How long is a piece of string?

Measuring brand equity is essential to improve return on investment, but what should you measure? Communication, marketing and public relations struggle to show meaningful measures: awareness, visibility and likeability simply aren’t strong enough to show business value, writes Kate Hilpern

Our constantly changing perception of brands adds a further challenge to how brand value is measured, says James Witheyn, head of brand insight at Precise Media. “Consumers increasingly expect brands to engage in dialogue with them, be transparent in their communications and honour their promises. Brands are shifting away from being ‘assets’ owned by a corporation,” he explains.

The spread of social media also means that consumers no longer consider themselves solely as individuals, but as members of a wider brand community. “Apple’s customers are likely to be passionate, not only about the brand’s products, but also about what the brand stands for and what it says about them,” says Keith Glanfield, marketing tutor at Aston Business School. As the power of the brand increasingly lies in the strength of the brand community, he believes measuring brand equity will become harder still.

Mr Glanfield adds that many of the views that have developed around branding have been based on the fast-moving consumer goods (FMCG) sector. “But branding doesn’t only apply to FMCG products and categories – it equally applies to service brands, corporate brands, B2B [business-to-business] brands and government organisations, charities and social enterprises, all of which have their own particular special and defining characteristics when it comes to brand measurement,” he says.

“Charities don’t have the resources to market themselves,” says the head of brand insight at The Chartered Institute of Marketing, Thomas Birtwistle. “But the interest and enthusiasm is there.”

Mr Birtwistle says that brand communities are often very passionate about the organisations they support and “can be as strong as football fans, for example.”

It doesn’t take much for angry or disgruntled customers to prompt a movement on Facebook or for companies to lose control of the conversation with poorly timed brand campaigns on Twitter, says Thomas Birtwistle, head of insights at The Chartered Institute of Marketing. “Two examples are HSBC overturning its student overdraft fee decision because of a campaign led by NUS on Facebook and the Qantas luxury handbag campaign on Twitter being hijacked by unhappy passengers complaining about delays and service.”

Undoubtedly, the key parameter to which brand equity is linked is sales performance. “Connecting brand equity to sales performance remains the Holy Grail of marketing, which is why we continue to search for it,” says Mr Lastra. “But it’s an elusive connection to make because you can reach people with your message who love you, but either can’t find you or, if they do, can’t afford you.”

The link between brand value and customer loyalty can also be tenuous: “Loyalty, ideally, is a function of repeat purchase, not repeat brand declarations of love.”

Others argue that brands connect with people culturally, economically and emotionally, and that a strong brand will therefore earn customer loyalty. Loyalty can also help to build a brand’s reputation through word of mouth.

Current academic research certainly indicates that the more loyal the customers, the more loyal the employee, suggesting that these factors are interconnected, says Aston Business School’s Mr Glanfield. “Research has found that the performance of the brand in the eyes of employees – and their sense of belonging to a brand community – influences their attachment to the organisation and the effort they put into supporting the brand.”

Mr Lastra believes that it is “employee-brand” and the evolution of “social business” which signify the latest expressions of brand equity. “Years ago, there was a book called The Cluetrain Manifesto. It said that, if you really wanted to know what was happening with your brand, you had to go up and down the ranks of your employees. Today, they are chatting internally and using Twitter and Facebook to amplify these messages,” he says, pointing to companies such as Nokia that have brand-evangelist programmes whereby employees volunteer to bring the brand to life in the work environment and beyond.

Graham Hales, chief executive of Interbrand London, says all these elements impact a brand’s value and that businesses are, in fact, welcoming a tighter and more
Achieving a measure of brand equity is a contentious issue with varying methods, incorporating different elements, producing differing results. Here are four ways of ranking or putting a value on top global brands.

Interbrand’s approach to brand valuation has three key components, he says. The first is a “role of brand” analysis. This seeks to understand the impact a brand has in driving customer choice, based on an in-depth analysis of demand drivers in the category. The second is “brand strength” analysis. Interbrand has identified the ten factors that it believes create a strong brand; it uses these to benchmark a company against its competitors. Finally, it combines this customer analysis with a financial model of the business to place a financial value on the brand.

Mr Hales points to Samsung as a great example of a business that has truly embraced brand valuation. “Samsung now seeks out markets where purchase decisions are directly attributable to consumer sentiment towards the brand. And the company creates business unit objectives based around brand strength,” he says. Samsung has managed to differentiate itself from a plethora of cheap imitators seeking to exploit its success and it has overtaken Sony as the world’s number-one brand in televisions.

According to Mr Hales, the internet actually makes accessing market information and research easier. “Brand valuation and equity studies can help to measure peaks and troughs in popularity,” he says. “They show how brands are currently creating value and they highlight opportunities for future value creation.”

Assessment of brand value based on financial performance, the role of brand in the purchased decision process and brand strength.

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