MANAGING BRAND EQUITY

CAPITALIZING ON THE VALUE OF A BRAND NAME

David A. Aaker

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Preface and Acknowledgments

THE POWER OF BRANDS

Larry Light, a prominent advertising research professional, was asked by the editor of the *Journal of Advertising Research* for his perspective on marketing three decades into the future. Light's analysis was instructive:

> The marketing battle will be a battle of brands, a competition for brand dominance. Businesses and investors will recognize brands as the company's most valuable assets. This is a critical concept. It is a vision about how to develop, strengthen, defend, and manage a business. . . . It will be more important to own markets than to own factories. The only way to own markets is to own market-dominant brands.

The power of brand names is not restricted to consumer markets. In fact, brand equity may be more important in industrial goods markets than in consumer marketing. Brand-name awareness often is pivotal in being considered by an industrial buyer. Further, after analysis, many industrial purchase alternatives tend to be toss-ups. The decisive factor then can turn upon what a brand means to a buyer.

THE INTEREST IN BRANDING

Brand equity is one of the hottest topics in management today. The Marketing Science Institute recently did a survey of its membership, which includes 50 or so of the top marketing companies in the country, to learn their opinion as to what were the pressing questions in need of research. The runaway winner was brand equity. Academic research interest has also mushroomed: A recent research proposal competition sponsored by the Marketing Science Institute received 28 proposals.

The growing interest is reflected in the proliferating conferences, articles, and press attention on branding. Another indicator is the experimentation with different organizational forms in order to better enhance and protect brand equity. Some, like Colgate–Palmolive and Canada Dry, have created a management of brand equity position to be a guardian of the value of brands.

There are several driving forces behind the interest in branding. First, firms have shown a willingness to pay substantial premiums for brand names because alternative development of new brand names either is not feasible or is too costly. This phenomenon raises several questions, such as: How much is brand equity worth? On what is it based? Why should so much be paid?

Second, marketing professionals sense that an increased emphasis upon price, often involving the excessive use of price promotions, is resulting in the deterioration of industries into commodity-like business areas. They believe that more resources should be diverted into brand-building activities, to develop points of differentiation. The recognized need is to develop sustainable competitive advantages based upon non-price competition. The problem is that brand-building efforts, unlike price promotions, have little visible impact upon sales in the short run. How then are such activities justified in a world with extreme pressures for delivering short-term performance?

Third, managers realize a need to fully exploit their assets in order to maximize the performance of their business. A key asset is usually the brand name. How can it be exploited? Can it be extended to new products, or exposed to new markets? Is there an opportunity to get more out of it by strengthening it or by altering its components? Conversely, how might it be damaged, and how can that be avoided?

THE APPROACH OF THE BOOK

This book has several objectives. One objective is to define and illustrate brand equity, providing a structure that will help managers see more clearly how brand equity does provide value. Another is to document research findings and illustrative examples which 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.

I have written this book for managers having either direct or indirect responsibility for brands and their equity. Such managers will represent firms that are either large or small, consumer or industrial, service- or product-focused. They will be concerned with the need to develop and protect the equity in their core brands. In addition, they will (or should) be addressing such questions as the following: What is the role of the company name in the branding equation? Should we develop a subbrand name? Should the brand name be extended to other products? I hope also, however, that it will be used in schools of management where faculty and students are attempting to improve our ability to, in general, manage strategically and, in particular, manage brand equity.

The first chapter discusses the Ivory brand, provides an historical background, and both defines brand equity and suggests a variety of approaches to place a value on it. Four dimensions of brand equity are the focus of the next six chapters, which collectively define the dimensions, specify how each creates value for the customer and the firm, and discuss their measurement and management.

Chapter 2 considers the importance of the brand loyalty. Chapter 3 covers the creation, measurement, and role of brand awareness. Chapter 4 discusses perceived quality, how it can be managed, and the evidence as to its role in business performance. 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 both it and its context. It also discusses the end game: how to allow a brand a graceful decline and, if needed, death. Chapter 11 provides a discussion about global branding, presents a summary model of brand equity, and concludes with a set of observations from each chapter that collectively summarize the major points presented in the book.

An historical analysis of a brand that has experienced a dramatic event, or has been especially good or bad at building brand equity, begins each chapter. There is much to be learned from history: Each of these analyses provides a vivid illustration of how a wide variety of actions can affect a brand. In several cases a dollar value is placed upon a set of actions affecting a brand, even though it is impossible to know for sure what caused what. Too, there is a host of case studies throughout, to illustrate the concepts and methods and to make them more tangible and understandable.

In addition to the historical flavor—what has happened to individual brands—more systematic studies are sought out and reported. The past 15 years have seen the development of studies about such brand constructs as market share, awareness, brand extensions, perceived quality, and others that provide significant evidence about their role. Some of these studies have been based upon large-scale data bases. Others come from controlled experiments. They all help provide substance to an area that has too long relied upon opinion.

Each chapter closes with a set of questions to consider. The goal is to provide a vehicle with which to translate the ideas in the chapter into a diagnostic and action agenda. Some questions will stimulate new ways of looking at your brand and its environment, and others will suggest a need to find out more information.

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David A. Aaker
Berkeley

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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."[1] 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.

FIGURE 1–1 The First Ivory Ad Appearing in 1881

THE "IVORY" is a Laundry Soap, with all the fine qualities of a choice Toilet Soap, and is 99 44-100 per cent. pure.

Ladies will find this Soap especially adapted for washing laces, infants' clothing, silk hose, cleaning gloves, and all articles of fine texture and delicate color, and for the varied uses about the house that daily arise, requiring the use of soap that is above the ordinary in quality.

For the Bath, Toilet or Nursery, it is preferred to most of the Soaps sold for toilet use, being purer and much more pleasant and effective, and possessing all the desirable properties of the finest unadulterated White Castile Soap. The Ivory Soap will "float."

The cakes are so shaped that they may be used entire for general purposes, or divided with a stout thread (as illustrated into two perfectly formed cakes, of convenient size for toilet use.

The price, compared to the quality and the size of the cakes, makes it the cheapest Soap for everybody and every want. **Try it.**

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A lady in Tipton, Iowa, writes that she sold 25 the first afternoon. Postage stamps taken.

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FIGURE 1–2 A 1920 Ivory Ad

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.

P&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"