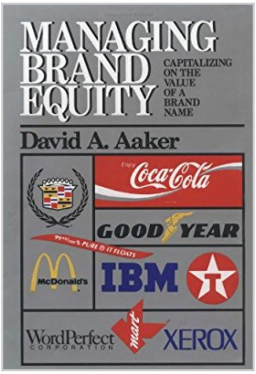

Managing Brand Equity

By David A. Aaker

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In a fascinating and insightful examination of the phenomenon of brand equity, Aaker provides a clear and well-defined structure of the relationship between a brand and its symbol and slogan, as well as each of the five underlying assets, which will clarify for managers exactly how brand equity does contribute value.

The most important assets of any business are intangible: its company name, brands, symbols, and slogans, and their underlying associations, perceived quality, name awareness, customer base, and proprietary resources such as patents, trademarks, and channel relationships. These assets, which comprise brand equity, are a primary source of competitive advantage and future earnings, contends David Aaker, a national authority on branding. Yet, research shows that managers cannot identify with confidence their brand associations, levels of consumer awareness, or degree of customer loyalty. Moreover in the last decade, managers desperate for short-term financial results have often unwittingly damaged their brands through price promotions and unwise brand extensions, causing irreversible deterioration of the value of the brand name. Although several companies, such as Canada Dry and Colgate-Palmolive, have recently created an equity management position to be guardian of the value of brand names, far too few managers, Aaker concludes, really understand the concept of brand equity and how it must be implemented.

The author opens each chapter with a historical analysis of either the success or failure of a particular company's attempt at building brand equity: the fascinating Ivory soap story; the transformation of Datsun to Nissan; the decline of Schlitz beer; the making of the Ford Taurus; and others. Finally, citing examples from many other companies, Aaker shows how to avoid the temptation to place short-term performance before the health of the brand and, instead, to manage brands strategically by creating, developing, and exploiting each of the five assets in turn

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Editorial Review

Review
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Nicholas Staveley

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About the Author
David A. Aaker is the Vice-Chairman of Prophet, Professor Emeritus of Marketing Strategy at the Haas School of Business, University of California at Berkeley, Advisor to Dentsu, Inc., and a recognized authority on brands and brand management. The winner of the Paul D. Converse Award for outstanding contributions to the development of the science of marketing and the Vijay Mahajan Award for Career Contributions to Marketing Strategy, he has published more than ninety articles and eleven books, including *Strategic Market Management, Managing Brand Equity, Building Strong Brands,* and *Brand Leadership* (co-authored with Eric Joachimsthaler).

Chapter 1: What Is Brand Equity?

A product is something that is made in a factory; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless.

Stephen King

WPP Group, London

THE IVORY STORY

One Sunday in 1879 Harley Procter, one of the founders of the candle and soap firm Procter & Gamble (P&G), heard a sermon based on the Forty-fifth Psalm, "All thy garments smell of myrrh, and aloes, and cassia, out of ivory palaces." The word "ivory" stuck in his mind -- and became the name of the firm's white soap.

In December, 1881, P&G ran their first Ivory ad in a religious weekly, stating that the soap "floated" and that it was "99 44/100% pure," a dual claim which has become one of the most famous ad slogans ever. That ad is shown in Figure 1-1. Figure 1-2 shows a 1920 Ivory ad illustrating the consistency of the positioning over time. Note the imagery created by the forest, the barefoot girl, and the clear water.

The purity claim was supported by a chemist, who had tested Ivory and found that only 56/100% contained impurities. The flotation property, first created by a production mistake which fed air into the soap mixture, was discovered by customers -- who attempted to reorder the "floating" soap.

Ivory was a remarkable product in a time in which most soaps were yellow or brown, irritated skin, and damaged clothes. The fact that it floated had practical value to those used to being frustrated by trying to find their soap in the bath water. It was thus well positioned -- a soap that was pure, was mild, and floated. From the outset, the fact that it was mild enough for babies was stressed, and babies were often featured in the advertising. The claims of purity and mildness were supported by the white color, the name Ivory, the twin slogans, and the association with babies. The soap's brand name, along with its distinctive wrapping, gave customers confidence that they were getting the mild, gentle soap they wanted. The "aggressive" 1882 national advertising budget of $11,000 provided a start toward high brand awareness, and customer confidence that the manufacturer was backing the product and would stand behind it.

Ivory, now over 110 years old, is a prime example of the value of creating and sustaining brand equity. Brand equity will be carefully defined and detailed later in this chapter. Briefly, it is a set of assets such as name awareness, loyal customers, perceived quality, and associations (e.g. being "pure" and "it floats") that are linked to the brand (its name and symbol) and add (or subtract) value to the product or service being offered.

Curiously, in 1885 a yellow soap named Sunlight, when introduced to dreary, sun-starved England, became the start of Unilever, now one of the largest firms in the world. Unlike Ivory, however, Sunlight gave way to other brands, such as Lifebuoy, Lux, and Rinso.

Nearly thirty years later, in 1911, P&G introduced Crisco, the first all-vegetable shortening, using an ad showing a woman in her kitchen admiring a freshly baked rhubarb pie. The ad was the precursor of the "slice of life" type of advertising (linking brands to people's life contexts) that was to be a P&G staple over the years. By 1933 the firm had added Chipso, a washing-machine soap; Dreft, a synthetic detergent; Ivory Flakes; Ivory Snow; and Camay, a competitor to Ivory.

pardP&G demonstrated its commitment to Ivory's brand equity during the depression. In the face of tremendous economic hardships, P&G resisted pressures to reduce advertising. In fact, in part by sponsoring "The O'Neills," a radio "soap opera," Ivory doubled its sales between 1933 and 1939.

The loyalty and market presence that Ivory had built was challenged in 1941 by an Ivory clone called Swan from Lever Brothers. It was billed as "The first really new floating soap since the Gay Nineties." P&G reacted with aggressive advertising to protect Ivory. Without any clear product difference, Lever could not dislodge Ivory, and ultimately withdrew from the market.

In May of 1931 a memo by Neil McElroy, then working on P&G's Camay account and frustrated by being in the shadow of Ivory, put forth the idea of developing a brand management team. He argued that there were not enough people caring about Camay. The marketing effort (and the effort to create and maintain equity) was diffused and uncoordinated, and lacked a budget commitment. The solution, creating a brand management team responsible for the marketing program and its coordination with sales and manufacturing, was a key event in the history of branding.

During the late 1940s and 1950s the firm added Spic & Span cleaner, Tide detergent, Prell shampoo, Lilt home permanent, Joy dishwashing detergent, Blue Cheer, Crest toothpaste, Dash low-sudsing detergent, Comet cleanser with bleach, Duz soap, Secret cream deodorant, Jif peanut spread, Duncan Hines, Charmin, and Ivory Liquid. The sixties and seventies saw the addition of Pampers disposable diapers, Folger's coffee, Scope mouthwash, Bounty paper towels, Pringles potato chips, Bounce fabric softener, Rely tampons, and Luv disposable diapers.

In the late 1980s, P&G had 83 advertised brands and annual sales of nearly $20 billion. In the U.S. it had the No. 1 brand in 19 of the 39 categories in which it competed, and one of the top three brands in all but five. In these 39 categories, P&G commanded an average market share close to 25%.

Most firms will focus efforts upon one brand, protecting its position by pursuing a given positioning strategy. New segments are usually therefore uncovered by competitors who are attempting to gain a position in the market. One striking aspect of P&G has been its willingness to develop competing brands in order to serve new segments, even if the new brands pressure (or even threaten) existing brands. The mature, fragmented laundry detergent category is an excellent example of how a set of brands can combine to reach a variety of segments and result in a dominant position: P&G holds a 50%-plus share of the market.

P&G's ten brands use different associations to target different market segments. Thus:

Ivory Snow -- "Ninety-nine and forty-four one-hundredths percent
pure," the "Mild, gentle soap for diapers and baby clothes"

Tide -- For extra-tough family laundry jobs -- "Tide's in, dirt's out"

Cheer -- Works in cold, warm, or hot water -- "All-temperature Cheer"

Gain -- Originally an "enzyme" detergent but now a detergent with a fragrance -- "Bursting with freshness"

Bold 3 -- Includes fabric softener -- "Cleans, softens, and controls static"

Dash -- Concentrated power, less suds to avoid clogging washing machines

Dreft -- With "Borax, nature's natural sweetener" for baby's clothes Oxydol -- Contains bleach -- for "Sparkling whites -- with color-safe bleach"

Era -- Concentrated liquid detergent -- with proteins to clean stains

Solo -- Heavy-duty, with a fabric softener

In few other companies is the power of branding so apparent. Without question the key to the success of P&G is its commitment to the development of brand equity, the brand management system that supports it, and the ongoing investment in marketing that sustains it.

There are a few publicly available numbers that allow a crude estimate of the profits that the Ivory brand name has provided to P&G over the past century. We know that just over $300 million was spent on U.S. measured media during the 10-year period from 1977 to 1987. It is estimated that during this period measured media was about 75% of total advertising at P&G. If similar ratios hold for Ivory products, the total Ivory advertising expenditures would be around $400 million.

Assuming an ad-to-sales ratio of 7% (the ratio for P&G as a firm ranged from 6% to 8% during this period), worldwide sales of Ivory products would have been $5.7 billion. Assuming an exponential sales-growth curve since 1887, the total sales of Ivory products since Ivory was first introduced would be around $25 billion. Assuming an average profitability of 10% (the average profitability for laundry and cleaning products from 1987 to 1989 was 10%), a reasonable estimate of total Ivory profits would be $2 to $3 billion.

Interestingly and not coincidentally, P&G is known on Wall Street as a firm which takes a long-term view of its brand profitability. Although this can be frustrating and risky in the short term for an investor, P&G is patient with brands even when they absorb losses over a long time period. Their persistence with Pringles chips, Duncan Hines ready-toeat soft cookies, and Citrus Hill orange juice in the face of substantial losses are examples. The long-term perspective of P&G may in part be due to the fact that it is 20% owned by its employees.

In this book we shall explore brand equity. As the P&G example illustrates, the development of brand equity can create associations that can drive market positions, persist over long time periods, and be capable of resisting aggressive competitors. However, it can also involve an initial and ongoing investment which can be substantial and will not necessarily result in short-term profits. Payoffs, when they come, can involve decades. Thus, management of brand equity is difficult, requiring patience and vision.

In the following pages we will define brand equity and suggest that it is based on a set of dimensions each of which potentially needs to be managed. Several perspectives on how to place a value on a brand will then be detailed. First, however, several basic questions must be addressed. For example: What exactly is a brand? Have brand equities been eroding? How do price promotions affect brands? What is behind the pressures for short-run financial results? Can a focus on brand equity provide a counterpoint to the tyranny of short-term financials?

THE ROLE OF BRANDS

A brand is a distinguishing name and/or symbol (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors. A brand thus signals to the customer the source of the product, and protects both the customer and the producer from competitors who would attempt to provide products that appear to be identical.

There is evidence that even in ancient history names were put on such goods as bricks in order to identify their maker. And it is known that trade guilds in medieval Europe used trademarks to assure the customer and provide legal protection to the producer. In the early sixteenth century, whiskey distillers shipped their products in wooden barrels with the name of the producer burned into the barrel. The name showed the consumer who the maker was and prevented the substitution of cheaper products. In 1835 a brand of Scotch called "Old Smuggler" was introduced in order to capitalize on the quality reputation developed by bootleggers who used a special distilling process.

Although brands have long had a role in commerce, it was not until the twentieth century that branding and brand associations became so central to competitors. In fact, a distinguishing characteristic of modern marketing has been its focus upon the creation of differentiated brands. Market research has been used to help identify and develop bases of brand differentiation. Unique brand associations have been established using product attributes, names, packages, distribution strategies, and advertising. The idea has been to move beyond commodities to branded products -- to reduce the primacy of price upon the purchase decision, and accentuate the bases of differentiation.

The power of brands, and the difficulty and expense of establishing them, is indicated by what firms are willing to pay for them. For example, Kraft was purchased for nearly $13 billion, more than 600% over its book value, and the collection of brands under the RJR Nabisco umbrella brought over $25 billion. These values are far beyond the worth of any balance sheet item representing bricks and mortar.

An even clearer example of the value of a brand name is licensing. For example, Sunkist in 1988 received $10.3 million in royalties by licensing its name for use on hundreds of products such as Sunkist Fruit Gems (Ben Myerson candy), Sunkist orange soda (Cadbury Schweppes), Sunkist juice drinks (Lipton), Sunkist Vitamin C (Ciba-Geigy), and Sunkist fruit snacks (Lipton). Lipton used the name Sunkist Fun Fruits to overcome an established Fruit Corner line of fruit snacks from General Mills. The Fruit Corner tag line, "Real fruit and fun rolled up in one," was overshadowed by Sunkist Fun Fruits, a name that said it all.

The value of an established brand is in part due to the reality that it is more difficult to build brands today than it was only a few decades ago. First, the cost of advertising and distribution is much higher: One minute commercials and sometimes even half-minute commercials are now considered too expensive to be practical, for example. Second, the number of brands is proliferating: Approximately 3,000 brands are introduced each year into supermarkets. There were at this writing 750 nameplates of cars, over 150 brands of lipstick, and 93 cat-food brands. All this meant, and continues to mean, increased competition for the customer's mind as well as for access to the distribution channel. It also means that a brand often is relegated to a niche market, and so will lack the sales to support expensive marketing programs.

BRAND-BUILDING NEGLECT

Despite the often obvious value of a brand, there are signs that the brand-building process is eroding, loyalty levels are falling, and price is becoming more salient. The accompanying insert suggests a series of indicators of a lack of attention to brands which most firms will find familiar.

Indicators of an Underemphasis on Brand-Building

* Managers cannot identify with confidence the brand associations and the strength of those associations. Further, there is little knowledge about how those associations differ across segments and through time.

* Knowledge of levels of brand awareness is lacking. There is no feel for whether a recognition problem exists among any segment. Knowledge is lacking as to top-of-mind recall that the brand is getting, and how that has been changing.

* There is no systematic, reliable, sensitive, and valid measure of customer satisfaction and loyalty -- nor any diagnostic model that guides an ongoing understanding of why such measures may be changing.

* There are no indicators of the brand tied to long-term success of the business that are used to evaluate the brand's marketing effort.

* There is no person in the firm who is really charged with protecting the brand equity. Those nominally in charge of the brand, perhaps termed brand managers or product marketing managers, are in fact evaluated on the basis of short-term measures.

* The measures of performance associated with a brand and its managers are quarterly and yearly. There are no longer-term objectives that are meaningful. Further, the managers involved do not realistically expect to stay long enough to think strategically, nor does ultimate brand performance follow them.

* There is no mechanism to measure and evaluate the impact of elements of the marketing program upon the brand. Sales promotions, for example, are selected without determining their associations and considering their impact upon the brand.

* There is no long-term strategy for the brand. The following questions about the brand environment five or ten years into the future are unanswered, and may have not been addressed: What associations should the brand have? In what product classes should the brand be competing? What mental image should the brand stimulate in the future?

There is evidence that loyalty levels for supermarket products have declined. Nielsen charted the market share for 50 selected major supermarket brands and found that it fell 7% from 1975 to 1987. The research firm NPD revealed that in a study of 20 supermarket product categories the average number of brands purchased in a six-month period increased by 9% from 1975 to 1983.

The ad agency BBDO found a surprising perception of brand parity among consumers throughout the world in 13 consumer product categories. They asked consumers whether they felt that the brands they had to choose from in a given product category were more or less the same. The percent who indicated brand parity ranged from 52% for cigarettes to 76% for credit cards. It was noticeably higher for such products as paper towels and dry soup, which emphasize performance benefits, than for products like cigarettes, coffee, and beer, for which imagery has been the norm.

One survey of department-store shoppers involving 11 product categories such as underwear, shoes, housewares, furniture, and appliances documented the erosion of price. Only 39% of a national probability sample of 400 randomly dialed adults indicated that they paid full price, while 41% waited for a sale and 16% more bought discounted merchandise not on sale. Interestingly, the study found a high negative correlation between media advertising in a product category and category sales at full price. Advertising, of course, creates strong brands which can hold share in the face of discounting.

The Use Of Sales Promotion

It is tempting to "milk" brand equity by cutting back on brand-building activities, such as advertising, which have little impact upon short-term performance. Further, declines in brand equity are not obvious. In contrast, sales promotions, whether they involve soda pop or automobiles, *are* effective -- they affect sales in an immediate and measurable way. During a week in which a promotion is run, dramatic sales increases are observed for many product classes: 443% for fruit drinks, 194% for frozen dinners, and 122% for laundry detergents.

Promotions provide a way to keep a third-or fourth-ranking brand on the shelf. They are also attractive to the Pepsis of the world that want to beat Coke and, not so incidentally, squeeze out the 7-Up's of the world.

There has been a dramatic increase in sales promotion during the past two decades or so, both customer-directed (such as couponing and rebates) and trade-directed (such as wholesale case discounts). Just over a decade ago there was a 40/60 relationship between expenditures in promotions and advertising. The ratio is now 60/40 and still changing. Coupon distributions grew at an annual rate of 11.8% through the 1980s. Even in categories such as automobiles, price promotions have been the norm.

Unlike brand-building activities, most sales promotions are easily copied. In fact, competitors must retaliate or suffer unacceptable losses. When a promotion/price-cutting cycle begins it is most difficult to stop because both the customer and the trade become used to it and begin planning their purchases around the promotion cycle. The inevitable result is a great increase in the role of price. There is pressure to reduce the quality, features, and services offered. At the extreme, the product class starts to resemble a commodity, since brand associations have less importance. At that point, promotions look even better with respect to short-term impact, but their value declines. One recent study of more than 1,000 promotions concluded that only 16% paid off when costs and forward-buying were factored in.

The enhanced role of promotions is in part driven by measurement. With the advent of the scanner-based databases in food and drug stores, the short-term measures of some marketing actions are better than ever. They show that price promotions affect sales. However, they are not well suited to measure long-term results, in part because such results are difficult to detect in a noisy marketplace, and also because experiments covering multiple years are very expensive to conduct. Because there are no easy, defensible ways to measure the long-term effects of marketing actions, short-term measures have added influence. The situation is a bit like that of the drunk who looks for car keys under a street light because the light is better than where the keys were actually lost.

The visibility of the short-term success of price promotions and other potentially brand-debilitating activities is fed by the short-term orientation of many marketing organizations. Brand managers and other key people often are rotated regularly so that they can expect to stay in any one position for only two to five years. This then becomes their time horizon. Worse, during this time they are evaluated on the basis of short-term measures such as market share movements and short-term profitability. This is in part because such measures are available and reliable while indicators of long-term success are elusive, and, too, because the organization itself is concerned with short-term performance.

Pressures For Short-Term Results

Branding decisions take place in organizations experiencing extreme pressures to deliver short-term performance, particularly in the U.S.A myriad of diverse spokes people, including the chairman of Sony, a political scientist from Harvard, and the authors of the MIT Commission on Productivity, have forcefully concluded that U.S. managers have an excessive preoccupation with short-term profits at the expense of long-range strategy.

A prime reason why American managers might have a short-term focus is the prominence and acceptance of the maximization of stockholder value as the prime objective of U.S. firms. The problem is that shareholders are inordinately influenced by quarterly earnings. Their crude model is that future returns will be related to current performance. The resulting need for managers to demonstrate good quarterly earnings percolates into organizational objectives and brand-management evaluation. As a result, there is intense pressure throughout the firm to deliver good short-term financials.

A basic problem is that shareholders usually are incapable of understanding the strategic vision of a firm, in part because they are not privy to strategic decision-making, and also because they cannot interpret the uncertain strategic environment or the complexities of the organization. Further, there is an absence of credible alternative indicators of long-term performance.

After decades of effort, we have been markedly unsuccessful at modeling the long-term value of advertising in the absence of multiple-year field experiments. Measure of new-product effort is similarly difficult to quantify. Firms can keep track of new product research expenditures, the number of new products, the percent of business associated with products introduced within five years, and so on, but it is difficult to generate measures that are convincing surrogates for long-term performance. The long-term value of activities which will enhance or erode brand equity are similarly difficult to convincingly demonstrate. Without alternatives, short-term financials fill a vacuum and come to dominate performance measurement.

Managing with a long-term perspective is difficult in the face of the shareholder value emphasis, and other pressures, facing U.S. managers. What is to be done? Simply put, we need to find measures of long-term performance to supplement or replace short-term financials, measures that will be convincing enough to satisfy shareholders.

The Brand-Building Potential of Advertising

A rare effort to document the brand-building effect of advertising was made by the research firm IRI. An analysis of hundreds of heavy-up advertising experiments (where heavy advertising is compared to moderate or normal advertising) was conducted. On average over half of such heavy-up tests show no significant change in sales at all during the test period. IRI examined 15 of these experiments that did achieve significant sales gains during a test year. Sales averaged 22% over the base period. Sales in years 2 and 3, after the heavy advertising was withdrawn, were still above the base period, 17% and 6% respectively. Thus, the impact of advertising may be grossly underestimated if only a one year perspective is employed. Of course, advertising and promotion results are more often expected in months, or even weeks.

THE ROLE OF ASSETS AND SKILLS

One approach to introducing a strategic orientation is to change the primary focus from managing short-term financials to the development and maintenance of assets and skills. An asset is something a firm possesses, such as a brand name or retail location, which is superior to that of the competition. A skill is something a firm does better than its competitors do, such as advertising or efficient manufacturing.

Assets and skills provide the basis of a competitive advantage that is sustainable. What a business *does* (the way it competes and where it chooses to do so) 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. Anyone can decide to distribute cereal or detergent through supermarkets, but few have the clout to do it as effectively as, say, General Mills. The right assets and skills can provide the barriers to competitor thrusts that allow the competitive advantage to persist over time and thus lead to long-term profits. The challenges are to identify key assets and skills on which the firm should base its competitive advantage, to build upon and maintain them, and then to use them effectively.

The concept of an asset as a generator of a profit stream is familiar, especially when that asset is capitalized and appears on the balance sheet. A government bond is the prototypical example. A factory which houses plant, equipment, and people is another example. But of course a factory, unlike a government bond, requires active management and must be maintained.

The most important assets of a firm, however (such as the people in the organization and the brand names), are intangible in that they are not capitalized and thus do not appear on the balance sheet. Depreciation is not assessed, on "intangible assets," and thus maintenance must come directly out of cash flow and short-term profits. Everyone understands that even in bad times a factory must be maintained, in part because of the depreciation term in the income statement and also because maintenance needs are visible. An intangible asset, by contrast, is more vulnerable, and its "maintenance" is more easily neglected.

Managing The Brand Name

One such intangible asset is the equity represented by a brand name. For many businesses the brand name and what it represents are its most important asset -- the basis of competitive advantage and of future earnings streams. Yet, the brand name is seldom managed in a coordinated, coherent manner with a view that it must be maintained and strengthened.

Instead of focusing upon an asset such as a brand, too often American "fast-track" managers get caught up in day-to-day performance measures which are easily available. What caused the share drop in the Northeast? Would a promotion fight off a new product challenge? How can we combat a new entry? Can we put a name on another division's product and thus provide an interim solution? How can growth be sustained? Can a brand name be used to gain entry into a new product market?

A focus on short-run problems facing the brand can result in an operation that performs well, sometimes over a long time-period. However, the danger is that this performance is achieved by exploiting the brand and allowing it to deteriorate. The brand might be extended so far that its core associations are weakened. Its associations might be tarnished by expanding its market to include less-prestigious outlets and customers. Price promotions might be used to provide a perceived bargain for customers. The brand should be thought of as an asset, such as a timber reserve. Short-term profits can be substantial if the reserve is depleted without regard to the future but the asset can be destroyed in the process.

It is not enough to avoid damaging a brand -- it needs to be nurtured and maintained. A more subtle danger facing a brand is from a firm with a strong cost/efficiency culture. The focus is on improving the efficiency of operations including purchasing, product design, manufacturing, promotions, and logistics. A problem, however, is that in such a culture the brand may not be nurtured, and thus may slowly deteriorate. Further, efficiency pressures lead to difficult compromises between cost goals on the one hand and customer satisfaction on the other.

The value of brand-building activities on future performance is not easy to demonstrate. The challenge is to understand better the links between brand assets and future performance, so that brand-building activities can be justified. What are the assets that underlie brand equity? How do they relate to future performance? Which assets need to be developed, strengthened, or maintained? What exactly is the nature of the payoff/risk of such activities? What is the value of an improvement in perceived quality or brand awareness, for example? If answers to such questions would emerge, there would be more support for brand-building and more resistance to short-term expediency.

All brand-building activities require justification. However, the need is particularly acute in advertising because of the large expenditures involved that are often vulnerable to short-term pressures. Peter A. Georgescu, president of Young & Rubicam, captured the pressure on advertising by noting a need to learn how to measure, forecast, and manage the communication elements that go into the making of strong brands. He warned: "We have to find ways to measure and justify the megamillions our clients have to spend to build strong brands -- or else." The "or else" referred to brands becoming "faceless, lifeless" commodities.

The first step in identifying the value of brand equity is to understand what it is -- what really contributes to the value of a brand. Thus, we now turn to the definitional issue. Subsequently, we shall look at several methods of placing a value upon a brand which will provide additional insight regarding the brand concept. And, finally, some issues facing those who create or manage brands will be introduced.

WHAT IS BRAND EQUITY?

Brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers. For assets or liabilities to underlie brand equity they must be linked to the name and/or symbol of the brand. If the brand's name or symbol should change, some or all of the assets or liabilities could be affected and even lost, although some might be shifted to a new name and symbol. The assets and liabilities on which brand equity is based will differ from context to context. However, they can be usefully grouped into five categories:

1. Brand loyalty

2. Name awareness

3. Perceived quality

4. Brand associations in addition to perceived quality

5. Other proprietary brand assets -- patents, trademarks, channel relationships, etc.

The concept of brand equity is summarized in Figure 1-3. The five categories of assets that underlie brand equity are shown as being the basis of brand equity. The figure also shows that brand equity creates value for both the customer and the firm.

Providing Value to the Customer

Brand-equity assets generally add or subtract value for customers. They can help them interpret, process, and store huge quantities of information about products and brands. They also can affect customers' confidence in the purchase decision (due to either past-use experience or familiarity with the brand and its characteristics). Potentially more important is the fact that both perceived quality and brand associations can enhance customers' satisfaction with the use experience. Knowing that a piece of jewelry came from Tiffany can affect the experience of wearing it: The user can actually feel different.

Providing Value to the Firm

As part of its role in adding value for the customer, brand equity has the potential to add value for the firm by generating marginal cash flow in at least half a dozen ways. First, it can enhance programs to attract new customers or recapture old ones. A promotion, for example, which provides an incentive to try a new flavor or new use will be more effective if the brand is familiar, and if there is no need to combat a consumer skeptical of brand quality.

Second, the last four brand equity dimensions can enhance brand loyalty. The perceived quality, the associations, and the well-known name can provide reasons to buy and can affect use satisfaction. Even when they are not pivotal to brand choice, they can reassure, reducing the incentive to try others. Enhanced brand loyalty is especially important in buying time to respond when competitors innovate and obtain product advantages. Note that brand loyalty is both one of the dimensions of brand equity and is affected by brand equity. The potential influence on loyalty from the other dimensions is significant enough that it is explicitly listed as one of the ways that brand equity provides value to the firm.

It should be noted that there exist similar interrelationships among the other brand equity dimensions. For example, perceived quality could be influenced by awareness (a visible name is likely to be well made), by associations (a visible spokesperson would only endorse a quality product), and by loyalty (a loyal customer would not like a poor product). In some circumstances it might be useful to explicitly include other; brand equity dimensions as outputs of brand equity as well as inputs, even though they do not appear in Figure 1-3.

Third, brand equity will usually allow higher margins by permitting both premium pricing and reduced reliance upon promotions. In many contexts the elements of brand equity serve to support premium pricing. Further, a brand with a disadvantage in brand equity will have to invest more in promotional activity, sometimes just to maintain its position in the distribution channel.

Fourth, brand equity can provide a platform for growth via brand extensions. Ivory, as we have seen, has been extended into several cleaning products, creating business areas that would have been much more expensive to enter without the Ivory name.

Fifth, brand equity can provide leverage in the distribution channel. Like customers, the trade has less uncertainty dealing with a proven brand name that has already achieved recognition and associations. A strong brand will have an edge in gaining both shelf facings and cooperation in implementing marketing programs.

Finally, brand-equity assets provide a competitive advantage that often presents a real barrier to competitors. An association -- e. g., Tide is the detergent for tough family laundry jobs -- may preempt an attribute that is important for a given segment. For example, another brand would find it difficult to compete with Tide for the "tough cleaning job" segment.

A strong perceived quality position, such as that of Acura, is a competitive advantage not easily overcome -- convincing customers that another brand has achieved quality superior to the Acura (even if true) will be hard. Achieving parity in name awareness can be extremely expensive for a brand with an awareness liability.

We now turn to the five categories of assets that underlie brand equity. As each is discussed, it will become clear that brand-equity assets require investment to create, and will dissipate over time unless maintained.

Brand Loyalty

For any business it is expensive to gain new customers and relatively inexpensive to keep existing ones, especially when the existing customers are satisfied with -- or even like -- the brand. In fact, in many markets there is substantial inertia among customers even if there are very low switching costs and low customer commitment to the existing brand. Thus, an installed customer base has the customer acquisition investment largely in its past. Further, at least some existing customers provide brand exposure and reassurance to new customers.

The loyalty of the customer base reduces the vulnerability to competitive action. Competitors may be discouraged from spending resources to attract satisfied customers. Further, higher loyalty means greater trade leverage, since customers expect the brand to be always available.

Awareness of the Brand Name and Symbols

People will often buy a familiar brand because they are comfortable with the familiar. Or there may be an assumption that a brand that is familiar is probably reliable, in business to stay, and of reasonable quality. A recognized brand will thus often be selected over an unknown brand. The awareness factor is particularly important in contexts in which the brand must first enter the consideration set -- it must be one of the brands that are evaluated. An unknown brand usually has little chance.

Perceived Quality

A brand will have associated with it a perception of overall quality not necessarily based on a knowledge of detailed specifications. The quality perception may take on somewhat different forms for different types of industries. Perceived quality means something different for Hewlett Packard or IBM than for Solomon Brothers or Tide or Heinz. However, it will always be a measureable, important brand characteristic.

Perceived quality will directly influence purchase decisions and brand loyalty, especially when a buyer is not motivated or able to conduct a detailed analysis. It can also support a premium price which, in turn, can create gross margin that can be reinvested in brand equity. Further, perceived quality can be the basis for a brand extension. If a brand is well-regarded in one context, the assumption will be that it will have high quality in a related context.

A Set of Associations

The underlying value of a brand name often is based upon specific associations linked to it. Associations such as Ronald McDonald can create a positive attitude or feeling that can become linked to a brand such as McDonald's. The link of Karl Malden to American Express provides credibility, and (to some) may stimulate confidence in the service. The association of a "use context" such as aspirin and heart-attack prevention can provide a reason-to-buy which can attract customers. A life-style or personality association may change the use experience: The Jaguar associations may make the experience of owning and driving one "different." A strong association may be the basis of a brand extension: Hershey's chocolate milk provides the drink with a competitive advantage based upon Hershey's associations.

Branding an Ingredient: Nutrasweet

Perdue chickens and Chiquita bananas illustrate that a commodity product can be successfully branded. Each has developed a formidable awareness level and quality reputation for a product that was thought not long ago to be a pure commodity.

The Nutrasweet Company, a unit of Monsanto, faced an even more difficult task: to brand a patented ingredient, the sugar substitute aspartame. The brand had to be strong enough to survive the expiration of the patent in the early 1990s.

Their strategy was to create a consumer-level brand name (drawing upon the words "nutrition" and "sweet") and symbol (the familiar swirl) and establish it so firmly that consumers will prefer products with Nutrasweet over the same products from a low-cost competitor. Although Nutrasweet has advertised extensively, the cornerstone of the brand-creation effort has been their insistence that each of the some 3,000 products that use Nutrasweet display the brand name and symbol. The brand has been extremely successful in the market: In 1989, only six years after its introduction, it had profits of $180 million on sales of over $850 million.

Some fascinating questions emerge: How strong will the Nutrasweet brand be in the face of cheap substitutes? What will Nutrasweet do to help retain consumer loyalty? Can the firm repeat its success with its newest commodity, the fat substitute Simplesse? Will a similar strategy work again?

If a brand is well positioned upon a key attribute in the product class (such as service backup or technological superiority), competitors will find it hard to attack. If they attempt a frontal assault by claiming superiority via that dimension, there will be a credibility issue. It would be difficult for a competing department store to make credible a claim that it has surpassed Nordstrom on service. They may be forced to find another, perhaps inferior, basis for competition. Thus, an association can be a barrier to competitors.

Other Proprietary Brand Assets

The last three brand-equity categories we have just discussed represent customer perceptions and reactions to the brand; the first was the loyalty of the customer base. The fifth category represents such other proprietary brand assets as patents, trademarks, and channel relationships.

Brand assets will be most valuable if they inhibit or prevent competitors from eroding a customer base and loyalty. These assets can take several forms. For example, a trademark will protect brand equity from competitors who might want to confuse customers by using a similar name, symbol, or package. A patent, if strong and relevant to customer choice, can prevent direct competition. A distribution channel can be controlled by a brand because of a history of brand performance.

Assets, to be relevant, must be tied to the brand. If distribution is a basis for brand equity, it needs to be based on a brand rather than on a firm (such as P&G or Frito-Lay). The firm could not simply access the shelf space by replacing one brand with another. If the value of a patent could easily be transferred to another brand name, its contribution to brand equity would be low. Similarly, if a set of store locations could be exploited using another brand name, they would not contribute to brand equity.

WHAT IS THE VALUE OF A BRAND?

Developing approaches to placing a value on a brand is important for several reasons. First, as a practical matter, since brands are bought and sold, a value must be assessed by both buyers and sellers. Which approach makes the most sense? Second, investments in brands in order to enhance brand equity need to be justified, as there always are competing uses of funds. A bottom-line justification is that the investment will enhance the value of the brand. Thus, some "feel" for how a brand should be valued may help managers address such decisions. Third, the valuation question provides additional insight into the brand-equity concept.

What is the value of a brand name? Consider IBM, Boeing, Betty Crocker, Ford, Weight Watchers, Bud, and Wells Fargo. What would happen to those firms if they lost a brand name but retained the other assets associated with the business? What would it cost in terms of expenditures to avoid damage to their business if the name were lost? Would any expenditure be capable of avoiding an erosion, perhaps permanent, to the business?

Black & Decker bought the GE small-appliance business for over $300 million, but only had the use of the GE name for three years. After going through the effort to change the name, their conclusion was that they might have been better off simply to enter the business without buying the GE line. The cost to switch equity from GE to Black & Decker was as high as developing a new line and establishing a new name. Clearly, the GE name was an important part of the business.

At least five general approaches to assessing the value of brand equity have been proposed. One is based on the price premium that the name can support. The second is the impact of the name on customer preference. The third looks at the replacement value of the brand. The fourth is based on the stock price. The fifth focuses on the earning power of a brand. We shall now consider these in the listed order.

Price Premiums Generated by the Brand Name

Brand equity assets such as name awareness, perceived quality, associations, and loyalty all have the potential to provide a brand with a price premium. The resulting extra revenue can be used (for example) to enhance profits, or to reinvest in building more equity.

One approach to the measurement of a price premium attached to a brand is simply to observe the price levels in the market. What are the differences, and how are they associated with different brands? For example, what are the price levels of comparable automobiles? How much are the different brands depreciating each year? How responsive is the brand to a firm's own price changes, or to price changes of competitors?

Price premiums can also be measured through customer research. Customers can be asked what they would pay for various features and characteristics of a product (one characteristic would be the brand name). Termed a dollarmetric scale, this survey device provides a direct measure of the value of the brand name.

Using a variant of the dollarmetric measure, American Motors tested a car (then called the Renault Premier) by showing an "unbadged" (unnamed) model of it to customers and asking them what they would pay for it. The same question was then asked with the car identified by various names. The price was around $10,000 with no name, and about $3,000 more with the Renault Premier name on it. When Chrysler bought American Motors the car became the Chrysler Eagle Premier, and it was sold for a price close to the level suggested by the study.

Additional insight is acquired by obtaining buyer-preference or purchase-likelihood measures for different price levels. In such a study, the resistance of a buyer preference to price decreases of competition, and the responsiveness to a brand's own decrease in price, can be determined. A high-equity brand will lose little share to a competitor's lower price, and will gain share when its own relative price is decreased (up to a point).

Trade-off (conjoint) analysis is still another approach. Here, respondents are asked to make trade-off judgments about brand attributes. For example, suppose that the attributes of a computer included on-site service (supplied vs. not supplied), price ($3,200 vs. $3,700) and name (Compaq vs. Circle). A respondent would prefer on-site service, a low price, and an established brand name. To determine the relative value of each, the respondent would be asked to choose between:

Compaq at $3,700 vs. Circle at $3,200

Service at $3,700 vs. No Service at $3,200

Compaq with No Service vs. Circle with Service

The output of trade-off analysis would be a dollar value associated with each attribute alternative. The dollar value of the brand name would thus be created in the context of making judgments relative to other relevant attributes of the product class.

Given that a price premium can be obtained, the value of the brand name in a given year would be that price differential multiplied by the unit sales volume. Discounting these cash flows over a reasonable time horizon would provide one approach to valuing the brand.

Brand Name And Customer Preference

Considering the price premium earned by a brand may not be the best way to quantify brand equity especially for product classes like cigarettes and air travel where prices are fairly similar. An alternative is to consider the impact of the brand name upon the customer evaluation of the brand as measured by preference, attitude, or intent to purchase. What does the brand name do to the evaluation?

One study showed that the approval rating for Kellogg's Corn Flakes went from 47% to 59% when the consumers were told the identity of the brand name. And when Armstrong tested a line of tiles against comparable products, the Armstrong name resulted in the preference going from 50-50 to 90-10. The issue often is how much the brand name provides to market share and brand loyalty.

The value of the brand would then be the marginal value of the extra sales (or market share) that the brand name supports. Suppose, for example, it was believed that sales would be 30% less if the brand name was discarded, or sales would decline 30% over a five-year period if the advertising support for the name was eliminated. The profits on the lost marginal sales would represent the value of the brand.

The size of any price premium and the preference rating of a brand can both be measured and tracked over time using survey research. They can become one basis of tracking brand equity. However, this approach is static, in that it looks at the *current* power of the brand -- a view which does not necessarily take into account the *future* impact of changes (such as improvements in quality).

Replacement Cost

Another perspective is the cost of establishing a comparable name and business. Kidder Peabody estimates that it would cost from $75 million to $100 million to launch a new consumer product, and that the chances of success would be around 15%. If it was felt that it would cost $100 million to develop and introduce a product and that the chance for success was 25%, on average four products costing a total of $400 million would need to be developed to ensure one winner. A firm should thus be willing to pay $400 million for an established brand with prospects comparable to those being developed.

Brand Value Based upon Stock Price Movements

Another approach, suggested by finance theory and implemented by University of Chicago professors Carol J. Simon and Mary W. Sullivan, is to use stock price as a basis to evaluate the value of the brand equities of a firm. The argument is that the stock market will adjust the price of a firm to reflect future prospects of its brands.

The approach starts with the market value of the firm, which is a function of the stock price and the number of shares. The replacement costs of the tangible assets (such as plant and equipment, inventories and cash) are subtracted. The balance, intangible assets, is apportioned into three components: the value of brand equity, the value of nonbrand factors (such as R&D and patents), and the value of industry factors (such as regulation and concentration). Brand equity is assumed to be a function of the age of a brand and its order of entry into the market (an older brand has more equity), the cumulative advertising (advertising creates equity), and the current share of industry advertising (current advertising share is related to positioning advantages).

To estimate the model, the stock-market valuation of 638 firms (less the value of their tangible assets) was related to the indicators of the three types of intangible assets. The resulting estimates allowed an estimate of the brand equities for each firm. The model operates at the level of a publically traded firm and thus will be most valid and useful for a firm with a dominant brand. However, it does have the attraction of being based upon the stock price, which reflects future rather than past earnings, and generates some interesting results.

Table 1-1 shows the average brand equity as a percent of firm tangible asset value by industry, based upon 1985 data for 638 firms. As expected, there is little in the way of brand-equity in industries such as metals and primary building products, whereas firms in the apparel and tobacco industries have substantial brand equities. Applying the model to specific firms suggests that Dreyers Ice Cream (which uses the Edy's name in Eastern markets) and Smucker's have high levels of brand equity relative to their tangible assets and Pillsbury has a lower, but still very substantial, level.

An analysis of the soft drink industry using this model dramatically demonstrates how marketing actions can affect brand equity. The introduction of Diet Coke in July of 1982 caused brand equity for Coke to increase by 65% while that of Pepsi was unchanged. In contrast, the introduction of the ill-fated New Coke in April of 1985 caused the Pepsi brand equity to increase by 45% (even though soft drinks are only 40% of sales at the Pepsi firm) while the brand equity at Coke declined by 10%.

BRAND VALUE BASED UPON FUTURE EARNINGS

The best measure of brand equity would be the discounted present value of future earnings attributable to brand-equity assets. The problem is how to provide such an estimate.

One approach is to use the long-range plan of the brand. Simply discount the profit stream that is projected. Such a plan should take into account brand strengths and their impact upon the competitive environment. One firm that uses the brand's plan to provide a value for brand equity adjusts the manufacturing costs to reflect the industry average rather than the actual costs. The logic is that any above (or below) average efficiency should be credited to manufacturing and not to brand equity.

Another approach that can be used even when a brand profit plan is unavailable or unsuitable is to estimate current earnings and apply an earnings multiplier. The earnings estimate could be current earnings with any extraordinary charges backed out. If the current earnings are not representative because they reflect a down or up cycle, then some average of the past few years might be more appropriate. If the earnings are negative or low due to correctable problems, then an estimate based upon industry norms of profit as a percent of sales might be useful.

The earnings multiplier provides a way to estimate and place a value upon future earnings. To obtain a suitable earnings multiplier range, the historical price earnings (P/E) multipliers of firms in the involved industry or in similar industries should be examined. For example, a multiplier range for a brand might be 7 to 12 or 16 to 25 depending upon the industry.

The use of an industry-based P/E ratio provides a judgment that stockmarket investors have placed upon the industry prospects -- its growth potential, the future competitive intensity from existing and potential competitors, and the threat of substitute products. The question remains, which P/E multiplier within the identified range should be used for the brand?

To determine the actual multiplier value within that range, an estimate of the competitive advantage of the brand is needed. Will the brand earnings strengthen over time and generally be above the industry average, or will they weaken and be below average? The estimate should be based upon a weighted average of an appraisal of the brand on each of the five dimensions of brand equity.

APPRAISING BRAND ASSETS

An appraisal of the brand upon the five dimensions involves addressing and obtaining answers to questions such as the following:

Brand Loyalty. What are the brand-loyalty levels by segment? Are customers satisfied? What do "exit interviews" suggest? Why are customers leaving? What is causing dissatisfaction? What do customers say are their problems with buying or using the brand? What are the marketshare and sales trends?

Awareness. How valuable an asset is brand awareness in this market? What brand awareness level exists as compared to that of competitors?

What are the trends? Is the brand being considered? Is brand awareness, the problem? What could be done to improve brand awareness?

Perceived Quality. What drives perceived quality? What is important to the customer? What signals quality?

Is perceived quality valued -- or is the market moving toward a commodity business? Are prices an margins eroding? If so, can the movement be slowed or reversed? How do competitors stack up with respect to preceived quality? Are there any changes? In blind-use tests, what is our brand name worth? Has changed over time?

Brand Associations. What mental image, if any, does the brand stimulate? Is that image a competitive advantage? Is there a slogan or symbol that is a differentiating asset? How are the brand and its competitors positioned? Evaluate each position with respect to its value/relevance to customers and how protected/vulnerable it is to competitors: Which position is the most valuable and protected? What does the brand mean? What are its strongest associations?

Should the Value of a Brand Be Reported to Shareholders?

A case can be made that the brand value should be placed on the balance sheet or at least reported to shareholders as part of a firm's financial report. In fact, several British firms have added brand equity to the balance sheet. For example, in 1988 Ranks Hovis McDougall decided to put a balance sheet value of $1.2 billion on its 60 brands. First, such an intangible asset can easily exceed in value that of tangible assets which are scrupulously reported and affect shareholder's valuation of firms. Second, reported brand equity can focus attention upon intangible assets and thus make it easier to justify brand building activities that are likely to pay off in the long term. Without such information, shareholders must rely upon short-term financials.

The major difficulty involves a question of whether any valuation of brand equity can be both objective and verifiable. Unless brand valuation can be defended, it will not be helpful and can result in legal liability. It is no coincidence that in England, where brand value has been placed upon the balance sheet, there is a less litigious environment.

Other Brand Assets. Are sustainable competitive advantages attached to the brand name that are not reflected in the other four equity dimensions? Is there a patent or trademark that is important? Are there channel relationships that provide barriers to competitors?

Estimating a Multiplier

In addition to an appraisal of brand strength, it is important to know the importance/relevance of that strength in the market, the firm's ability to exploit it, and the commitment to protecting it.

The various dimensions of brand equity are not equally important in all markets. The need is to determine their relative value. Which dimensions represent, or could represent, a sustainable competitive advantage that matters? Do awareness levels explain the relative success of competitors? Or is there awareness parity among the relevant competitors? Perceived quality may be critical in a cleaning product or high-technology device, but in a mature market where it is difficult to convince customers that brands differ, it might be of less consequence.

Another issue is whether a brand asset such as a strong customer base is being, or will be, exploited. A brand asset will have little value if it is not used. Brand loyalty will not generate value by itself. Programs are needed to increase satisfaction and switching costs -- to make sure that the customer base is protected so that the costs of regaining customers will not have to be incurred. A perceived quality advantage should result in either a price premium or a perceived value advantage. Programs will be needed to make sure that the market does not become a commodity area that weakens the value of a perceived quality advantage.

Finally, the brand asset needs to be protected. The exploitation of perceived quality, for example, may be short-lived if programs are not in place to maintain the perceived quality level.

Thus, a relatively high multiplier will be appropriate when there is strength in the more important asset categories, and when that strength is both exploited and protected. The multiplier will be lower when strength in the key asset areas is lacking, or when strengths are not being either protected or exploited.

Two Qualifications

The evaluation of brand equity needs to deal with two problems: the evaluation of other firm assets, and the value of brand extensions.

First, some part of the discounted present value of a business is due to such tangible assets as working capital, inventory, buildings, and equipment. What portion should be so attributed? One argument is that such assets are book assets that are being depreciated, and their depreciation charge times an earnings multiplier will reflect their asset value. Another tact would be to focus upon cash flow instead of earnings, and provide an estimate of such assets using book value or market value. This estimate would then be subtracted from the estimate of discounted future earnings.

A second problem is to estimate the earnings streams from brand extensions (the use of the brand name to enter new product classes-for example, Kellogg's bread products, or Hershey's ice cream). Usually, the value of potential brand extensions will have to be estimated separately.

The extension value will depend upon the attractiveness of market area of any proposed extension, its growth and competitive intensity, and the strength of the extension. The extension strength will be a function of the relevance of the brand association and perceived quality, the extent to which it could translate into a sustainable competitive advantage, and the extent to which the brand will fit the extension. Chapter 9 will elaborate.

ISSUES IN MANAGING BRAND EQUITY

The introduction of the brand-equity concept raises a host of practical issues about the management of a brand. An overview of some of these issues will set the stage for the following chapters.

1. *The bases of brand equity:* On what should the brand equity be based? What associations should form the basis of the positioning? How important is awareness? Among which segments? Can barriers be created to make it more difficult for competitors to dislodge loyal customers?

2. *Creating brand equity:* How is brand equity created? What are the driving determinants? What is the role in any given context of the name, the channel, the advertising, the spokesperson, and the package, and how do they interrelate? As a practical matter, decisions on such elements need to be made as brand equity is created or changed.

3. *Managing brand equity:* How should a brand be managed over time? What actions will meaningfully affect the elements of equity -- in particular the associations and perceived loyalty? What is the "decay rate" if supporting activities (such as advertising) are withdrawn? Often a reduction of advertising results in no detectable drop in sales. Is there damage to the equity if a reduction is prolonged? How can the impact of a promotion or another marketing program be determined?

4. *Forcasting the erosion of equity:* How can erosion of brand equity, and other future problems, be forecast? The danger is that by the time that damage to the brand is recognized, it is too late. The cost of correcting a problem can be extremely high relative to the cost of maintaining equity. The forecasting issue is especially crucial in durables like automobiles, where the time needed to replace a product can be as long as five years. If a decline can be detected two years before the brand's damage becomes obvious, then the remedy can be more timely. A disaster such as the Tylenol tampering case has the advantage that the threat to brand equity, and the need to take action, are both obvious. More commonly, a brand is eroded so slowly that it is difficult to generate a sense of urgency.

5. *The extension decision:* To what products should the brand be extended? How far can the brand be extended before brand equity is affected? Of particular concern is the vertical brand extension: Can an upscale version of the brand be marketed? If so, will there be spillover impact upon the brand name? Do the Earnest and Julio Gallo varietals help the basic Gallo line? What about the temptation to exploit the brand by putting the name on a downscale product? How can the extent of damage to brand equity be predicted? Will the new associations of an extension be helpful or harmful?

6. *Creating new names:* The investment in a new brand name (an alternative to a brand extension) will generate a name with a new set of associations which can provide a platform for another growth stream. What are the trade-offs between these alternatives? Under what circumstances should the one be preferred over the other? How many brand names can a business support?

7. *Complex families of names and subnames:* How should different levels of brand-name families be managed? What mix of advertising should Black & Decker place behind the Black & Decker name, the Space Saver name that indicates a product subgroup, or the Black & Decker Dustbuster? Should the recruiting effort of the U.S. government be centered around the individual military branches, or should the U.S. defense team be the focus? Delicate considerations of the vertical relationships among brands and "subbrands" have to be made.

8. *Brand-equity measurement:* A basic question which underlies all these issues is how to measure brand equity and the assets on which it is based. If it can be conceptualized in a given context precisely enough to measure and monitor it, the other problems become manageable. Clearly, there are several approaches to brand equity and its measurement. The need is to determine which is the most appropriate and to select a measurement method.

9. *Evaluating brand equity and its component assets:* A pressing related issue is how to value a brand. Given that there is a market for brands, it is of enormous practical value to actually provide methods to estimate that value. Of even more importance is to place a value upon the underlying assets (such as awareness and perceived quality). The key to justifying investment in building such assets is to be able to estimate the value of such activities. Although some progress has been made, this area remains a signficant challenge for marketing professionals.

THE PLAN OF THE BOOK

This book has several objectives. One is to define and illustrate brand equity, providing a structure which will help managers see more clearly how brand equity provides value. Another is to document research findings and illustrative examples that demonstrate that value has emerged (or has been lost) from marketing decisions or environmental events that have enhanced (or damaged) the brand. A third objective is to discuss how brand equity should be managed. How should it be created, maintained, and protected? How should it be exploited? A fourth objective is to raise questions and suggest issues that should be addressed by thoughtful managers who are trying to think strategically.

The next chapter will discuss the brand loyalty of the customer base and its link to brand equity. Chapters 3 and 4 cover brand awareness and perceived quality. Chapter 5 introduces the concept of associations and positioning. Methods to measure associations are covered in Chapter 6. Selecting, creating, and maintaining associations is the subject of Chapter 7. Clearly the management of associations, covering three chapters, is both important and complex.

The brand is identified by the name, and often by a symbol and a slogan as well. Chapter 8 discusses these indicators and their selection.

Brand extensions -- the good, the bad, and the ugly -- is the topic of Chapter 9. Chapter 10 presents methods to revitalize a tired brand, to breathe new life into it and its context; and the end game -- how to allow a brand a graceful decline and, if needed, death. Chapter 11 contains some thoughts about global brands, a recap of some major themes of the book, and the presentation of an overall "model" of brand equity.

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