

# Brand metrics: Gauging and linking brands with business performance

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## Abstract

*For all the discussion that revolves around the importance of the brand as a driver of business value and success, surprisingly few businesses have instituted a systematic programme of analytics that allows them to gauge their brands' performance, adjust brand strategies and, more importantly, link them to business performance measures. This is as true for business-to-business (B2B) as it is for business-to-consumer (B2C) marketing, even though B2B organisations have a critical advantage: they have a better idea of who their customers are and can measure the dynamics of acquisition, retention and optimisation with considerable precision. This paper discusses the essential components of a brand metrics programme, how it can and should be linked to business performance, and how one technology company used brand metrics to help it adjust its brand and business strategy.*

## INTRODUCTION

'What is not measured is not managed' is a well-worn management catchphrase. Indeed, where would businesses be if they did not consistently monitor and measure the long-term health and stability of their organisations across multiple dimensions — from cash flow to productivity to return on investment?

In comparison, measurement of the strength and success of an organisation's brand seems to be in its infancy. Although intangible assets are by far the largest part of corporate value, and brand is often the largest component of intangible assets, it is a wonder that few businesses seem able to actively measure their brands' impact. Accord-

ing to Prophet's 2002 Best Practices in Brand Management study, fewer than one-third of all companies surveyed have any kind of measurement system to gauge the performance of their brands, and fewer still have instituted the means to link brand metrics to business performance.

Part of the reason for the lack of brand measurement is evident in a recent survey by the Marketing Forum about marketing leadership and priorities among UK companies. The survey found that only five FT-SE 100 businesses had a marketer at the board level. The marketers surveyed placed 'improving shareholder value' fifth on the list of key objectives for marketing, behind 'driving short-term sales' and

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‘developing people and capabilities’. Conversely, 97 per cent of CEOs stated their primary objective was to increase shareholder value. As long as this gap in priorities exists, marketers will be hard-pressed to command a seat at the top table.

Although it is well accepted in the business-to-consumer (B2C) field that brands act as editors of choice, the common belief in the business-to-business (B2B) market is that decision making is a process based on formal tenders, and that the sophisticated B2B buyers place a greater emphasis on the rational factors of choice, paying less attention to the ‘brand’.

Herein lies the greatest misunderstanding of brands. If managing brands is about differentiating the goods and services the brand represents, then it is no less important for a B2B customer than it is for a B2C customer to grasp what that differentiation is. The ‘best deal’ is not necessarily a function of the lowest price, but of the best value, or the trade-off of price versus all the other benefits and attributes of the product or service.

### **BENEFITS OF BRAND MEASUREMENT**

The key benefit of a brand measurement system is that it links brand management and business performance. The system is most powerful when viewed as a strategic management tool for continuous improvement rather than a static snapshot in time of the brand’s performance. Thus, measurement needs to be considered as a continuous activity. An effective brand measurement system helps businesses to:

— understand how the brand is per-

forming against customer expectations

- determine how the brand is performing against the competitive set
- identify brand weaknesses before they become business problems
- establish areas to focus brand building efforts on to create business value.

Most companies now deploy a range of integrated marketing activities designed to move customers through the stages of awareness, familiarity, consideration, purchase and loyalty. Three classes of measurement — perception metrics, performance metrics and financial metrics — allow the marketer to gauge the effectiveness of brand-building activity from brand investment (inputs) through to business impact (outputs).

As shown in Table 1, perception metrics focus on the range of functional, emotional and latent connections that combine to form an opinion of a brand. These include awareness, familiarity, relevance, consideration and preference; combined, they help to gauge the effectiveness of various brand-building activities across all the points of interaction with a customer. Performance metrics help to assess how the various brand-building activities have combined to drive overall business results, and range from price premium to loyalty to lifetime value of a customer. Financial metrics represent the economic impact on the business, whether revenue growth or return on investment.

### **GUIDELINES ON SELECTING THE RIGHT COMBINATION OF METRICS**

All three types of metric should be incorporated into a brand measurement

**Table 1** Metrics for brand measurement

Perception metrics		Performance metrics		Financial metrics
Awareness	Familiarity and consideration	Purchase decision	Loyalty	Value creation
Are customers <i>aware</i> of your brand?	What do customers <i>think</i> and <i>feel</i> about the brand?	How do customers <i>act</i> ?	How do customers <i>behave</i> over time?	How does customer behaviour <i>create tangible economic value</i> ?
<ul style="list-style-type: none"> <li>• Saliency</li> <li>• Brand recognition</li> </ul>	<ul style="list-style-type: none"> <li>• Differentiation</li> <li>• Relevance</li> <li>• Credibility</li> <li>• Likeability</li> <li>• Perceived quality</li> <li>• Purchase intent</li> </ul>	<ul style="list-style-type: none"> <li>• Customer leads</li> <li>• Customer acquisition</li> <li>• Trial</li> <li>• Repeat</li> <li>• Preference</li> <li>• Price premium</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Retention</li> <li>• Revenue per customer</li> <li>• Share of wallet</li> <li>• Customer lifetime value (LTV)</li> <li>• Referrals</li> <li>• ROI</li> <li>• Cost savings</li> </ul>	<ul style="list-style-type: none"> <li>• Market share</li> <li>• Revenue</li> <li>• Operating cash flow</li> <li>• Market cap</li> <li>• Analyst ratings</li> <li>• Brand valuation</li> </ul>

Source: Prophet

programme, although the challenge to marketers is to not over-measure lest the exercise becomes overwhelming. Some basic, underlying rules should be used when deciding which particular combination of metrics to choose. The metrics should be:

- Simple to use: As the metric becomes more complex, more time is spent on measuring the brand than managing it.
- Meaningful: There must be a direct link to brand-building efforts as well as business results.
- Actionable: An apparent business decision should be associated with the metric, with the focus on ‘need-to-have’ metrics, not ‘nice-to-have’ metrics.
- Repeatable: Consistent, repeatable application of a metric is necessary to deliver valuable information.
- Time-bound: Results should be compared, benchmarked and evaluated against other brands within the portfolio and the competition at regular intervals.

The backdrop to all brand analytics, however, is the decision-making process against which the metrics are developed.

One of the biggest challenges marketers face is in understanding the causal relationships between brand perception, brand performance and financial impact. Causality is derived from understanding the key drivers of demand, knowing at which touchpoints (or moments of customer interaction) perceptions and behaviours are generated, and assessing the influence of the brand in choosing one product or service over competitive offerings. Once the causal connections are made across perception, performance and impact, the marketer can tie activities directly to value creation. The implication here is that marketers, as advocates of shareholder value, must move considerably beyond their traditional focus on communications and become involved in operational, financial and strategic planning processes. In order to ensure that the measurement system arms marketers with the necessary fire

power to accomplish this, it needs to be able to:

- link brand metrics to business strategy
- identify the key goals that can be impacted by the brand
- determine the key constituencies that can be influenced by the brand.

### **BRAND METRICS IN THE B2B SECTOR**

B2B marketers have a considerable advantage over many consumer marketers because they know who their customers are and can measure the dynamics of acquisition, retention and optimisation with considerable precision. They also have considerably more levers to pull beyond communications, since they utilise direct sales and have more frequent customer interaction.

Moreover, marketers in the B2B categories can employ a measurement system of perception, performance and financial metrics that is data-rich because the data is often at the customer level, rather than the aggregate level, and thus it is customer (and prospect) specific, and because the causality chain is easier to establish.

Consider the following example. One technology client operating in the network equipment market had high awareness and consideration for its products among mid-market customers, but significantly lower rates of conversion and repeat purchase. Applying a brand measurement approach to identify the problem and solution was critical to generating a greater level of customer acquisition and ensuring a better return on marketing and brand investment.

The first task was to establish the perception metrics — the set of attributes communicated by the brand at key touchpoints in the customer experience in the pre-purchase stage. The particular attributes that were strongly associated with this company's brand included processing speed, relevance for large-capacity businesses and the professionalism of the sales force.

### **DEVELOPING A BRAND PERFORMANCE SCORECARD**

The next step was to understand the performance metrics, or the relative strength of the brand in achieving desired customer actions in a competitive context in the network equipment market. Creation of a balanced, performance-based scorecard enabled the marketer to measure key behavioural dynamics and to compare his brand to the competition. The benefit of this phase was the ability to identify where the brand was relatively strong and, conversely, where the brand was weak in order to be able to improve and guide marketing strategy and investment plans.

Incidentally, the balanced scorecard, generally, is an increasingly utilised tool among businesses seeking to move strategy to the action stage. As Kaplan and Norton described the scorecard,<sup>1</sup> it generally covers four areas:

- Financial performance, through traditional financial performance metrics.
- Operations and internal business processes, such as manufacturing and order fulfilment.
- Customer satisfaction, or the degree to which the product or service met expectations.

**Table 2** Illustrative brand strength scorecard

	Market share	Market share trend	Average contract value	Price elasticity of demand	Share of wallet	Customer satisfaction	Customer loyalty	Cost per lead	Conversion rate	Brand differentiation
Brand 1	10	4	10	5	1	4	10	8	5	10
Brand 2	1	10	2	1	10	4	2	10	10	10
Brand 3	4	5	3	10	6	7	4	9	3	6
Brand 4	1	1	2	4	6	10	1	3	8	9
Brand 5	2	3	1	2	8	4	1	1	3	2

— Learning and internal growth, or the degree to which a company is bettering itself for the future.

As the concept of the scorecard has taken hold, many organisations have rewritten theirs to be more in line with issues and concerns that are specific to their individual success. This has led to the incorporation of brands into their scorecards, which first requires the development of the sort of brand strength scorecard that the authors' technology client undertook.

The scorecard's structure varies according to the circumstances, business maturity and the category in which the business operates, although some of the metrics incorporated will be common across business models and industries. For example, the stature of the brand, as measured by the absolute level of market share and the direction of its momentum, is likely to be similar across different businesses. Similarly, an assessment of brand goodwill measured by the price elasticity of demand might be equally applicable to different businesses. An example brand strength scorecard is shown in Table 2, with prototypical metrics for a B2B service business.

The scorecard is developed in conjunction with the client to ensure

buy-in and utility value inside the organisation, and will ideally incorporate some of the key industry measures. It is populated using a combination of tracking studies and other researched information. Where the data to populate a particular metric are not available, then original research might be required. In the B2B space this can often be completed with the minimum of effort since the customer base is likely to be known and customers may participate in a brief but highly directed survey.

Once the technology client had used this approach to gain a better understanding of its brand's strengths and weaknesses, the next task was to identify and analyse the causal relationships between customers' perceptions and customers' behaviour. This helped to establish whether the brand messages were aligned first with business strategy, and secondly, with customers' purchasing habits. This required a better understanding of what particular factors drive demand — such as price, quality, sales and service responsiveness — and an assessment of the influence of the brand in driving that demand.

This type of analysis is best conducted using statistical techniques such as discrete choice analysis and structural equation modelling which deliver a

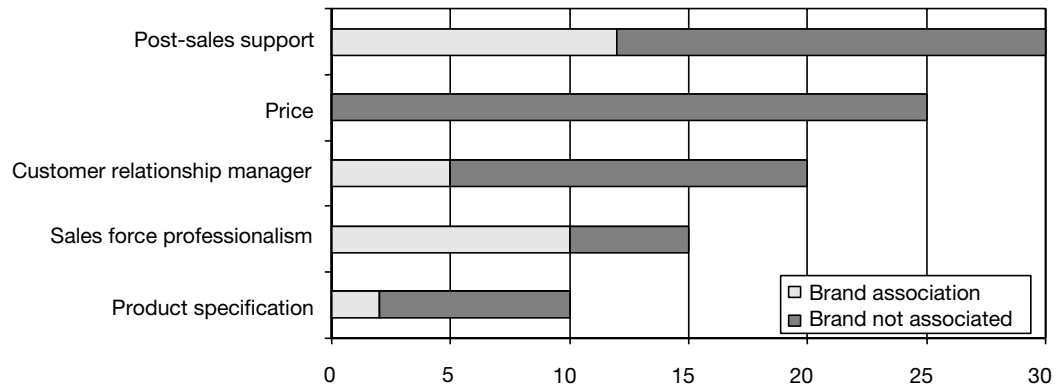


Figure 1 Mid-market segment — demand drivers

robust fact base on which to build strategic insights. The steps of the process are, first, to determine which factors drive demand and to rank these in terms of importance. The second step is to recognise that the brand is not solely about image, but is a reflection of all the experiences of the brand at each touch point. For example, a price point in the luxury goods sector can be used to support a brand positioning directly, and therefore the price is highly dependent on the brand. Conversely, in the network equipment market, the 'price' driver is not one that is influenced by the brand. The 'sales force professionalism' driver, however, is partially associated with the brand, hence efforts in brand management may be directed towards using this driver as a means to generate demand. Figure 1 shows possible demand drivers in the network equipment mid-market segment.

### HOW BRAND METRICS INFORMED BUSINESS DECISIONS

This exercise resulted in a quantitative assessment of customer perception linked to purchasing behaviour. A

yield-loss analysis conducted on customers gained versus customers lost (looking at drivers of converted versus lost leads by specific targets) revealed the key attrition areas at each touch point. For example, in the mid-market segment the key attribute of 'relevant for the large cap' business did not fit well. In addition, the believed brand attribute of sales force professionalism was called into question since the sales force was not empowered to negotiate on price options in the same way they were with the large cap businesses.

The demand driver study and the performance metrics required the client's marketing department to engage with the finance department to collaborate on pricing and with operations personnel on customer service options tailored for the mid-market segment. This demonstrated how critical it was for marketing to get out of the marketing communications mindset and get in tune with the commercial realities of the business. By showing the influence of the brand and the areas where marketing could have an impact in driving customer acquisition, the brand strategy became aligned with the

business strategy of driving customer acquisition in the mid-market segment. That acquisition, in turn, led to profitable and sustainable revenue growth that drove an increase in corporate value in less than a year.

It is clear that understanding, enhancing and leveraging brand value is not just the preserve of businesses in the consumer product arena. B2B brands need to be managed just as diligently. A measurement system that links brand investments to business performance better equips the organisation to manage the brand in a way that

increases its value. By demonstrating a brand's influence on broader business outcomes and returns, the marketer's role will be elevated to the highest levels inside an organisation. After all, what gets measured gets managed. The prize is not just the value added to the brand, but the value added for shareholders.

### References

- (1) Kaplan, R. S. and Norton, D. P. (1996) 'The Balanced Scorecard: Translating Strategy into Action', Harvard Business School Press, Boston, MA.