Finding brand equity: The search for commercial value

Category: Branding
written by Steve Harvey | 21 September 2018
Is your brand equity up to scratch?

Today, you can't just tell your customers how amazing your company is and expect them to take your word for it.

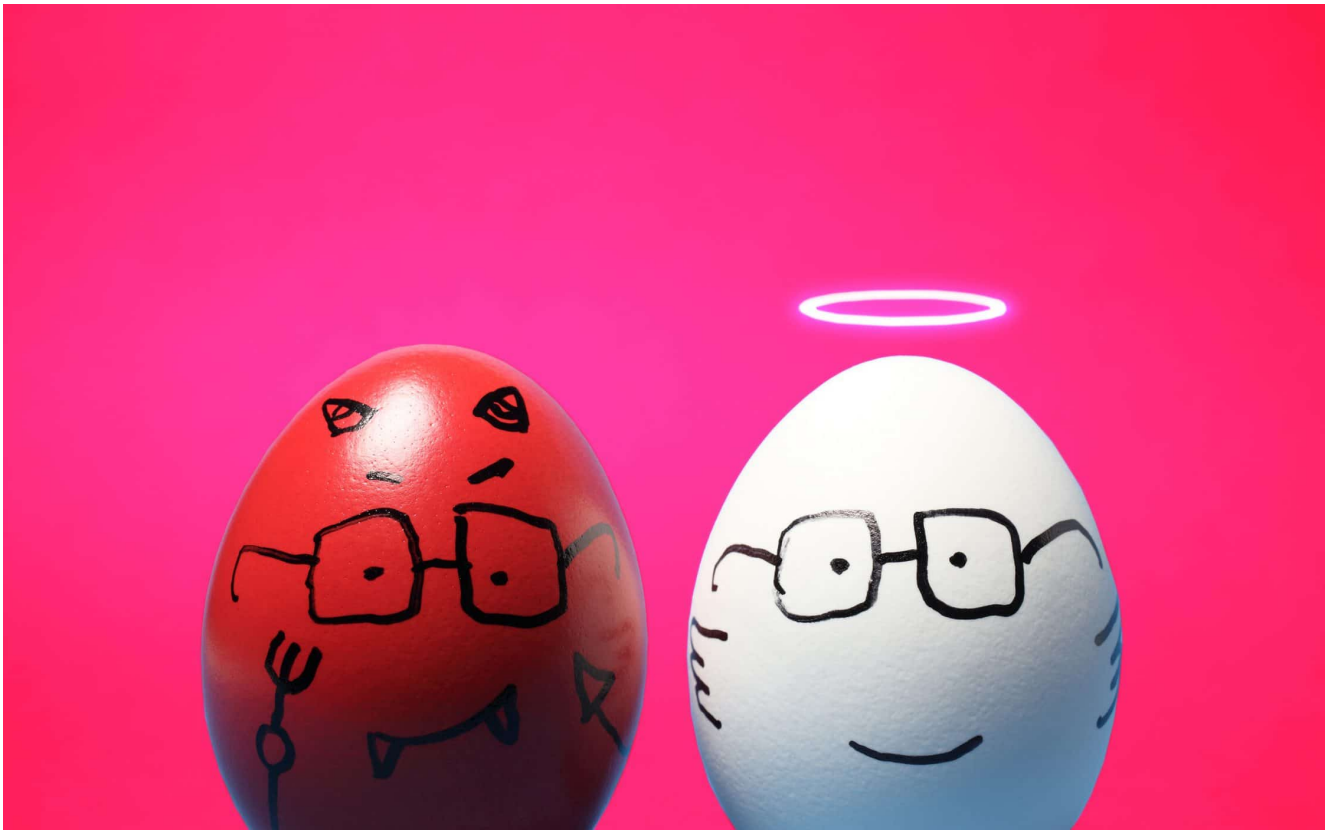
Organisations are defined by the perceptions and opinions of their customers – whether it's a review on a niche forum or a message on social media.

When the concept of branding first began, it was a way of helping consumers to distinguish between the similar products offered by different companies. Today, branding has grown into something much more complicated. Modern purchasing decisions are affected by the marketing messages that we're exposed to every day, as well as the content that we see from other customers.

In a world where opinion is everything, the average brand equity definition has begun to change. Equity isn't just a number on a balance sheet anymore. Your value is dictated by your social presence, your reputation, and the affinity you have with your customers.

Today, we're going to answer the question "What is brand equity?" and help you measure the components that give value to your organisation.

Get ready to discover what gives your brand its pulling power.



What is brand equity and why does it matter to you?

Let’s start with the basics: what is brand equity?

The very first brand equity definition appeared in the early 1990s, created by a man called David Aaker. In a book entitled “Managing Brand Equity.” Aaker suggested that a brand is a valuable asset in any company, which must be carefully created and nurtured. Over the years, history has proven this theory correct.

The Aaker brand equity model suggests that there are two types of equity: negative, and positive. Positive brand equity means that your customers trust you. The more positive equity you build, the easier it is to achieve “loyalty.” Brand loyalty ensures that your clients keep coming back to you, even when there are cheaper options on the market. Additionally, studies suggest that loyal fans are 7 times more likely to forgive their favourite companies when they make a mistake.

Apple is probably the most obvious company to come to mind when looking for positive brand equity examples. We've all seen how fans line up around the block or camp out overnight to get their hands on the latest phone. Consumers see the Apple logo as something they desperately want to be associated with, and the company's global value skyrockets as a result.

Alternatively, negative brand equity harms the foundations of a business, making it tougher for that organisation to grow. For instance, Toyota suffered a massive blow to its brand equity when it had to recall more than 8 million vehicles due to problems with unintended acceleration.

While negative brand equity is a serious issue, positive equity has value in the form of:

- **Stronger brand loyalty:** Give your customers something they can trust through consistent quality, and they'll keep coming back to you – no matter what. Over time, your brand name starts to develop its value, beyond the price of the product you're selling. For instance, 74% of women prefer to buy brand-name beauty products, regardless of whether they use the same ingredients as cheaper options.
- **Higher profits:** Consumers buy more of the products they love from the brands they like. However, they also pay more for those products too. Research shows that 28% of consumers would continue to spend at least 10% more for the brands they adore.
- **Stronger influence:** The more value people see in your company, the more credible and influential you become. Studies show that companies with higher brand equity not only attract more customers, they also find it easier to recruit new talent too. After all, job seekers want a lot more than just a salary these days. They want to be part of something bigger.



Your brand equity model: The crucial components of a great company

There are several stages involved in a successful brand equity model.

Just like a jigsaw puzzle, everything needs to be organised into the right place for you to get the biggest benefits. Today, most brand equity model strategies work on the Aaker definition, which suggests that brand equity breaks down into four dimensions: brand loyalty, brand awareness, brand associations, and perceived quality.

Of course, thanks to the ever more complex branding world, there's more to a successful brand strategy today than just a handful of brand equity components. Most professional branding teams consider the following elements to be essential to any brand equity model:

- Brand recognition.
- Brand awareness.
- Perceived quality.
- Customer experience.
- Customer preference.
- Customer retention.

Let’s dive a little deeper into our brand equity definition with these crucial components.

1. Brand recognition

Brand recognition is the first element of brand equity. When you hear a name like “Google” or see a logo like the McDonalds “M”, you instantly recognise it. Consistent marketing and brand recognition strategies have turned these companies into household names. The most valuable brands need to be recognisable. This means introducing your company to your target audience through advertising, social media, and website optimisation.

2. Brand awareness

Once customers can recognise your brand, they need to be aware of the elements that make it special if they’re going to attribute value to it. A dedicated brand awareness strategy helps you to differentiate your company from other competitors in the same space. It also lays a foundation of emotional affinity between you and your target audience so that you can pave the way for loyalty in the future. Customers aren’t just aware of your name and logo; they know your visions, values, and company purpose too.

3. Perceived quality

Perceived quality refers to the amount of money a customer thinks your product or service is worth. For instance, you might sell your product for £19.99, but your clients would be

happy paying twice as much for the quality you offer.

The better your brand equity, the more your perceived quality will increase. If you don't have the right reputation built up through brand awareness, then your customers won't want to pay as much for your products.

4. Customer experience

Customer experience has become an important component of any brand equity definition today. After all, experience is perhaps the most critical differentiator in the modern world. Studies suggest that 86% of customers who have a great experience with a brand are likely to purchase from the same organisation again. Think about how you serve your customers in a way that none of your competitors can match.

5. Customer preference

Customer preference refers to a client's choice to continue choosing your service or products over your competitors, regardless of components like feature or price. While it's impossible to completely control customer preference, you can carefully consider the needs of your target audience and aim to remove as many of their pain points as possible with your customer service, product, and sales strategy. Position your brand as the ultimate solution to your customer's problems, and preference will come naturally.

6. Customer retention (and loyalty)

Customer retention naturally follows customer preference. If your customers prefer your products over whatever your competitors can offer, then they'll keep coming back for more. A lot of business owners spend too much of their time investing in customer acquisition instead of preference. While gaining new customers is important, retaining the old ones is how you create loyalty. Loyal customers are infinitely more

valuable than their fickle counterparts, and they can even become ambassadors for your brand, referring new profits your way.



Understanding brand equity: Keller’s brand equity model

The Aaker brand equity model helped experts to start thinking more carefully about the concept of brand value. Since then, countless new models have emerged in the marketplace to help companies with creating and measuring brand equity.

Perhaps the most popular option today is Keller’s brand equity model. This theory suggests that the critical ingredient in any brand building strategy is to shape the feelings and thoughts of your target audience, using the elements outlined in a pyramid.

1. Who are you? Brand salience / awareness

The foundation of Keller's brand equity model is "salience" or brand awareness. In simple terms, you need to make sure that your company is visible, easy to recognise, and that your customers are aware of what makes you unique. Salience isn't just about creating your brand's identity; it's about making sure that your customers get the right image of your company, based on your marketing and branding efforts. Ask yourself:

- How do you define your brand?
- How do you want your customers to describe it?
- What's your brand identity and personality?
- What are your values, vision and mission statement?
- How are you sharing your brand with the world? (e.g., content marketing, social media, PPC, SEO, etc.)

2. What are you? Brand meaning / image

In the second step of Keller's brand equity model, the aim is to communicate what your brand stands for to your customers, or potential leads. There are two building blocks in this step: performance and imagery.

The performance of your brand refers to how well your company, product and service meets the needs of your customers. Are you delivering the features and characteristics your user personas need? Do you provide the customer service and delivery speeds they crave? Keller breaks "performance" down into five categories:

- Serviceability.
- Reliability and durability.
- Effectiveness and efficiency.
- Style and design.
- Price.

On the other hand, brand imagery refers to how well your image resonates with the brand you're trying to create. Your imagery includes things like your website, your logo, typography and countless other visual assets in your brand manifesto.

3. What do people think about you? Brand response

The next stage of Keller's brand equity model considers how customers respond to your brand. People continually make judgements about your brand which generally fall into a selection of four key categories:

- **Credibility:** How well you can be trusted.
- **Quality:** Whether the product is as high in quality as you claim it is.
- **Superiority:** Whether you're better than your competitors.
- **Consideration:** Whether your products are relevant to your customer's needs.

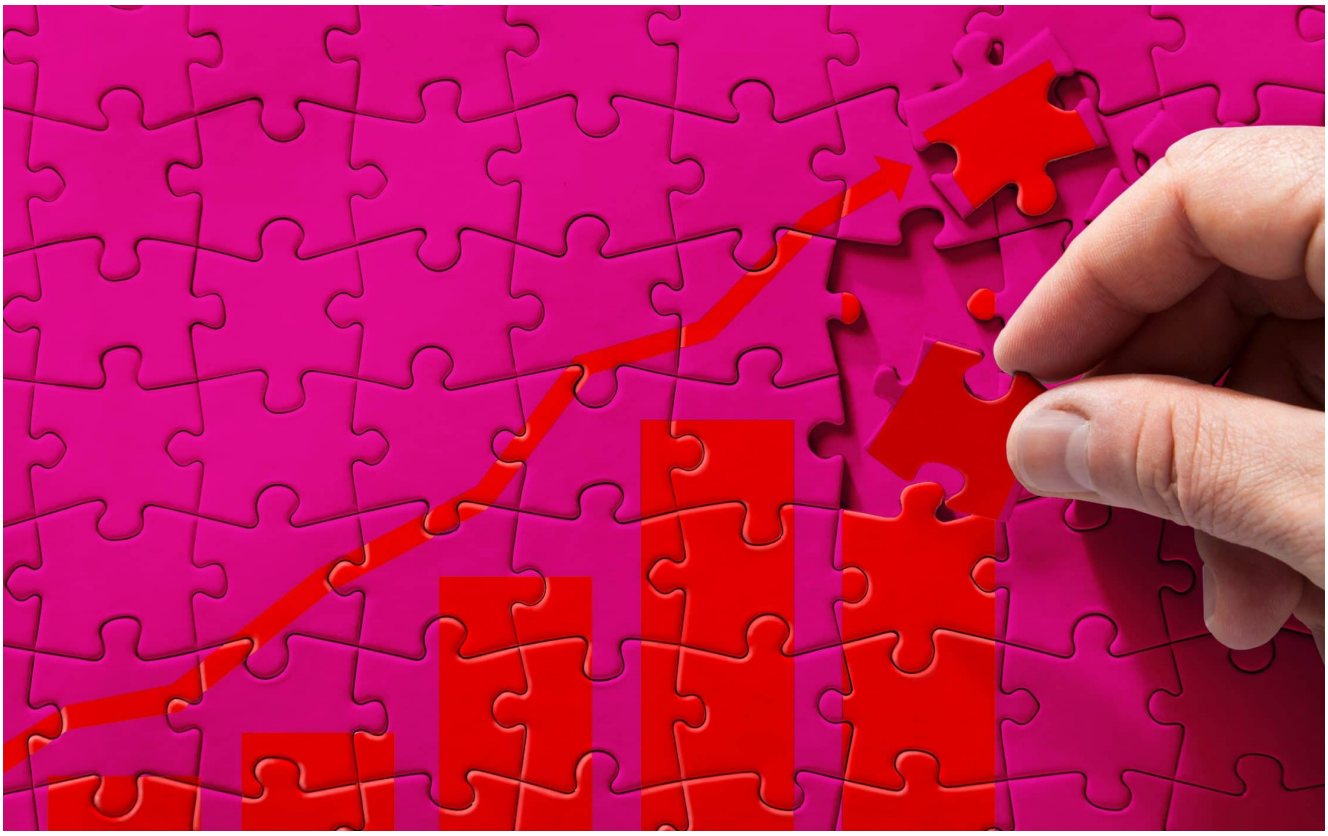
Customers don't just make logical judgements when it comes to your brand either. Today's consumers also respond based on how your company makes them feel. For instance, your organisations can evoke feelings directly through emotional storytelling or marketing. On the other hand, the right product can also change the way a customer feels about themselves.

4. How do people connect with you? Brand resonance

Finally, "Brand Resonance" sits at the top of Keller's brand equity model pyramid as the most desirable level to reach. You achieve brand resonance when your customers start to feel a deep psychological bond with your brand.

Keller breaks resonance down into four segments:

- **Behavioural loyalty:** When people keep coming back and making repeat purchases.
- **Attitude attachment:** Your customers love you for your brand personality and tone of voice.
- **Community:** Your customers feel like they're part of a community when they buy from your brand, like "Apple" fans feel like part of the Apple community.
- **Engagement:** Customers actively engage with your brand, either on social media, your website, or external environments where they recommend your company to other potential leads.



How to build brand equity: 4 Strategies for success

Used correctly, strong brand equity leads to widespread brand awareness and stronger customer connections.

Think about how people become so connected to certain companies these days, that the names of those brands become a

part of our language. People sip from their thermos instead of a flask, apply their “chapstick” instead of lip balm and more. Brand equity is how you achieve that level of enduring success.

So, how do you build brand equity?

1. Build deep relationships

In an age where your customers use reviews to decide what they want to buy and head onto social media to ask for help from their favourite companies, relationships are the key to success.

To create deep and meaningful connections with your audience, you need to engage with them. Find your unique tone of voice and look at your user personas to dictate where you need to be sharing your message. For instance, are your customers most likely to resonate with a message that comes through in a blog post or a podcast? Can you develop stronger connections with humour or a serious tone?

Remember, strong relationships also rely on consistency. Whatever identity you create for your company, make sure that it remains the same from one platform to the next.

2. Play on emotions

Emotions are crucial in building strong connections with your target audience. The good news is that there are plenty of ways to get in tune with your customer’s feelings. You can create compelling marketing campaigns that showcase the values you share with your target audience.

One great way to begin building emotional resonance is through storytelling. Dive into the history of your brand and how you became the organisation you are today. Make sure that you play with multiple different kinds of media when you’re using emotions to build connections with your target audience. Some

people are more moved by blogs than videos, while others prefer to hear a human voice discussing a complex topic.

3. Make the most of feedback

It’s important to get plenty of feedback from your customers when you’re working on your brand equity definition, as this will help you to improve over time. Ultimately, brands are dynamic things that change naturally with time. As the preferences of your target audience and the trends of your marketplace evolve, regular feedback will ensure that you can maintain strong brand equity.

Gather feedback as often as you can through surveys, reviews, and even customer testimonials. The more you learn about what people think and feel about your brand, the easier it will be to adjust your campaigns to suit your business goals.

4. Measure your success and adapt

Finally, just as it’s important to get plenty of feedback from your target audience, you can also determine how successful your branding efforts have been by looking at things like your conversion rates, your follower counts on social media, and even your profits. Assessing and evaluating the growth of your company will help you to maintain your view of the brand equity in your business and determine when you might need to make changes to your campaigns.

Even if you notice that your branding efforts aren’t getting the results that you had hoped, it’s not the end of the world. Regularly measuring brand equity keeps you ahead of the curve, so that you can contact a branding agency, or re-think your strategies when you’re not getting the outcomes you need.



How to measure brand equity: Know what you're worth

Perhaps the most complex component of brand equity is that it has both tangible and intangible value.

It's possible to get some insight into the tangible aspects of your brand equity by looking at things like your market share and profit margin. Unfortunately, it's much harder to measure things like brand loyalty, awareness, or perception.

Generally, if you're wondering how to measure brand equity, the best thing you can do is seek the help of a branding professional. Failing that, you can always start by looking at your "Net Promoter Score." A Net Promoter Score (NPS) measures how likely your customers are to recommend your company to their family and friends. This is an essential cornerstone in developing your brand equity.

After all, a company with high brand equity is one that's not

only well-known but popular enough that it's convinced its customers to fall in love with the brand. Look at organisations like Nike, or Lush; their customers remain loyal no matter what happens within the company.

If you have a high NPS, and a large number of brand ambassadors (people willing to recommend you to their friends), then it's safe to say that your company has equity. An NPS score won't tell you everything, but it does give you a measurable baseline to benchmark against.

Alternatively, if you're looking for a more straightforward method of measuring brand equity, you could always write up a survey that asks people:

- **How they would identify your brand:** Ask customers to choose the three main words they would use to define your company.
- **What they like about your business and dislike:** Ask for as much detail as you can get.
- **How often they buy from your brand:** And how often they purchase from competitors.
- **What they would change:** Given the chance, what would your customers change about your organisation?
- **Whether they would recommend your business:** Word of mouth goes a long way when making referrals to friends and colleagues.

Make sure that you keep the surveys as anonymous as possible, as this will help people to feel more comfortable about offering their real opinions. Additionally, it helps to provide a reward in return for your clients' cooperation. If someone takes time out of their busy schedule to help you with measuring brand equity, the least you can do is give them a "thank you" in the form of a small discount or entry into a competition.



Measuring business value with brand equity

Brand equity is a complicated concept.

In the past, companies directly measured the value of their organisations by looking at their profit and loss sheets. Today, there’s a lot more to a company than how much money it makes.

As the world grows increasingly connected, brand equity in all of its formats is more crucial than ever. The more fans you can create for your brand, the more your bottom line will benefit, not just now, but in the long-term too.

Brand equity contributes to better recognition, stronger awareness, and enhanced loyalty from your target customers. It’s how you transform people into repeat clients, ready to advocate for your brand and refer new customers your way.

How much brand equity does your business have?

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