Brand Equity Made Simple

You know *brand loyalty*. Now, meet a closely related concept—brand equity. In a sense, it is the mirror image of brand loyalty. Brand loyalty is the consumer's commitment to a brand. Brand equity is the brand's power to attract the patronage and commitment of its customers.

Assume for a moment that one day a three-star hotel property removes all signs that identify it by name. You are given a tour of the hotel and then asked how much you would consider a reasonable price for a night's stay at the hotel. Suppose you said $70. Next, assume that you are also invited by Marriott Hotel Corporation to tour one of their new properties, a three-star hotel almost identical to the first one, and asked how much you would pay for a night stay there. Would your answer be $60, $70, $90, or what?

It turns out that just such a study was actually done. A few years ago, when Marriott Hotels built a new chain of mid-priced inns, they tested two alternative names for the property: *Fairfield Inn* and *Fairfield Inn by Marriott*. The results: Survey respondents who saw the property under the second name estimated a reasonable price that was 35% more than that estimated by the other group of respondents who were shown the same property but under the first name (i.e., Fairfield Inn). That is the power of the brand name! This power of the brand name is referred to as "brand equity."[19]

Brand equity may be defined as "the enhancement in the perceived utility and desirability that a brand name confers on a product." Brand equity comes from the value of that brand to the consumer compared to other brands. It is the overall superiority of a product carrying that brand name over similar products carrying other brand names.

Brand equity reflects the greater confidence that consumers place in the brand than they do in the competing brands. This confidence then translates into consumer preference for the brand, brand loyalty, and even a willingness to pay a premium price for the brand. For example, a study by McKinsey & Company and Intelliquest Inc. found that consumers tend to buy brands with low brand equity like Packard Bell only at a discounted price compared to those of such brands as Dell or IBM. The resulting market share and profit potential translate into financial gains, so much so that the brand-owning company's net worth is raised. For example, when Cadbury-Schweppes bought the Hires and Crush brands of soft drink from Procter & Gamble, it paid a total price of $220 million; of this amount, 90 percent is said to be associated with the brand equity itself.

What is the difference between brand loyalty and brand equity? As we mentioned earlier, brand loyalty is a characteristic of the consumer—Tom is brand loyal to Coke and Nicole is not; Jennifer is not brand loyal to Nike but Julia is. This tells us about the brand loyalty of Tom and Nicole toward Coke and the brand loyalty of Jennifer and Julia toward Nike. But it does not tell us anything about the brand equity of Coke and Nike. There will always be some people who would not like or be loyal even to the best brand. So, what makes a brand powerful is how consumers perceive the brand and how many consumers perceive it that way. Brand equity comes, in other words, from the sum total of perceptions of desirable qualities of the brand, accumulated across all of that product category's target consumers.

FOUR SOURCES OF BRAND EQUITY

A brand's perceived value is the sum total of physical and psychological benefits the consumer receives from the brand. This perceived value comes from four sources, shown in Figure 16.4.

Source: Consumer Behavior (Human Pursuit of Happiness in the World of Goods) by Avery et al. (p 412-413) ISBN: 978-0-979-1336-3-3 www.mycbbook.com
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