benefits



Measuring Functional Value

Method:

Compare customer evaluations of the perceived performance of branded vs. unbranded versions of the same product. Assess the ease of identifying the offering among competitors.

Measuring Psychological Value

Benefit Laddering

A series of “Why is that important?” questions to move from a specific attribute to a core personal meaning.



**Example: Harley-Davidson’s sound -> “It makes me feel different” -> “It makes me feel free.”*

Projective Techniques

Ask customers to complete an unfinished story about the brand or gather pictures that represent their thoughts and feelings about it.

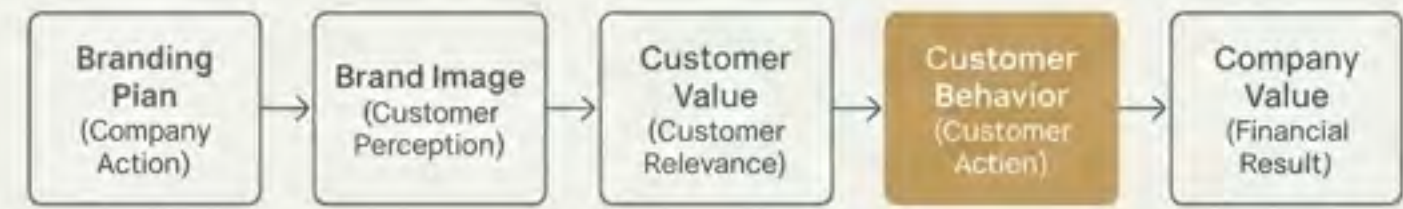
Measuring Monetary Value

Price Premium Analysis

Directly ask customers how much more they are willing to pay for a branded offering compared to an unbranded but functionally identical version.

Conjoint Analysis

Present choices between branded/unbranded options at different price points to statistically calculate the monetary value consumers assign to the brand.



Stage 4: How does our brand influence customer behavior?

Brand Power is a brand's ability to influence the observable behavior of its customers. It is the tangible outcome of brand value. While brand value focuses on subjective perceptions and feelings, brand power focuses on objective, observable actions. We measure brand power by analyzing three key types of customer activities:

- 1. Brand Choice:** Do they select our offering?
- 2. Brand Usage:** How do they interact with it?
- 3. Brand Advocacy:** Do they actively recommend it?

Deep Dive: Assessing Influence on Choice, Usage, and Advocacy



Assessing Brand Choice

Goal: Isolate the brand's unique impact on purchase decisions from other factors like price and quality.

Methods:

- **Conjoint Analysis:** Varies price, performance, and availability to see how the *presence* of the brand changes preferences.
- **Test Markets:** Offer branded vs. unbranded versions in a real-world setting (field study) or simulated environment (lab study).



Assessing Brand Usage

Goal: Understand how the brand fits into customers' lives, rituals, and consumption patterns.

Methods:

- **Observational Research:** In-home visits or remote video monitoring (with consent).
- **Activity-Based Research:** Ask participants to create photo-based narratives depicting their experiences with the brand.



Assessing Brand Advocacy

Goal: Measure willingness to recommend and understand the drivers behind it.

Methods:

- **Net Promoter Score (NPS):** A common but limited metric, as it fails to isolate the impact of the brand from other factors like price or service quality.
- **Content & Sentiment Analysis:** A more informative approach analyzing online reviews and social media posts to identify drivers of advocacy and understand customer feelings.



Stage 5: What is the monetary value of the brand *to the company*?

- **Brand Equity** is the monetary value of a brand, as reflected in the financial returns it is expected to generate over its lifetime.
- It is the ultimate measure of a brand as a financial asset.
- There is no single universally accepted method for assessing brand equity. Instead, three common approaches exist, each emphasizing different aspects of brand value.

Three Approaches to Calculating a Brand's Financial Worth



Cost Approach

Concept: Value = The historical or replacement cost to build the brand (e.g., marketing, legal expenses).

Best For: Newly created brands where costs are easier to estimate.

Key Limitation: Ignores the brand's potential to generate future market value and associated risks.



Market Approach

Concept: Value = The revenue premium of a branded offering vs. an identical unbranded one, minus branding costs.

Best For: Simple product comparisons where a generic equivalent exists.

Key Limitation: Overlooks other value drivers like collaborator terms, employee recruitment, and brand extension opportunities.



Financial Approach

Concept: Value = The Net Present Value (NPV) of the brand's future earnings.




Best For: A comprehensive, forward-looking valuation.

Key Limitation: Relies on complex and often unpredictable estimations of future cash flow, brand contribution, and brand lifespan.

Spotlight: The Financial Approach in Practice (Interbrand vs. BrandZ)

Both methods estimate the brand's monetary value based on its contribution to future earnings. The primary difference lies in their assumptions and how they derive estimates.

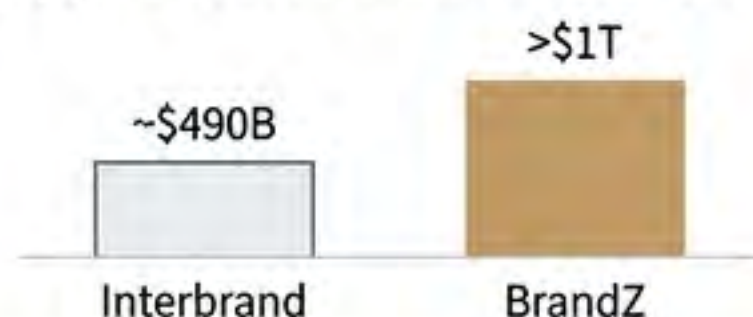
Interbrand Method

-  **Financial Analysis:** Calculates the brand's *Economic Profit* (after-tax operating profit adjusted for capital).
-  **Role of Brand:** Uses expert panels or historical analysis to determine the brand's influence on purchase decisions.
-  **Brand Strength:** Assesses loyalty and risk across 10 internal/external factors.

BrandZ Method (Kantar)

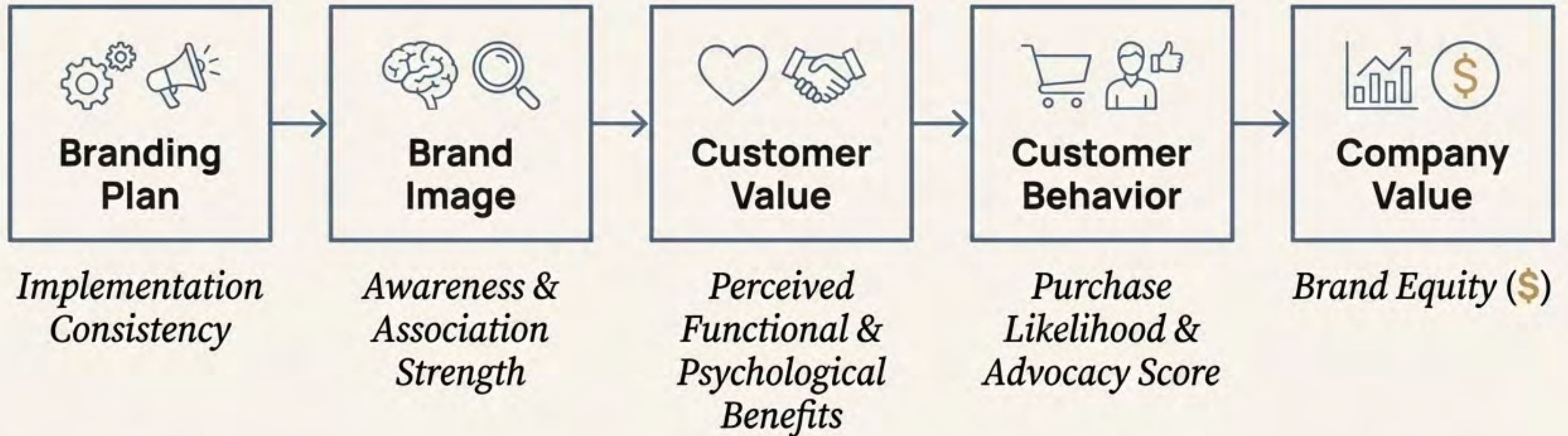
-  **Financial Valuation:** Identifies *Corporate Earnings* from the brand and applies a future earnings multiple.
-  **Brand Contribution:** Uses large-scale consumer research (over 3 million consumers) to isolate the brand's impact, driven by *Meaning, Differentiation, and Prominence*.
-  **Brand Value:** Multiplies the financial value by the brand contribution score.

Apple Brand Valuation (2024)



In 2024, Interbrand estimated Apple's brand equity at ~\$490 billion, while BrandZ valued it at over \$1 trillion. This discrepancy highlights how underlying assumptions dramatically impact the final number and underscores the need for converging methodologies.

A Holistic View of Brand Impact



Measuring brand impact is a continuous process, not a single event. Each stage builds on the last, providing a complete picture from internal action to external valuation. A strong brand is one that creates value at every step of this chain.