Branding and Brand Equity: Clarifications on a Confusing Topic

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In our collective experience in marketing, no topic has seemed to cause as much confusion as branding. People routinely throw out terms like “brand,” “brand equity,” “branding” and “brand strength,” without telling you what they mean and without considering how they meaningfully relate to each other. Some people even say a brand is a promise that you keep.

What’s more, the same term is often used to describe very different things. For example, “brand equity” has been used to refer to what customers think of a brand, how strong the brand is and even the financial value of the brand to the firm.

Series of Articles

The purpose of this four-part series is to help you better understand the whole concept of branding. This will help you to help your company in its efforts to brand itself better, measure your brand equity, and allow you to personally avoid the common misconceptions that you read everyday about branding.

This first article defines common branding ideas and shows how they relate to one another in a meaningful way.

The second article takes a deeper look at one of the most widely used of these ideas—brand equity—and describes a *brand equity metric* that is both useful to managers and measurable through routinely collected financial data.

The third article will describe what marketing tactics and strategies build brand equity and what consumer responses create brand equity. This will help you to understand how to *create* brand equity and also which *diagnostic criteria* you should use to determine whether your brand equity may be high or low.

The fourth, and final, article in the series develops a perspective on how brand equity can be leveraged through *branding strategies* such as brand extensions and co-branding.

To begin our journey into branding, let’s first take a look at common branding terms and how they are defined.

Definition of Terms

“Brand” (noun—i.e., a thing): The term comes from cattle ranchers, who would burn a mark—the “brand”—on the haunches of their cattle to differentiate their cattle from those of other ranchers.

In a marketing context, the noun “brand” is a *distinctive mark or character* that sets a product, service, person, or place apart from other products, services, people, or places.

For example, Tide is a brand that is marked by a distinctive name, package and set of product ingredients. Fidelity is a brand that is marked by a distinctive name and unique set of service deliverables. Likewise, people like Britney Spears, Martha Stewart or Michael Jordan are brands, whose name and unique personal traits make them distinctive from others. The same can be said for branded places like Disneyland, Las Vegas or New York City.

Brands can be described at different levels—we can think about...

1. A **single brand** (the Tide detergent brand)
2. A set of branded products produced by a company that share the same name (Kelloggs Frosted Flakes, Froot Loops, Rice Krispies), called a **family brand**
3. A distinctive mark characterizing the company as a whole, called a **corporate brand**

"Branding" (gerund—i.e., a process): This verbal noun is a term that reflects the set of *strategic decisions* (and the tactical activities that derive from them) *designed to influence customers' perceptions* (and, in fact, the perceptions of everybody else) of what it stands for.

"Brand strategy" is a set of decisions about the brand's positioning in a marketplace, including its relationship to other brands within the firm or company as a whole.

The following are types of brand strategy:

* ***Deriving a brand concept:*** A **"brand concept"** is a set of associations that a company *would like* people to hold about the brand so as to differentiate it from other marketplace offerings. In other words, it refers to the specific positioning of the brand in a competitive marketplace. The brand concept is derived from an analysis of the marketplace, competitors, the company's strengths, the product's differential advantages, target-market customers' needs or desired benefits and so on.

Often the brand concept is encapsulated in the firm's positioning statement and the tagline that derives from it. For example, Disneyland has a brand concept of being "family friendly," and this concept is reflected in its tagline: "The friendliest place on earth." BMW's "the ultimate driving machine" tagline is derived from a concept of the BMW brand as prestigious, high in quality, and entailing precision engineering.

The brand concept is not necessarily the same as the associations that consumers or other people *actually* hold about the brand. Managers of the Martha Stewart brand would like consumers to think about the brand as reflecting domestic creativity and tastefulness. However, consumers' perceptions of the brand need not be consistent with the desired concept.

* ***Developing Brand Extensions:*** A **"brand extension"** is a branding strategy in which an existing brand name (e.g., Ivory) is used on a brand in a product category (deodorant) different from the original product (i.e., soap). When a brand extension strategy is used, brand managers hope to *expand or leverage* the meaning of the original brand concept to new products produced by the company.
* ***Leveraging co-branding opportunities:*** **"Co-branding"** is a branding strategy in which two existing brands from different companies are combined to produce a new brand incorporating both names (e.g., Godiva chocolate protein drink by Slimfast). When a co-branding strategy is used, brand managers hope to leverage the brand concept to a new product *produced by a different company in such a way as to strengthen both brand concepts*.

Each of the terms and ideas discussed above reflects decisions made *by a company*.

Branding strategies guide the tactical decisions marketers make in the development of their marketing mix. Since marketers would like customers and other people to understand their brand concept, the elements of the marketing mix are integrated to convey that concept.

This popular idea is called **"Integrated Marketing Communications,"** or IMC. For example, if Godiva wants to communicate its brand concept as "rich" and "exclusive," every element of its marketing mix—from price, to retail store location, to ingredients, to packaging, to advertising and promotions—should be consistent with that concept.

The implementation of branding strategies through the marketing mix affects consumers' brand perceptions. **"Brand Perceptions"** are defined as the set of salient associations linked to the brand name in customers' (and other people's) minds. If a company has been successful in its branding tactics via IMC, the perceptions that consumers hold of the brand will be the same as the brand concept.

The following three types of perceptions relevant to the discussion in our forthcoming articles:

1. ***Brand image clarity*** is the extent to which a consumer can articulate clearly and concisely what the brand means and how it is different from other brands in the category.
2. ***Brand responsiveness*** is the extent to which the brand is perceived to satisfy important needs of consumers, particularly in relation to others in the category.
3. ***Brand trust*** is the extent to which the brand is perceived as following through on promised claims and working in a way that is in the best interests of the consumer.

We describe in our third article why these three perceptions are critical to building and sustaining brand equity.

Also described in our third article, and highly relevant to the concept and measurement of brand equity, is the concept of brand strength, or emotional attachment to a brand. "**Brand strength**" is the emotional bond a given consumer has with a specific brand.

In our third article, we will explain how the degree of brand strength, or emotional attachment to the brand, is revealed by customers' movement on a behavioral hierarchy that ranges from (a) brand choice preference, to (b) brand commitment, to (c) brand investment.

When brand strength (emotional attachment) is high, consumers don't merely choose the brand; they remain committed to it, and they invest time, money and reputation in it:

1. ***Brand choice*** is the likelihood that consumers select a brand among others in a consideration set. Brand choice requires consumer movement along the hierarchy of effects—they first show brand awareness (i.e., they can recognize or recall the brand), then demonstrate brand knowledge and have a favorable brand attitude, then show preference for the brand over others in the marketplace.
2. ***Brand commitment (or brand loyalty)*** is the extent to which a consumer remains faithful to the brand over time. Strong commitment to a brand should be revealed by several consumer behaviors, such as (a) purchasing the brand over repeated purchase occasions; (b) not wanting to substitute the brand for a competitor's product; (c) being willing to purchase the target brand despite attractive advertising, promotional, product and distribution decisions by competitors; (d) disparaging or belittling competing brands; (e) buying and supporting the brand even during brand crises, PR disasters or other brand mishaps; and (f) experiencing distress in the face of stock-outs, phase-outs or brand withdrawal from the marketplace.
3. ***Brand investment*** is the extent to which consumers are willing to sacrifice personal resources for the brand. Consumers can make (a) time investments in a brand, electing to search for and locate a brand if it is not carried at another store; they may also invest time in a brand by being involved in brand communities or fan clubs. Consumer can make (b) monetary investments in the brand, offering to pay a higher price for this brand than for competitors. And they can make (c) reputational investments in the brand, recommending and spreading positive word of mouth about the brand to important others.

Finally, let's talk about brand equity. **"Brand Equity"** is defined as the financial estimation of a brand's value, reflecting its efficiency in acquiring and retaining customers.

Notice that brand equity has to do with financial value because this is consistent with the common usage of the term “equity,” which is rooted in financial value. It is also relevant to the primary users of the “brand equity” idea—namely, managers.

Some marketing gurus define brand equity as “the marketing effects or outcomes that accrue to the product with its brand name as compared to the outcomes that would accrue if the same product did not have the brand name.” This definition is problematic for several reasons.

First, brand equity is defined not in terms of what it is but, rather, its *effects*. Making matters more complicated, the “effects” are said to include consumer outcomes like attitudes, awareness, image and knowledge, as well as company outcomes like market share, price, revenue and cash flow.

However, there is no necessary reason why some “effects” (e.g., brand awareness) are related to other “effects” (e.g., revenue), nor does this perspective provide insight into which “effects” should be examined, when and why. Furthermore, if brand equity is the same as known “marketing effects,” it is not clear why a new term (brand equity) is needed to describe these outcomes.

While our second article describes a metric we have developed to measure brand equity, our third article will show how brand strength (i.e., where consumers are on brand behavioral hierarchy) forms the basis for brand equity—showing how brand perceptions and brand strength influence the magnitude of customer acquisition and retention with minimal costs.

The domain of “branding,” then, begins with the firm and its strategic decisions; it culminates in perceptions and behaviors of consumers; and that ultimately relates to the brand’s effectiveness in the marketplace, and hence its financial value to the company.

Our next three articles will follow in the coming weeks: The next article describes a measure of brand equity and explains how it meets the criteria of a good measure of brand equity. In a future article, we describe how to build brand equity. Finally, we talk about how strategic growth decisions within the firm can be used to leverage or fortify the existing equity in a brand.