Developing a Brand Equity Measurement and Management System

8

Learning Objectives

After reading this chapter, you should be able to

1. Describe the new accountability in terms of ROMI.
2. Outline the two steps in conducting a brand audit.
3. Describe how to design, conduct, and interpret a tracking study.
4. Identify the steps in implementing a brand equity management system.

Marketers must adopt research methods and procedures so they understand when, where, how, and why consumers buy.

Source: David Noton Photography/Alamy

Preview

The previous six chapters, which made up Parts II and III of the text, described various strategies and approaches to building brand equity. In the next three chapters, which make up Part IV, we take a detailed look at what consumers know and feel about and act toward brands and how marketers can develop measurement procedures to assess how well their brands are doing.

The customer-based brand equity (CBBE) concept provides guidance about how we can measure brand equity. Given that customer-based brand equity is the differential effect that knowledge about the brand has on customer response to the marketing of that brand, two basic approaches to measuring brand equity present themselves. An ***indirect approach*** can assess potential sources of customer-based brand equity by identifying and tracking consumers' brand knowledge—all the thoughts, feelings, images, perceptions, and beliefs linked to the brand. A ***direct approach***, on the other hand, can assess the actual impact of brand knowledge on consumer response to different aspects of the marketing program.

The two approaches are complementary, and marketers can and should use both. In other words, for brand equity to provide a useful strategic function and guide marketing decisions, marketers must fully understand the sources of brand equity, how they affect outcomes of interest such as sales, and how these sources and outcomes change, if at all, over time. Chapter 3 provided a framework for conceptualizing consumers' brand knowledge structures. Chapter 9 uses this information and reviews research methods to measure sources of brand equity and the customer mind-set. Chapter 10 reviews research methods to measure outcomes, that is, the various benefits that may result from creating these sources of brand equity.

Before we get into specifics of measurement, this chapter offers some big-picture perspectives of how to think about brand equity measurement and management. Specifically, we'll consider how to develop and implement a brand equity measurement system. A ***brand equity measurement system*** is a set of research procedures designed to provide marketers with timely, accurate, and actionable information about brands so they can make the best possible tactical decisions in the short run and strategic decisions in the long run. The goal is to achieve a full understanding of the sources and outcomes of brand equity and to be able to relate the two as much as possible.

The ideal brand equity measurement system would provide complete, up-to-date, and relevant information about the brand and its competitors to the right decision makers at the right time within the organization. After providing some context about the heightened need for marketing accountability, we'll look in detail at three steps toward achieving that ideal—conducting brand audits, designing brand tracking studies, and establishing a brand equity management system.

THE NEW ACCOUNTABILITY

Although senior managers at many firms have embraced the marketing concept and the importance of brands, they often struggle with questions such as: How strong is our brand? How can we ensure that our marketing activities create value? How do we measure that value?

Virtually every marketing dollar spent today must be justified as both effective and efficient in terms of ***return of marketing investment*** (ROMI).[1] This increased accountability has forced marketers to address tough challenges and develop new measurement approaches.

Complicating matters is that, depending on the particular industry or category, some observers believe up to 70 percent (or even more) of marketing expenditures may be devoted to programs and activities that improve brand equity but cannot be linked to short-term incremental profits.[2] Measuring the long-term value of marketing in terms of both its full short-term and long-term impact on consumers is thus crucial for accurately assessing return on investment.

Clearly marketers need new tools and procedures that clarify and justify the value of their expenditures, beyond ROMI measures tied to short-term changes in sales. In Chapter 3, we introduced the brand resonance model and brand value chain, structured means to understand how consumers build strong bonds with brands and how marketers can assess the success of their branding efforts. In the remainder of this chapter, we offer several additional concepts and perspectives to help in that pursuit.

CONDUCTING BRAND AUDITS

To learn how consumers think, feel, and act toward brands and products so the company can make informed strategic positioning decisions, marketers should first conduct a brand audit. A ***brand audit*** is a comprehensive examination of a brand to discover its sources of brand equity. In accounting, an audit is a systematic inspection by an outside firm of accounting records including analyses, tests, and confirmations.[3] The outcome is an assessment of the firm's financial health in the form of a report.

A similar concept has been suggested for marketing. A ***marketing audit*** is a "comprehensive, systematic, independent, and periodic examination of a company's—or business unit's—marketing environment, objectives, strategies, and activities with a view of determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance."[4] The process is a three-step procedure in which the first step is agreement on objectives, scope, and approach; the second is data collection; and the third and final step is report preparation and presentation. This is an internally, company-focused exercise to make sure marketing operations are efficient and effective.

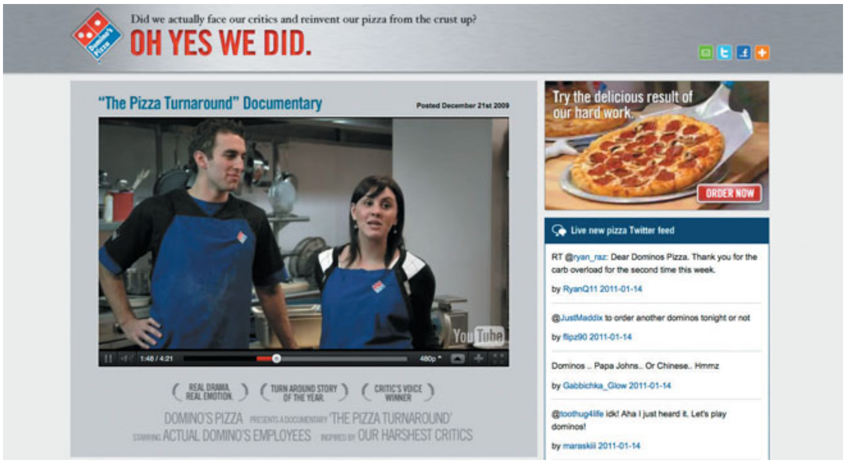
A brand audit, on the other hand, is a more externally, consumer-focused exercise to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity. A brand audit requires understanding the sources of brand equity from the perspective of both the firm and the consumer. From the perspective of the firm, what products and services are currently being offered to consumers, and how they are being marketed and branded? From the perspective of the consumer, what deeply held perceptions and beliefs create the true meaning of brands and products?

The brand audit can set strategic direction for the brand, and management should conduct one whenever important shifts in strategic direction are likely.[5] Are the current sources of brand equity satisfactory? Do certain brand associations need to be added, subtracted, or just strengthened? What brand opportunities exist and what potential challenges exist for brand equity? With answers to these questions, management can put a marketing program into place to maximize sales and long-term brand equity.

Conducting brand audits on a regular basis, such as during the annual planning cycle, allows marketers to keep their fingers on the pulse of their brands. Brand audits are thus particularly useful background for managers as they set up their marketing plans and can have profound implications on brands' strategic direction and resulting performance.

DOMINO'S PIZZA

In late 2009, Domino's was a struggling business in a declining market. Pizza sales were slumping as consumers defected to healthier and fresher dining options at one end or to less expensive burger or sandwich options at the other end. Caught in the middle, Domino's also found its heritage in "speed" and "best in delivery" becoming less important; even worse, it was undermining consumer's perceptions of the brand's taste, the number-one driver of choice in the pizza category. To address the problem, Domino's decided to conduct a detailed brand audit with extensive qualitative and quantitative research. Surveys, focus groups, intercept interviews, social media conversations, and ethnographic research generated a number of key insights. The taste problem was severe—some consumers bluntly said that Domino's tasted more like the box than the pizza. Research also revealed that consumers felt betrayed by a company they felt they no longer knew. A focus on impersonal, efficient service meant that in consumers' minds, there was no Domino's kitchens, no chefs, not even ingredients. Consumers were skeptical of "new and improved" claims and felt companies never admitted they were wrong. Based on these and other insights, Domino's began its brand comeback. Step one—new recipes for crust, sauce, and cheese that resulted in substantially better taste-test scores. Next, Domino's decided not to run from criticism and launched the "Oh Yes We Did" campaign. Using traditional TV and print media and extensive online components, the company made clear that it had listened and responded by creating a better pizza. Documentary-type filming showed Domino's CEO and other executives observing the original consumer research and describing how they took it to heart. Surprise visits were made to harsh critics from the focus groups, who tried the new pizza on camera and enthusiastically praised it. Domino's authentic, genuine approach paid off. Consumer perceptions dramatically improved and growth in sales in 2010 far exceeded the competitors'.[6]



A thorough, insightful brand audit helped to convince Domino's they needed to confront their perceived flaws head on.

Source: Domino's Pizza LLC

The brand audit consists of two steps: the brand inventory and the brand exploratory. We'll discuss each in turn. Brand Focus 8.0 illustrates a sample brand audit using the Rolex brand as an example.

Brand Inventory

The purpose of the ***brand inventory*** is to provide a current, comprehensive profile of how all the products and services sold by a company are marketed and branded. Profiling each product or service requires marketers to catalogue the following in both visual and written form for each product or service sold: the names, logos, symbols, characters, packaging, slogans, or other trademarks used; the inherent product attributes or characteristics of the brand; the pricing, communications, and distribution policies; and any other relevant marketing activity related to the brand.

Often firms set up a "war room" where all the various marketing activities and programs can be displayed or accessed. Visual and verbal information help to provide a clearer picture. Figure 8-1 shows a wall that software pioneer Red Hat created of all its various ads, brochures, and other marketing materials. Managers were pleasantly surprised when they saw

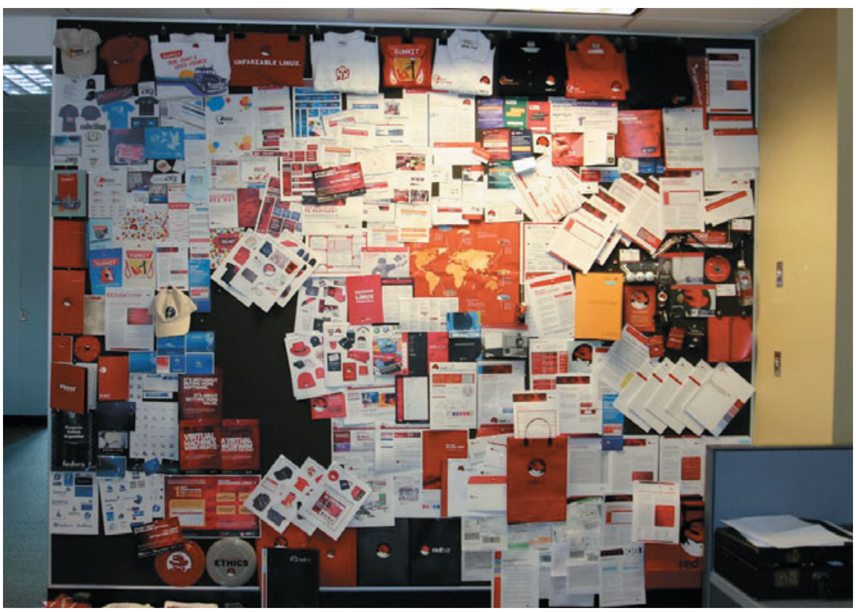


FIGURE 8-1

Red Hat Brand Wall

Source: Photo courtesy of Red Hat, Inc.

how consistent all the various items were in form, look, and content, although they were left scratching their heads as to why the Red Hat office in Australia had created branded underwear as a promotional gift. Needless to say, the "tighty whities" were dropped after being deemed off-brand.[7]

The outcome of the brand inventory should be an accurate, comprehensive, and up-to-date profile of how all the products and services are branded in terms of which brand elements are employed and how, and the nature of the supporting marketing program. Marketers should also profile competitive brands in as much detail as possible to determine points-of-parity and points-of-difference.

Rationale. The brand inventory is a valuable first step for several reasons. First, it helps to suggest what consumers' current perceptions may be based on. Consumer associations are typically rooted in the *intended* meaning of the brand elements attached to them—but not always. The brand inventory therefore provides useful information for interpreting follow-up research such as the brand exploratory we discuss next.

Although the brand inventory is primarily a descriptive exercise, it can supply some useful analysis too, and initial insights into how brand equity may be better managed. For example, marketers can assess the consistency of all the different products or services sharing a brand name. Are the different brand elements used on a consistent basis, or are there many different versions of the brand name, logo, and so forth for the same product—perhaps for no obvious reason—depending on which geographic market it is being sold in, which market segment it is being targeted to, and so forth? Similarly, are the supporting marketing programs logical and consistent across related brands?

As firms expand their products geographically and extend them into other categories, deviations—sometimes significant in nature—commonly emerge in brand appearance and marketing. A thorough brand inventory should be able to reveal the extent of brand consistency. At the same time, a brand inventory can reveal a lack of perceived differences among different products sharing the brand name—for example, as a result of line extensions—that are designed to differ on one or more key dimensions. Creating sub-brands with distinct positions is often a marketing priority, and a brand inventory may help to uncover undesirable redundancy and overlap that could lead to consumer confusion or retailer resistance.

Brand Exploratory

Although the supply-side view revealed by the brand inventory is useful, actual consumer perceptions, of course, may not necessarily reflect those the marketer intended. Thus, the second step of the brand audit is to provide detailed information about what consumers actually think of the brand by means of the ***brand exploratory***. The brand exploratory is research directed to understanding what consumers think and feel about the brand and act toward it in order to better understand sources of brand equity as well as any possible barriers.

Preliminary Activities. Several preliminary activities are useful for the brand exploratory. First, in many cases, a number of prior research studies may exist and be relevant. It is important to dig through company archives to uncover reports that may have been buried, and perhaps even long forgotten, but that contain insights and answers to a number of important questions or suggest new questions that may still need to be posed.

Second, it is also useful to interview internal personnel to gain an understanding of their beliefs about consumer perceptions for the brand and competitive brands. Past and current marketing managers may be able to share some wisdom not necessarily captured in prior research reports. The diversity of opinion that typically emerges from these internal interviews serves several functions, increasing the likelihood that useful insights or ideas will be generated, as well as pointing out any inconsistencies or misconceptions that may exist internally for the brand.

Although these preliminary activities are useful, additional research is often required to better understand how customers shop for and use different brands and what they think and feel about them. To allow marketers to cover a broad range of issues and to pursue some in greater depth, the brand exploratory often employs qualitative research techniques as a first step, as summarized in Figure 8-2, followed by more focused and definitive survey-based quantitative research.

Free association	Day/Behavior reconstruction
Adjective ratings and checklists	Photo/Written journal
Confessional interviews	Participatory design
Projective techniques	Consumer-led problem solving
Photo sorts	Real-life experimenting
Archetypal research	Collaging and drawing
Bubble drawings	Consumer shadowing
Store telling	Consumer–product interaction
Personification exercises	Video observation
Role playing	
Metaphor elicitation*	

*ZMET trademark

FIGURE 8-2
Summary of Qualitative Techniques

Interpreting Qualitative Research. There are a wide variety of qualitative research techniques. Marketers must carefully consider which ones to employ.

Criteria. Levy identifies three criteria by which we can classify and judge any qualitative research technique: direction, depth, and diversity.[8] For example, any projective research technique varies in terms of the nature of the stimulus information (is it related to the person or the brand?), the extent to which responses are superficial and concrete as opposed to deeper and more abstract (and thus requiring more interpretation), and the way the information relates to information gathered by other projective techniques.

In Figure 8-2, the tasks at the top of the left-hand list ask very specific questions whose answers may be easier to interpret. The tasks on the bottom of the list ask questions that are much richer but also harder to interpret. Tasks on the top of the right-hand list are elaborate exercises that consumers undertake themselves and that may be either specific or broadly directed. Tasks at the bottom of the right-hand list consist of direct observation of consumers as they engage in various behaviors.

According to Levy, the more specific the question, the narrower the range of information given by the respondent. When the stimulus information in the question is open-ended and responses are freer or less constrained, the respondent tends to give more information. The more abstract and symbolic the research technique, however, the more important it is to follow up with probes and other questions that explicitly reveal the motivation and reasons behind consumers' responses.

Ideally, qualitative research conducted as part of the brand exploratory should vary in direction and depth as well as in technique. The challenge is to provide accurate interpretation—going beyond what consumers explicitly state to determine what they implicitly mean. Chapter 9 reviews how to best conduct qualitative research.

Mental Maps and Core Brand Associations. One useful outcome of qualitative research is a mental map. A ***mental map*** accurately portrays in detail all salient brand associations and responses for a particular target market. One of the simplest means to get consumers to create a mental map is to ask them for their top-of-mind brand associations ("When you think of this brand, what comes to mind?"). The brand resonance pyramid from Chapter 3 helps to highlight some of the types of associations and responses that may emerge from the creation of a mental map.

It is sometimes useful to group brand associations into related categories with descriptive labels. ***Core brand associations*** are those abstract associations (attributes and benefits) that characterize the 5–10 most important aspects or dimensions of a brand. They can serve as the basis of brand positioning in terms of how they create points-of-parity and points-of-difference. For example, in response to a Nike brand probe, consumers may list LeBron James, Tiger Woods, Roger Federer, or Lance Armstrong, whom we could call "top athletes." The challenge is to include all relevant associations while making sure each is as distinct as possible. Figure 8-3 displays a hypothetical mental map and some core brand associations for MTV.

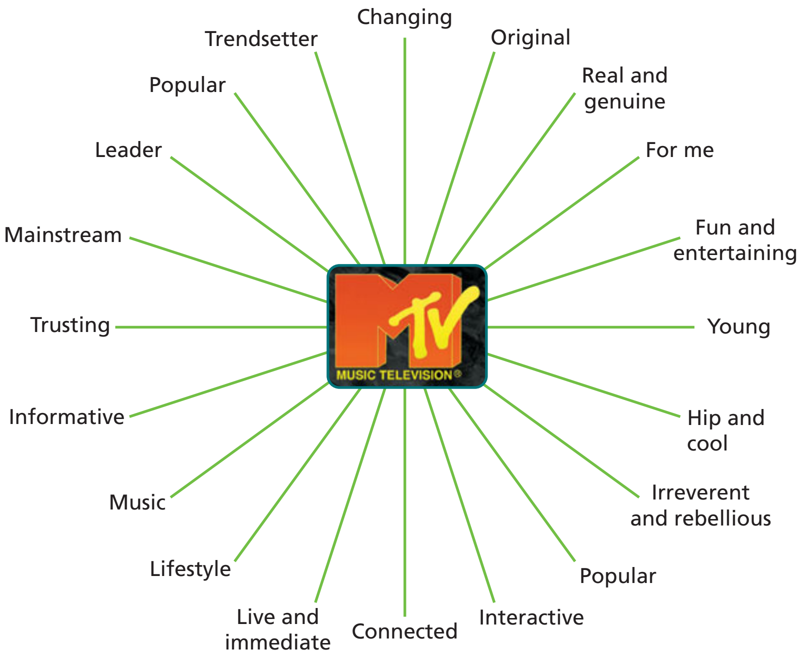


FIGURE 8-3a
Classic MTV Mental Map
Source: MTV logo, MCT/Newscom

Music
What's hot and what's new

Credibility
Expert, trusting, reality

Personality
Irreverent, hip, cool

Accessibility
Relevant, for everyone

Interactivity
Connected and participatory

Community
Shared experience (literally and talk value)

Modern
Hip, cool

Spontaneity
Up-to the-minute, immediate

Originality
Genuine, creative

Fluidity
Always changing and evolving

FIGURE 8-3b
Possible MTV Core Brand Associations

A related methodology, brand concept maps (BCM), elicits brand association networks (brand maps) from consumers and aggregates individual maps into a consensus map.[9] This approach structures the brand elicitation stage of identifying brand associations by providing survey respondents with a set of brand associations used in the mapping stage. The mapping stage is also structured and has respondents use the provided set of brand associations to build an individual brand map that shows how brand associations are linked to each other and to the brand, as well as how strong these linkages are. Finally, the aggregation stage is also structured and analyzes individual brand maps step by step, uncovering the common thinking involved. Figure 8-4 displays a brand concept map for the Mayo Clinic (the subject of Branding Brief 8-2) provided by a sample of patients.

One goal from qualitative, as well as quantitative, research in the brand exploratory is a clear, comprehensive profile of the target market. As part of that process, many firms are literally creating personas to capture their views as to the target market, as summarized in The Science of Branding 8-1.

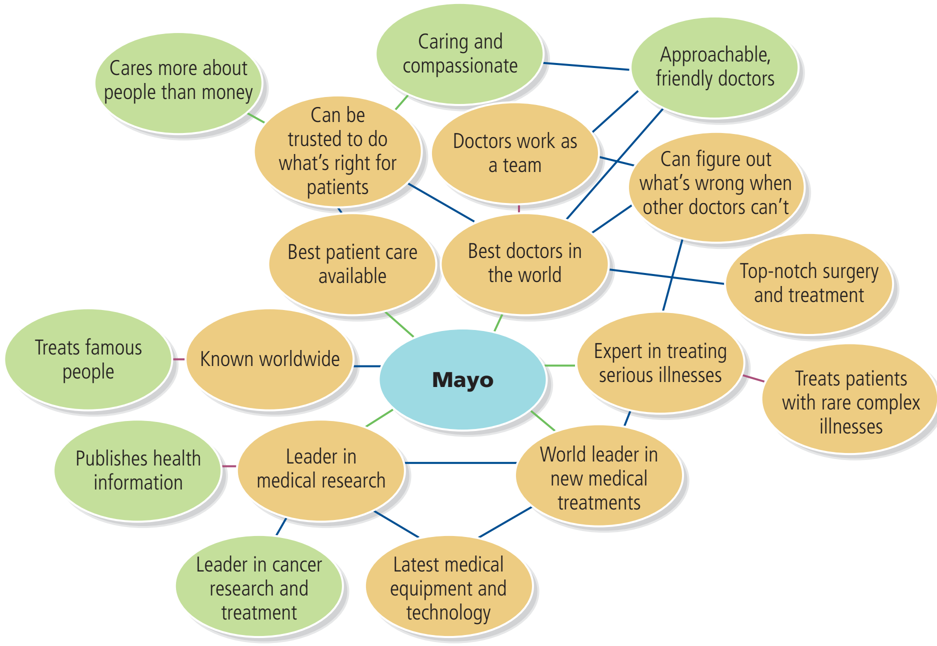


FIGURE 8-4
Sample Mayo Clinic Brand Concept Map

Conducting Quantitative Research. Qualitative research is suggestive, but a more definitive assessment of the depth and breadth of brand awareness and the strength, favorability, and uniqueness of brand associations often requires a quantitative phase of research.

The guidelines for the quantitative phase of the exploratory are relatively straightforward. Marketers should assess all potentially salient associations identified by the qualitative research phase according to their strength, favorability, and uniqueness. They should examine both specific brand beliefs and overall attitudes and behaviors to reveal potential sources and outcomes of brand equity. And they should assess the depth and breadth of brand awareness by employing various cues. Typically, marketers will also need to conduct similar types of research for competitors to better understand their sources of brand equity and how they compare with the target brand.

Much of the above discussion of qualitative and quantitative measures has concentrated on associations to the brand name—for example, what do consumers think about the brand when given its name as a probe? Marketers should study other brand elements in the brand exploratory as well, because they may trigger other meanings and facets of the brand.

For instance, we can ask consumers what inferences they make about the brand on the basis of the product packaging, logo, or other attribute alone, such as, "What would you think about the brand just on the basis of its packaging?" We can explore specific aspects of the brand elements—for example, the label on the package or the shape of the package itself—to uncover their role in creating brand associations and thus sources of brand equity. We should also determine which of these elements most effectively represents and symbolizes the brand as a whole.

Brand Positioning and the Supporting Marketing Program

The brand exploratory should uncover the current knowledge structures for the core brand and its competitors, as well as determining the desired brand awareness and brand image and points-of-parity and points-of-difference. Moving from the current brand image to the desired brand image typically means adding new associations, strengthening existing ones, or weakening or eliminating undesirable ones in the minds of consumers according to the guidelines outlined in Chapter 2.

John Roberts, one of Australia's top marketing academics, sees the challenge in achieving the ideal positioning for a brand as being able to achieve congruence among four key considerations: (1) what customers currently believe about the brand (and thus find credible), (2) what customers will value in the brand, (3) what the firm is currently saying about the brand, and (4) where the firm would like to take the brand (see Figure 8-5).[10] Because each of the four considerations may suggest or reflect different approaches to positioning, finding a positioning that balances the four considerations as much as possible is key.

A number of different internal management personnel can be part of the planning and positioning process, including brand, marketing research, and production managers, as can relevant outside

THE SCIENCE OF BRANDING 8-1

The Role of Brand Personas

To crystalize all the information and insights they have gained about their target market(s), researchers can employ personas. ***Personas*** are detailed profiles of one, or perhaps a few, target market consumers. They are often defined in terms of demographic, psychographic, geographic, or other descriptive attitudinal or behavioral information. Researchers may use photos, images, names, or short bios to help convey the particulars of the persona.

The rationale behind personas is to provide exemplars or archetypes of how the target customer looks, acts, and feels that are as true-to-life as possible, to ensure marketers within the organization fully understand and appreciate their target market and therefore incorporate a nuanced target customer point of view in all their marketing decision-making. Personas are fundamentally designed to bring the target consumer to life.

A good brand persona can guide all marketing activities. Burger King's brand persona is a cool, youngish uncle, who—although somewhat older than the chain's early-teens male target—is younger than their parents. The corresponding brand voice appears online, in ads and promotions, and wherever the brand expresses itself.

Although personas can provide a very detailed and accessible perspective on the target market, it can come at a cost. Overly focusing on a narrow slice of the target market can lead to oversimplification and erroneous assumptions about how the target market as a whole thinks, feels, or acts. The more heterogeneity in the target market, the more problematic the use of personas can be.

To overcome the potential problem of overgeneralization, some firms are creating multiple personas to provide a richer tapestry of the target market. There can also be varying levels of personas, such as primary (target consumer), secondary (target consumer with differing needs, targets, goals), and negative (false stereotypes of users).

Burger King adopted a persona as the "cool youngish uncle" to help guide the irreverent tone and personality of its marketing communications.

Source: Charles Harris/AdMedia/Newscom

Sources: Allen P. Adamson, *Brand Digital: Simple Ways Top Brands Succeed in the Digital Age* (New York: Palgrave-MacMillan, 2008); Lisa Sanders, "Major Marketers Get Wise to the Power of Assigning Personas," *Advertising Age*, 9 April 2007, 36; Stephen Herskovitz and Malcolm Crystal, "The Essential Brand Persona: Storytelling and Branding," *Journal of Business Strategy* 31, no. 3 (2010): 21. For additional information on storytelling, see Edward Wachtman and Sheree Johnson, "Discover Your Persuasive Story," *Marketing Management* (March/April 2009): 22–27.

marketing partners like the marketing research suppliers and ad agency team. Once marketers have a good understanding from the brand audit of current brand knowledge structures for their target consumers and have decided on the desired brand knowledge structures for optimal positioning, they may still want to do additional research testing alternative tactical programs to achieve that positioning.

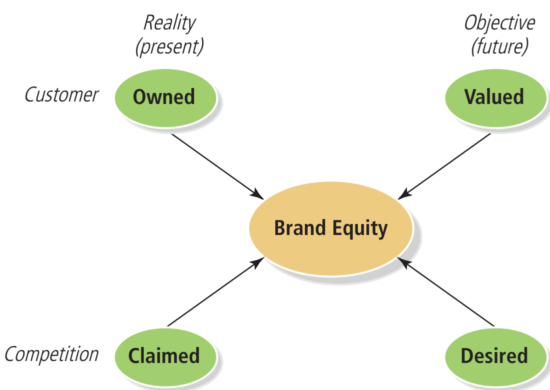


FIGURE 8-5
John Roberts's Brand Positioning Considerations

Source: Used with permission of John Roberts, ANU College of Business and Economics, The Australian National University.

DESIGNING BRAND TRACKING STUDIES

Brand audits are a means to provide in-depth information and insights essential for setting long-term strategic direction for the brand. But to gather information for short-term tactical decisions, marketers will typically collect less detailed brand-related information through ongoing tracking studies.

Brand tracking studies collect information from consumers on a routine basis over time, usually through quantitative measures of brand performance on a number of key dimensions that marketers can identify in the brand audit or other means. They apply components from the brand value chain to better understand where, how much, and in what ways brand value is being created, offering invaluable information about how well the brand has achieved its positioning.

As more marketing activity surrounds the brand—as the firm introduces brand extensions or incorporates an increasing variety of communication options in support of the brand—it becomes difficult and expensive to research each one. Regardless of how few or how many changes are made in the marketing program over time, however, marketers need to monitor the health of the brand and its equity so they can make adjustments if necessary.

Tracking studies thus play an important role by providing consistent baseline information to facilitate day-to-day decision making. A good tracking system can help marketers better understand a host of important considerations such as category dynamics, consumer behavior, competitive vulnerabilities and opportunities, and marketing effectiveness and efficiency.

What to Track

Chapter 3 provided a detailed list of potential measures that correspond to the brand resonance model, all of which are candidates for tracking. It is usually necessary to customize tracking surveys, however, to address the specific issues faced by the brand or brands in question. Each brand faces a unique situation that the different types of questions in its tracking survey should reflect.

Product–Brand Tracking. Tracking an individual branded product requires measuring brand awareness and image, using both recall and recognition measures and moving from more general to more specific questions. Thus, it may make sense to first ask consumers what brands come to mind in certain situations, to next ask for recall of brands on the basis of various product category cues, and to then finish with tests of brand recognition (if necessary).

Moving from general to more specific measures is also a good idea in brand tracking surveys to measure brand image, especially specific perceptions like what consumers think characterizes the brand, and evaluations such as what the brand means to consumers. A number of specific brand associations typically exist for the brand, depending on the richness of consumer knowledge structures, which marketers can track over time.

Given that brands often compete at the augmented product level (see Chapter 1), it is important to measure all associations that may distinguish competing brands. Thus, measures of specific, "lower-level" brand associations should include all potential sources of brand equity such as performance and imagery attributes and functional and emotional benefits. Benefit associations often represent key points-of-parity or points-of-difference, so it is particularly important to track them as well. To better understand any changes in benefit beliefs for a brand, however, marketers may also want to measure the attribute beliefs that underlie those benefit beliefs. In other words, changes in descriptive attribute beliefs may help to explain changes in more evaluative benefit beliefs for a brand.

Marketers should assess those key brand associations that make up the potential sources of brand equity on the basis of strength, favorability, and uniqueness *in that order.* Unless associations are strong enough for consumers to recall them, their favorability does not matter, and unless they are favorable enough to influence consumers' decisions, their uniqueness does not matter. Ideally, marketers will collect measures of all three dimensions, but perhaps for only certain associations and only some of the time; for example, favorability and uniqueness may be measured only once a year for three to five key associations.

At the same time, marketers will track more general, "higher-level" judgments, feelings, and other outcome-related measures. After soliciting their overall opinions, consumers can be asked whether they have changed their attitudes or behavior in recent weeks or months and, if so, why. Branding Brief 8-1 provides an illustrative example of a simple tracking survey for McDonald's.

Corporate or Family Brand Tracking. Marketers may also want to track the corporate or family brand separately or concurrently (or both) with individual products. Besides the measures

BRANDING BRIEF 8-1

Sample Brand Tracking Survey

Assume McDonald's is interested in designing a short online tracking survey. How might you set it up? Although there are a number of different types of questions, your tracking survey might take the following form.

Introduction: We're conducting a short online survey to gather consumer opinions about quick-service or "fast-food" restaurant chains.

A whole range of questions can be used to understand McDonald's sources and outcomes of brand equity in a tracking survey.

Source: Kim Karpeles/Alamy

Brand Awareness and Usage

a. What brands of quick-service restaurant chains are you aware of?
b. At which brands of quick-service restaurant chains would you consider eating?
c. Have you eaten in a quick-service restaurant chain in the last week? Which ones?
d. If you were to eat in a quick-service restaurant tomorrow for lunch, which one would you go to?
e. What if you were eating dinner? Where would you go?
f. Finally, what if you were eating breakfast? Where would you go?
g. What are your favorite quick-service restaurant chains?

We want to ask you some general questions about a particular quick-service restaurant chain, McDonald's.

Have you heard of this restaurant? [Establish familiarity.]

Have you eaten at this restaurant? [Establish trial.]

When I say McDonald's, what are the first associations that come to your mind? Anything else? [List all.]

Brand Judgments

We're interested in your overall opinion of McDonald's.

a. How favorable is your attitude toward McDonald's?
b. How well does McDonald's satisfy your needs?
c. How likely would you be to recommend McDonald's to others?
d. How good a value is McDonald's?
e. Is McDonald's worth a premium price?
f. What do you like best about McDonald's? Least?
g. What is most unique about McDonald's?
h. To what extent does McDonald's offer advantages that other similar types of quick-service restaurants cannot?
i. To what extent is McDonald's superior to other brands in the quick-service restaurant category?
j. Compared to other brands in the quick-service restaurant category, how well does McDonald's satisfy your basic needs?

We now want to ask you some questions about McDonald's as a company. Please indicate your agreement with the following statements.

McDonald's is . . .

a. Innovative
b. Knowledgeable
c. Trustworthy
d. Likable
e. Concerned about their customers
f. Concerned about society as a whole
g. Likable
h. Admirable

Brand Performance

We now would like to ask some specific questions about McDonald's. Please indicate your agreement with the following statements.

McDonald's . . .

a. Is convenient to eat at
b. Provides quick, efficient service
c. Has clean facilities
d. Is ideal for the whole family
e. Has delicious food
f. Has healthy food
g. Has a varied menu
h. Has friendly, courteous staff
i. Offers fun promotions

j. Has a stylish and attractive look and design
k. Has high-quality food

Brand Imagery

a. To what extent do people you admire and respect eat at McDonald's?
b. How much do you like people who eat at McDonald's?
c. How well do each of the following words describe McDonald's?
   Down-to-earth, honest, daring, up-to-date, reliable, successful, upper class, charming, outdoorsy
d. Is McDonald's a restaurant that you can use in a lot of different meal situations?
e. To what extent does thinking of McDonald's bring back pleasant memories?
f. To what extent do you feel that you grew up with McDonald's?

Brand Feelings

Does McDonald's give you a feeling of . . .

a. Warmth?
b. Fun?
c. Excitement?
d. Sense of security or confidence?
e. Social approval?
f. Self-respect?

Brand Resonance

a. I consider myself loyal to McDonald's.
b. I buy McDonald's whenever I can.
c. I would go out of my way to eat at McDonald's.
d. I really love McDonald's.
e. I would really miss McDonald's if it went away.
f. McDonald's is special to me.
g. McDonald's is more than a product to me.
h. I really identify with people who eat at McDonald's.
i. I feel a deep connection with others who eat at McDonald's.
j. I really like to talk about McDonald's to others.
k. I am always interested in learning more about McDonald's.
l. I would be interested in merchandise with the McDonald's name on it.
m. I am proud to have others know I eat at McDonald's.
n. I like to visit the McDonald's Web site.
o. Compared to other people, I follow news about McDonald's closely.

of corporate credibility we identified in Chapter 2, you can consider other measures of corporate brand associations including the following (illustrated with the GE corporate brand):

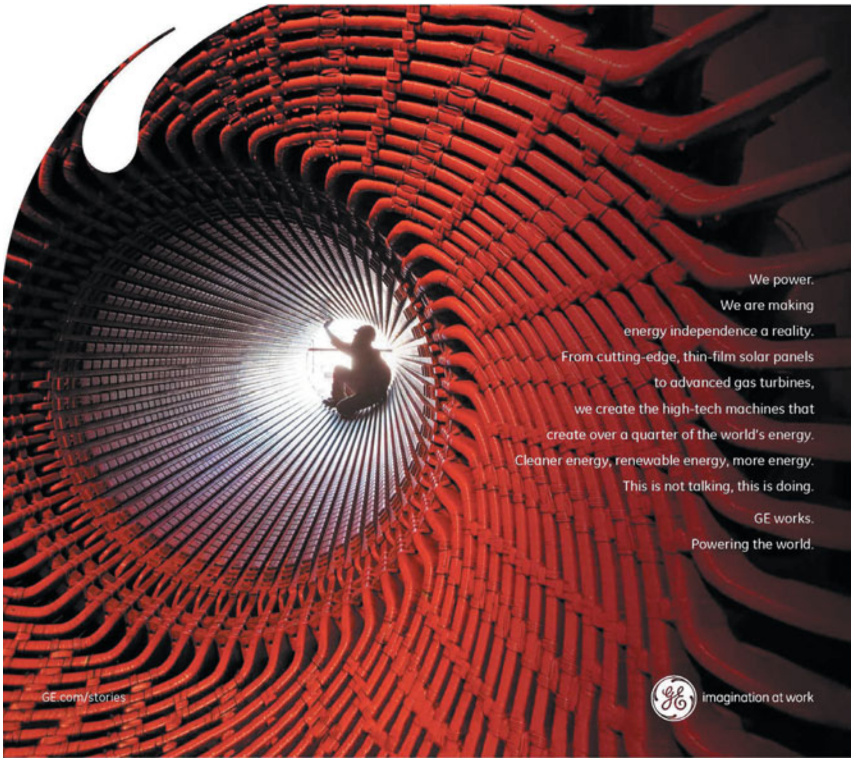
- How well managed is GE?
- How easy is it to do business with GE?
- How concerned is GE with its customers?
- How approachable is GE?
- How accessible is GE?
- How much do you like doing business with GE?
- How likely are you to invest in GE stock?
- How would you feel if a good friend accepted employment with GE?

The actual questions should reflect the level and nature of experience your respondents are likely to have had with the company.

When a brand is identified with multiple products, as in a corporate or family branding strategy, one important issue is which particular products the brand reminds consumers of. At the same time, marketers also want to know which particular products are most influential in affecting consumer perceptions about the brand.

To identify these more influential products, ask consumers which products they associate with the brand on an unaided basis ("What products come to mind when you think of the Nike brand?") or an aided basis by listing sub-brand names ("Are you aware of Nike Air Force basketball shoes? Nike Sphere React tennis apparel? Nike Air Max running shoes?"). To better understand the dynamics between the brand and its corresponding products, also ask consumers about their relationship between them ("There are many different products associated with Nike. Which ones are most important to you in formulating your opinion about the brand?").

Global Tracking. If your tracking covers diverse geographic markets—especially in both developing and developed countries—then you may need a broader set of background measures to



It is perhaps no coincidence that one of the strongest B-to-B brands—GE—is also one of the best-managed.
Source: Courtesy of GE

put the brand development in those markets in the right perspective. You would not need to collect them frequently, but they could provide useful explanatory information (see Figure 8-6 for some representative measures).

How to Conduct Tracking Studies

Which elements of the brand should you use in tracking studies? In general, marketers use the brand name, but it may also make sense to use a logo or symbol in probing brand structures, especially if these elements can play a visible and important role in the decision process.

You also need to decide whom to track, as well as when and where to track.

Whom to Track. Tracking often concentrates on current customers, but it can also be rewarding to monitor nonusers of the brand or even of the product category as a whole, for example, to suggest potential segmentation strategies. Marketers can track those customers loyal to the brand against those loyal to other brands, or against those who switch brands. Among current customers, marketers can distinguish between heavy and light users of the brand. Dividing up the market typically requires different questionnaires (or at least sections of a basic questionnaire) to better capture the specific issues of each segment.

It's often useful to closely track other types of customers, too, such as channel members and other intermediaries, to understand their perceptions and actions toward the brand. Of particular interest is their image of the brand and how they feel they can help or hurt its equity. Retailers can answer direct questions such as, "Do you feel that products in your store sell faster if they have [the brand name] on them? Why or why not?" Marketers might also want to track employees such as salespeople, to better understand their beliefs about the brand and how they feel they're contributing to its equity now or could do so in the future. Such tracking may be especially important with service organizations, where employees play profound roles in affecting brand equity.

When and Where to Track. How often should you collect tracking information? One useful approach for monitoring brand associations is continuous tracking studies, which collect information from consumers continually over time. The advantage of continuous tracking is that it smoothes out aberrations or unusual marketing activities or events like a high profile new digital campaign or an unlikely occurrence in the marketing environment to provide a more representative set of baseline measures.

The frequency of such tracking studies, in general, depends on the frequency of product purchase (marketers typically track durable goods less frequently because they are purchased less

Economic Indicators
Gross domestic product
Interest rates
Unemployment
Average wage
Disposable income
Home ownership and housing debt
Exchange rates, share markets, and balance of payments

Retail
Total spent in supermarkets
Change year to year
Growth in house brand

Technology
Computer at home
DVR
Access to and use of Internet
Phones
PDA
Microwaves
Television

Personal Attitudes and Values
Confidence
Security
Family
Environment
Traditional values
Foreigners vs. sovereignty

Media Indicators
Media consumption: total time spent watching TV, consuming other media
Advertising expenditure: total, by media and by product category

Demographic Profile
Population profile: age, sex, income, household size
Geographic distribution
Ethnic and cultural profile

Other Products and Services
Transport: own car—how many
Best description of car
Motorbike
Home ownership or renting
Domestic trips overnight in last year
International trips in last two years

Attitude to Brands and Shopping
Buy on price
Like to buy new things
Country of origin or manufacture
Prefer to buy things that have been advertised
Importance of familiar brands

FIGURE 8-6
Brand Context Measures

often), and on the consumer behavior and marketing activity in the product category. Many companies conduct a certain number of interviews of different consumers every week—or even every day—and assemble the results on a rolling or moving average basis for monthly or quarterly reports.

MILLWARD BROWN

Millward Brown has led the innovation and implementation of tracking studies for the last 30 years. In general, the firm interviews 50–100 people a week and looks at the data with moving averages trended over time. Then it relates specific marketing activity and events to the trend data to understand their impact. Client brands are typically compared to a competitive set to determine relative performance within the product category. Millward Brown collects data on a variety of topics as dictated by the client needs. Modules include brand equity (current and future potential), brand positioning, value perceptions, awareness and response to marketing communications and in-store promotions, consumer profiles, and so on. The survey data is analyzed in conjunction with a variety of other data sources (traditional and social media, search data, sales data, etc.) to provide guidance on improving marketing ROI. Interviews on average run from 15 to 20 minutes in length (on the Web, the phone—both landline and mobile—and in-person in emerging markets). A 20-minute weekly interview with 50 nationally representative consumers can cost roughly $300,000 annually for a typical consumer product, depending on modality.[11]

When the brand has more stable and enduring associations, tracking on a less frequent basis can be enough. Nevertheless, even if the marketing of a brand does not appreciably change over time, competitive entries can change consumer perceptions of the dynamics within the market, making tracking critical. Finally, the stage of the product or brand life cycle will affect your decision about the frequency of tracking: Opinions of consumers in mature markets may not change much, whereas emerging markets may shift quickly and perhaps unpredictably.

How to Interpret Tracking Studies

To yield actionable insights and recommendations, tracking measures must be as reliable and sensitive as possible. One problem with many traditional measures of marketing phenomena is that they don't change much over time. Although this stability may mean the data haven't changed much, it may also be that one or more brand dimensions have changed to some extent but the measures themselves are not sensitive enough to detect subtle shifts. To develop sensitive tracking measures, marketers might need to phrase questions in a comparative way—"compared to other brands, how much . . ." or in terms of time periods—"compared to one month or one year ago, how much . . ."

Another challenge in interpreting tracking studies is deciding on appropriate benchmarks. For example, what is a sufficiently high level of brand awareness? When are brand associations sufficiently strong, favorable, and unique? How positive should brand judgments and feelings be? What are reasonable expectations for the amount of brand resonance? The cutoffs must not be unreasonable and must properly reflect the interests of the intended internal management audience. Appropriately defined and tested targets can help management benchmark against competitors and assess the productivity of brand marketing teams.

Marketers may also have to design these targets with allowance for competitive considerations and the nature of the category. In some low-involvement categories like, say, lightbulbs, it may be difficult to carve out a distinct image, unlike the case for higher-involvement products like cars or computers. Marketers must allow for and monitor the number of respondents who indicate they "don't know" or have "no response" to the brand tracking measures: the more of these types of answers collected, the less consumers would seem to care.

One of the most important tasks in conducting brand tracking studies is to identify the determinants of brand equity.[12] Which brand associations actually influence consumer attitudes and behavior and create value for the brand? Marketers must identify the real value drivers for a brand—that is, those tangible and intangible points-of-difference that influence and determine consumers' product and brand choices. Similarly, marketers must identify the marketing activities that have the most effective impact on brand knowledge, especially consumer exposure to advertising and other communication mix elements.

Carefully monitoring and relating key sources and outcome measures of brand equity should help to address these issues. The brand resonance and brand value chain models suggest many possible links and paths to explore for their impact on brand equity. (Chapters 9 and 10 discuss several measures in more detail.)

ESTABLISHING A BRAND EQUITY MANAGEMENT SYSTEM

Brand tracking studies, as well as brand audits, can provide a huge reservoir of information about how best to build and measure brand equity. To get the most value from these research efforts, firms need proper internal structures and procedures to capitalize on the usefulness of the brand equity concept and the information they collect about it. Although a brand equity measurement system does not ensure that managers will always make "good" decisions about the brand, it should increase the likelihood they do and, if nothing else, decrease the likelihood of "bad" decisions.

Embracing the concept of branding and brand equity, many firms constantly review how they can best factor it into the organization. Interestingly, perhaps one of the biggest threats to brand equity comes from *within* the organization, and the fact that too many marketing managers remain on the job for only a limited period of time. As a result of these short-term assignments, marketing managers may adopt a short-term perspective, leading to an overreliance on quick-fix sales-generating tactics such as line and category extensions, sales promotions, and so forth. Because these managers lack an understanding and appreciation of the brand equity concept, some critics maintain, they are essentially running the brand "without a license."

To counteract these and other potential forces within an organization that may lead to ineffective long-term management of brands, many firms have made internal branding a top priority, as we noted in Chapter 2. As part of these efforts, they must put a brand equity management system into place. A ***brand equity management system*** is a set of organizational processes designed to improve the understanding and use of the brand equity concept within a firm. Three major steps help to implement a brand equity management system: creating brand charters, assembling brand equity reports, and defining brand equity responsibilities. The following subsections discuss each of these in turn. Branding Brief 8-2 describes how the Mayo Clinic has developed a brand equity measurement and management system.

BRANDING BRIEF 8-2

Understanding and Managing the Mayo Clinic Brand

Mayo Clinic was founded in the late 1800s by Dr. William Worral Mayo and his two sons, who later pioneered the "group practice of medicine" by inviting other physicians to work with them in Rochester, Minnesota. The Mayos believed that "two heads are better than one, and three are even better." From this beginning on the frontier, Mayo Clinic grew to be a worldwide leader in patient care, research, and education and became renowned for its world-class specialty care and medical research. In addition to the original facilities in Rochester, Mayo later built clinics in Jacksonville, Florida, and Scottsdale, Arizona, during the 1980s. More than 500,000 patients are cared for in Mayo's inpatient and outpatient practice annually.

In 1996, Mayo undertook its first brand equity study and since then has conducted regular, national qualitative and quantitative studies. Mayo's research identifies seven key brand attributes or values, including (1) integration, (2) integrity, (3) longevity, (4) exclusivity, (5) leadership, (6) wisdom, and (7) dedication. Although some of these values also characterize other high-quality medical centers, integration and integrity are more nearly unique to Mayo.

In terms of integration, respondents described Mayo as bringing together a wealth of resources to provide the best possible care. They perceived Mayo to be efficient, organized, harmonious, and creating a sense of participation and partnership. For example, one person described Mayo as "A well conducted symphony . . . works harmoniously . . . One person can't do it alone . . . Teamwork, cooperation, compatibility."

For integrity, respondents placed great value on the fact that Mayo is noncommercial and committed to health and healing over profit. One participant said, "The business element is taken out of Mayo. . . . Their ethics are higher . . . which gives me greater faith in their diagnosis."

Although none of Mayo Clinic's brand attributes are solely negative, perceptions of exclusivity pose some specific challenges. This attribute was sometimes described positively, in perceptions that Mayo offers the highest quality care and elite doctors, but inaccurate beliefs that it serves only the rich and famous and the sickest of the sick were emotionally distancing and made Mayo seem inaccessible.

In a more recent quantitative study, overall awareness of Mayo Clinic in the United States was 90.2 percent, and a remarkable one-third knew at least one Mayo patient. One of the key questions in the survey asked, "Suppose your health plan or personal finances permitted you to go anywhere in the U.S. for a serious medical condition which required highly specialized care, to which one institution would you prefer to go?" Mayo Clinic was the most popular choice, earning 18.6 percent of the responses, compared with 5.0 percent for the next most frequently mentioned medical center. Word-of-mouth has the most influence on these preferences for highly specialized medical care.

From its research, Mayo Clinic understands that its brand "is precious and powerful." Mayo realized that while it had an overwhelmingly positive image, it was vital to develop guidelines to protect the brand. In 1999, the clinic created a brand management infrastructure to be the "institutional clearinghouse for ongoing knowledge about external perceptions of Mayo Clinic and its related activities." Mayo Clinic also established guidelines for applying the brand to products and services. Its brand management measures work to ensure that the clinic preserves its brand equity, as well as allowing Mayo to continue to accomplish its mission:

The Mayo Clinic knows the importance and value of its brand and carefully monitors and manages its image and equity.
Source: Courtesy Mayo Clinic

> *To inspire hope and contribute to health and well-being by providing the best care to every patient through integrated clinical practice, education and research.*

Sources: Thanks to Mayo Clinic's John La Forgia, Kent Seltman, Scott Swanson, and Amy Davis for assistance and cooperation, including interviews in October 2011; www.mayoclinic.org; "Mayo Clinic Brand Management," internal document, 1999; Leonard L. Berry and Neeli Bendapudi, "Clueing in Customers," *Harvard Business Review* (February 2003): 100–106; Paul Roberts, "The Agenda—Total Teamwork," *Fast Company*, April 1999, 148; Leonard L. Berry and Kent D. Seltman, *Management Lessons from Mayo Clinic: Inside One of the World's Most Admired Service Organizations* (New York: McGraw Hill, 2008).

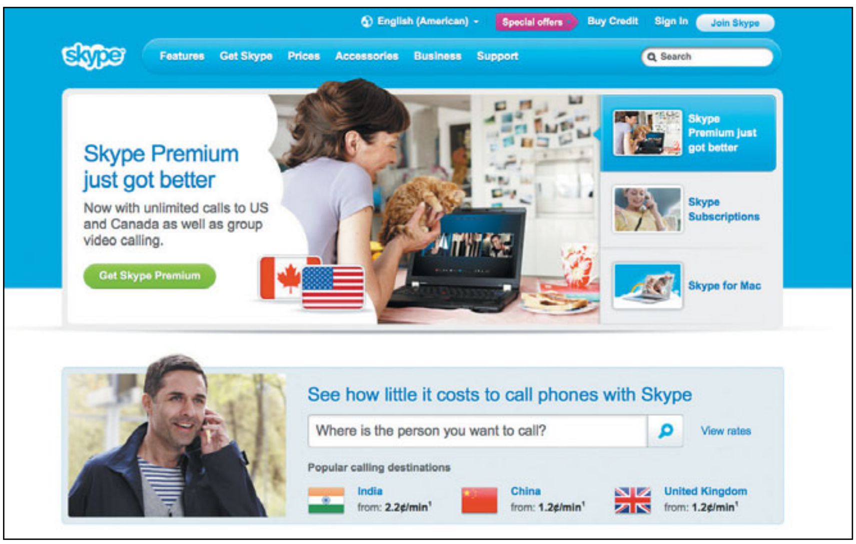
Brand Charter

The first step in establishing a brand equity management system is to formalize the company view of brand equity into a document, the ***brand charter***, or brand bible as it is sometimes called, that provides relevant guidelines to marketing managers within the company as well as to key marketing partners outside the company such as marketing research suppliers or ad agency staff. This document should crisply and concisely do the following:

- Define the firm's view of branding and brand equity and explain why it is important.
- Describe the scope of key brands in terms of associated products and the manner by which they have been branded and marketed (as revealed by historical company records as well as the most recent brand audit).
- Specify what the actual and desired equity is for brands at all relevant levels of the brand hierarchy, for example, at both the corporate and the individual product level (as outlined in Chapter 11). The charter should define and clarify points-of-parity, points-of-difference, and the brand mantra.
- Explain how brand equity is measured in terms of the tracking study and the resulting brand equity report (described shortly).
- Suggest how marketers should manage brands with some general strategic guidelines, stressing clarity, consistency, and innovation in marketing thinking over time.
- Outline how to devise marketing programs along specific tactical guidelines, satisfying differentiation, relevance, integration, value, and excellence criteria. Guidelines for specific brand management tasks such as ad campaign evaluation and brand name selection may also be offered.
- Specify the proper treatment of the brand in terms of trademark usage, design considerations, packaging, and communications. As these types of instructions can be long and detailed, it is often better to create a separate *Brand or Corporate Identity Style Manual* or guide to address these more mechanical considerations.

Although parts of the brand charter may not change from year to year, the firm should nevertheless update it on an annual basis to provide decision makers with a current brand profile and to identify new opportunities and potential risks for the brand. As marketers introduce new products, change brand programs, and conduct other marketing initiatives, they should reflect these adequately in the brand charter. Many of the in-depth insights that emerge from brand audits also belong in the charter.

Skype's brand bible, for example, outlines the branding and image of its products and services.[13] The document clearly states how Skype wants to be seen by consumers, how the firm uses its branding to achieve that, and why this is important. It also explains how Skype's logo of clouds and the vivid blue color are designed to make clean lines and foster a creative and simple look. The brand bible explains the "do's and don'ts" of marketing Skype's products and services and the dangers for the company image of working outside the brand guidelines.



Skype's brand bible provides important guidelines about how the brand should look and behave.

Source: Skype

Brand Equity Report

The second step in establishing a successful brand equity management system is to assemble the results of the tracking survey and other relevant performance measures for the brand into a brand equity report or scorecard to be distributed to management on a regular basis (weekly, monthly, quarterly, or annually). Much of the information relevant to the report may already exist within the organization. Yet it may have been presented to management in disjointed chunks so that no one has a holistic understanding of it. The brand equity report attempts to effectively integrate all these different measures.[14]

Contents. The brand equity report should describe *what* is happening with the brand as well as *why* it is happening. It should include all relevant internal measures of operational efficiency and effectiveness and external measures of brand performance and sources and outcomes of brand equity.[15]

In particular, one section of the report should summarize consumers' perceptions of key attribute or benefit associations, preferences, and reported behavior as revealed by the tracking study. Another section of the report should include more descriptive market-level information such as the following:

- Product shipments and movement through channels of distribution
- Retail category trends
- Relevant cost breakdowns
- Price and discount schedules where appropriate
- Sales and market share information broken down by relevant factors (such as geographic region, type of retail account, or customer)
- Profit assessments

These measures can provide insight into the market performance component of the brand value chain. Management can compare them to various frames of reference—performance last month/quarter/year—and color code them green, yellow, or red, depending on whether the trends are positive, neutral, or negative, respectively. Internal measures might focus on how much time, money, and labor was being spent on various marketing activities.[16]

Dashboards. As important as the information making up the brand equity report is the *way* the information is presented. Thus firms are now also exploring how best to display the right data to influence marketing decision makers. Top digital agency R/GA, for example, has created a data-visualization department to reflect the growing importance of presenting information to its clients.[17]

A number of firms have implemented ***marketing dashboards*** to provide comprehensive but actionable summaries of brand-related information. A marketing dashboard functions just like the dashboard of a car. Although they can be valuable tools for companies, if not designed and implemented properly dashboards also can be a big waste of time and money. An early leader on the subject, Pat LaPointe has identified four success factors in developing a successful dashboard:[18]

1. Senior-level executives must devote the necessary resources to its development and stay actively involved—delegating the task to lower levels of the organization rarely pays off.
2. The investment in resources doesn't stop with launch. Additional resources are required to gather, align, and properly interpret the right information.
3. Graphics and analytics matter. Excel may be cheap and easy to use, but it can also constrain thinking.
4. Executives should focus on what can be measured today but also learn more about how to improve the dashboard in the future.

IT company Unisys successfully developed a dashboard that covered all its geographical areas and applied to all its divisions and business units. Data was collected from a variety of sources—brand tracking, CRM programs, tradeshows, media reports, satisfaction studies, and Web logs—offering views for all levels right up to the CMO.[19]

To provide feedback on marketing performance to boards of directors, former Harvard Business School faculty Gail McGovern and John Quelch advocate quarterly tracking reports of the three or four marketing or customer-related metrics that truly drive and predict the company's

Harrah's has an extensive customer information system that helps the company track key metrics.

Source: Craig Moran/ Rapport Press/Newscom

business performance—the behavioral measures specific to a company's business model.[20] As an example, they note how the board of casino operator Harrah's focuses on three metrics: share of its customer's gaming dollars (share of wallet), loyalty program updates (an indicator of increased concentration of a customer's gaming at Harrah's), and percent of revenue from customers visiting more than one of Harrah's 30 casinos (an indicator of cross-selling). To support its tracking, Harrah's has spent $50 million annually on a customer information system.

Similarly, Ambler and Clark offer three recommendations.[21] First, marketers must work with their CFO to develop marketing dashboards and to shift metrics and forecasting responsibilities to the finance department. Second, marketers should develop with each agency a detailed brief with measurable objectives and a results-driven compensation component (for agencies). Third, marketers need to dedicate extra time to securing buy-in from colleagues on their business model, strategy, and metrics.

In terms of choosing specific metrics for a brand equity report or dashboard, Ambler and Clark offer three additional guidelines.[22] First, marketers must select metrics that suit their business model and strategy. Two, they need to balance their metrics portfolio across audiences, comprehensiveness, efficiency, and other considerations. Three, marketers should review and modify their metrics portfolio as their needs change.

With advances in computer technology, it will be increasingly easy for firms to place the information that makes up the brand equity report online, so managers can access it through the firm's intranet or some other means. For example, early research pioneer NFO MarketMind developed a brand management database system that integrated continuous consumer tracking survey data, media weight (or cost) data, warehouse sales and retail scan data, and PR and editorial content.

Brand Equity Responsibilities

To develop a brand equity management system that will maximize long-term brand equity, managers must clearly define organizational responsibilities and processes with respect to the brand. Brands need constant, consistent nurturing to grow. Weak brands often suffer from a lack of discipline, commitment, and investment in brand building. In this section, we consider internal issues of assigning responsibilities and duties for properly managing brand equity, as well as external issues related to the proper roles of marketing partners. The Science of Branding 8-2 describes some important principles in building a brand-driven organization.

THE SCIENCE OF BRANDING 8-2

Maximizing Internal Branding

Internal branding doesn't always receive as much time, money, or effort as external branding programs receive. But although it may require significant resources, it generates a number of benefits. Internal branding creates a positive and more productive work environment. It can also be a platform for change and help foster an organization's identity. For example, after employee turnover became too high, Yahoo! created the "What Sucks" program in which employees could send their concerns straight to the CEO.

Branding expert Scott Davis offers a number of insights into what it takes to make a brand-driven organization. According to Davis, for employees to become passionate brand advocates, they must understand what a brand is, how it is built, what their organization's brand stands for, and what their role is in delivering on the brand promise. Formally, he sees the process of helping an organization's employees assimilate the brand as three stages:

Part of the success of Nordstrom's legendary customer service is that it empowers employees to take brand-consistent actions.
Source: REUTERS/Rick Wilking

1. *Hear It:* How do we best get it into their hands?
2. *Believe It:* How do we best get it into their heads?
3. *Live It:* How do we best get it into their hearts?

Davis also argues that six key principles should guide the brand assimilation process within an organization, offering the following examples.

1. *Make the brand relevant.* Each employee must understand and embrace the brand meaning. Nordstrom, whose brand relies on top-notch customer service, empowers sales associates to approve exchanges without manager approval.
2. *Make the brand accessible.* Employees must know where they can get brand knowledge and answers to their brand-related questions. Ernst & Young launched "The Branding Zone" on its intranet to provide employees easy access to information about its branding, marketing, and advertising programs.
3. *Reinforce the brand continuously.* Management must reinforce the brand meaning with employees beyond the initial rollout of an internal branding program. Southwest Airlines continually reinforces its brand promise of "a symbol of freedom" through ongoing programs and activities with a freedom theme.
4. *Make brand education an ongoing program.* Provide new employees with inspiring and informative training. Ritz-Carlton ensures that each employee participates in an intensive orientation called "The Gold Standard" that includes principles to improve service delivery and maximize guest satisfaction.
5. *Reward on-brand behaviors.* An incentive system to reward employees for exceptional support of the brand strategy should coincide with the roll-out of an internal branding program. Prior to its merger with United, Continental Airlines rewarded employees with cash bonuses each month that the airline ranked in the top five of on-time airlines.
6. *Align hiring practices.* HR and marketing must work together to develop criteria and screening procedures to ensure that new hires are good fits for the company's brand culture. Pret A Manger sandwich shops has such a carefully honed screener that only 20 percent of applicants end up being hired.

Davis also emphasizes the role of senior management in driving internal branding, noting that the CEO ultimately sets the tone and compliance with a brand-based culture and determines whether proper resources and procedures are put into place.

Sources: Scott M. Davis, *Building the Brand-Driven Business: Operationalize Your Brand to Drive Profitable Growth* (San Francisco, CA: Jossey-Bass, 2002); Scott M. Davis, "Building a Brand-Driven Organization," in *Kellogg on Branding*, eds. Alice M. Tybout and Tim Calkins (Hoboken, NJ: John Wiley & Sons, 2005); Scott M. Davis, *The Shift: The Transformation of Today's Marketers into Tomorrow's Growth Leaders* (San Francisco, CA: Jossey-Bass, 2009).

Overseeing Brand Equity. To provide central coordination, the firm should establish a position responsible for overseeing the implementation of the brand charter and brand equity reports, to ensure that product and marketing actions across divisions and geographic boundaries reflect their spirit as closely as possible and maximize the long-term equity of the brand. A natural place to house such oversight duties and responsibilities is in a corporate marketing group that has a senior management reporting relationship.

Scott Bedbury, who helped direct the Nike and Starbucks brands during some of their most successful years, is emphatic about the need for "top-down brand leadership."[23] He advocates the addition of a chief brand officer (CBO) who reports directly to the CEO of the company and who:

- ***Is an omnipresent conscience whose job is to champion and protect the brand—the way it looks and feels—both inside and outside the company.*** The CBO recognizes that the brand is the sum total of everything a company does and strives to ensure that all employees understand the brand and its values, creating "brand disciples" in the process.
- ***Is an architect and not only helps build the brand but also plans, anticipates, researches, probes, listens, and informs.*** Working with senior leadership, the CBO helps envision not just what works best for the brand today but also what can help drive it forward in the future.
- ***Determines and protects the voice of the brand over time by taking a long-term (two to three years) perspective.*** The CBO can be accountable for brand-critical and corporate-wide activities such as advertising, positioning, corporate design, corporate communications, and consumer or market insights.

Bedbury also advocates periodic brand development reviews (full-day meetings quarterly, or even half-day meetings monthly) for brands in difficult circumstances. As part of a brand development review, he suggests the following topics and activities:[24]

- *Review brand-sensitive material:* For example, review brand strength monitors or tracking studies, brand audits, and focus groups, as well as less formal personal observations or "gut feelings."
- *Review the status of key brand initiatives:* Because brand initiatives include strategic thrusts to either strengthen a weakness in the brand or exploit an opportunity to grow the brand in a new direction, customer perceptions may change and marketers therefore need to assess them.
- *Review brand-sensitive projects:* For example, evaluate advertising campaigns, corporate communications, sales meeting agendas, and important human resources programs (recruitment, training, and retention that profoundly affect the organization's ability to embrace and project brand values).
- *Review new product and distribution strategies with respect to core brand values:* For example, evaluate licensing the brand to penetrate new markets, forming joint ventures to develop new products or brands, and expanding distribution to nontraditional platforms such as large-scale discount retailers.
- *Resolve brand positioning conflicts:* Identify and resolve any inconsistencies in positioning across channels, business units, or markets.

Even strong brands need careful watching to prevent managers from assuming it's acceptable to "make one little mistake" with brand equity or to "let it slide." A number of top companies like Colgate-Palmolive, Canada Dry, Quaker Oats, Pillsbury, Coca-Cola, and Nestlé Foods have created brand equity gatekeepers for some or all their brands at one time.[25] Branding Brief 8-3 contains a checklist by which firms can assess their marketing skills and performance.

One of senior management's important roles is to determine marketing budgets and decide where and how to allocate company resources within the organization. The brand equity management system must be able to inform and provide input to decision makers so that they can recognize the short-term and long-term ramifications of their decisions for brand equity. Decisions about which brands to invest in, and whether to implement brand-building marketing programs or leverage brand equity through brand extensions instead, should reflect the current and desired state of the brand as revealed through brand tracking and other measures.

Organizational Design and Structures. The firm should organize its marketing function to optimize brand equity. Several trends have emerged in organizational design and structure

BRANDING BRIEF 8-3

How Good Is Your Marketing? Rating a Firm's Marketing Assessment System

Famed former London Business School professor Tim Ambler has a wealth of experience in working with companies. He notes that in his interactions, "most companies do not have a clear picture of their own marketing performance which may be why they cannot assess it." To help companies evaluate if their marketing assessment system is good enough, he suggests that they ask the following 10 questions—the higher the score, the better the assessment system.

1. Does the senior executive team regularly and formally assess marketing performance?
   a. Yearly—10
   b. Six-monthly—10
   c. Quarterly—5
   d. More often—0
   e. Rarely—0
   f. Never—0
2. What does the senior executive team understand by "customer value"?
   a. Don't know. We are not clear about this—0
   b. Value of the customer to the business (as in "customer lifetime value")—5
   c. Value of what the company provides from the customers' point of view—10
   d. Sometimes one, sometimes the other—10
3. How much time does the senior executive team give to marketing issues?
   a. >30%—10
   b. 20–30%—6
   c. 10–20%—4;
   d. <10%—0
4. Does the business/marketing plan show the non-financial corporate goals and link them to market goals?
   a. No/no plan—0
   b. Corporate no, market yes—5
   c. Yes to both—10
5. Does the plan show the comparison of your marketing performance with competitors or the market as a whole?
   a. No/no plan—0
   b. Yes, clearly—10
   c. In between—5
6. What is your main marketing asset called?
   a. Brand equity—10
   b. Reputation—10
   c. Other term—5
   d. We have no term—0
7. Does the senior executive team's performance review involve a quantified view of the main marketing asset and how it has changed?
   a. Yes to both—10
   b. Yes but only financially (brand valuation)—5
   c. Not really—0
8. Has the senior executive team quantified what "success" would look like 5 or 10 years from now?
   a. No—0
   b. Yes—10
   c. Don't know—0
9. Does your strategy have quantified milestones to indicate progress toward that success?
   a. No—0
   b. Yes—10
   c. What strategy?—0
10. Are the marketing performance indicators seen by the senior executive team aligned with these milestones?
   a. No—0
   b. Yes, external (customers and competitors)—7
   c. Yes, internal (employees and innovativeness)—5
   d. Yes, both—10

Sources: Adapted from Tim Ambler, "10 Ways to Rate Your Firm's Marketing Assessment System," www.zibs.com, September 2005; Tim Ambler, *Marketing and the Bottom Line*, 2nd ed. (London: FT Prentice Hall, 2004).

Many leading manufacturers such as Procter & Gamble are assuming the role of category captain to help retailers manage sections of their stores.

Source: HolgerBurmeister/Alamy

that reflect the growing recognition of the importance of the brand and the challenges of managing brand equity carefully. For example, an increasing number of firms are embracing brand management. Firms from more and more industries—such as the automobile, health care, pharmaceutical, and computer software and hardware industries—are introducing brand managers into their organizations. Often, they have hired managers from top packaged-goods companies, adopting some of the same brand marketing practices as a result.

Interestingly, packaged-goods companies, such as Procter & Gamble, continue to evolve the brand management system. With category management, manufacturers offer retailers advice about how to best stock their shelves. An increasing number of retailers are also adopting category management principles. Although manufacturers functioning as category captains can improve sales, experts caution retailers to exercise their own insights and values to retain their distinctiveness in the marketplace.

Many firms are thus attempting to redesign their marketing organizations to better reflect the challenges faced by their brands. At the same time, because of changing job requirements and duties, the traditional marketing department is disappearing from a number of companies that are exploring other ways to conduct their marketing functions through business groups, multidisciplinary teams, and so on.[26]

The goal in these new organizational schemes is to improve internal coordination and efficiencies as well as external focus on retailers and consumers. Although these are laudable goals, clearly one of the challenges with these new designs is to ensure that brand equity is preserved and nurtured, and not neglected due to a lack of oversight.

With a multiple-product, multiple-market organization, the difficulty often lies in making sure that both product and place are in balance. As in many marketing and branding activities, achieving the proper balance is the goal, in order to maximize the advantages and minimize the disadvantages of both approaches.

Managing Marketing Partners. Because the performance of a brand also depends on the actions taken by outside suppliers and marketing partners, firms must manage these relationships carefully. Increasingly, firms have been consolidating their marketing partnerships and reducing the number of their outside suppliers.

This trend has been especially apparent with global advertising accounts, where a number of firms have placed most, if not all, their business with one agency. For example, Colgate-Palmolive has worked largely with just Young & Rubicam, and American Express and IBM with Ogilvy & Mather.

Factors like cost efficiencies, organizational leverage, and creative diversification affect the number of outside suppliers the firm will hire in any one area. From a branding perspective, one advantage of dealing with a single major supplier such as an ad agency is the greater consistency in understanding and treatment of a brand that can result.

Other marketing partners can also play an important role. For example, Chapter 5 described the importance of channel members and retailers in enhancing brand equity and the need for cleverly designed push programs. One important function of having a brand charter or bible is to inform and educate marketing partners so that they can provide more brand-consistent support.

REVIEW

A brand equity measurement system is defined as a set of research procedures designed to provide timely, accurate, and actionable information for marketers regarding brands so that they can make the best possible tactical decisions in the short run as well as strategic decisions in the long run. Implementing a brand equity measurement system involves two steps: conducting brand audits, designing brand tracking studies, and establishing a brand equity management system.

A brand audit is a consumer-focused exercise to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity. It requires understanding brand equity from the perspective of both the firm and the consumer. The brand audit consists of two steps: the brand inventory and the brand exploratory.

The purpose of the brand inventory is to provide a complete, up-to-date profile of how all the products and services sold by a company are marketed and branded. Profiling each product or service requires us to identify the associated brand elements as well as the supporting marketing program. The brand exploratory is research activity directed to understanding what consumers think and feel about the brand to identify sources of brand equity.

Brand audits can be used to set the strategic direction for the brand. As a result of this strategic analysis, a marketing program can be put into place to maximize long-term brand equity. Tracking studies employing quantitative measures can then be conducted to provide marketers with current information as to how their brands are performing on the basis of a number of key dimensions identified by the brand audit.

Tracking studies involve information collected from consumers on a routine basis over time and provide valuable tactical insights into the short-term effectiveness of marketing programs and activities. Whereas brand audits measure "where the brand has been," tracking studies measure "where the brand is now" and whether marketing programs are having their intended effects.

Three major steps must occur as part of a brand equity management system. First, the company view of brand equity should be formalized into a document, the brand charter. This document serves a number of purposes: It chronicles the company's general philosophy with respect to brand equity; summarizes the activity and outcomes related to brand audits, brand tracking, and so forth; outlines guidelines for brand strategies and tactics; and documents proper treatment of the brand. The charter should be updated annually to identify new opportunities and risks and to fully reflect information gathered by the brand inventory and brand exploratory as part of any brand audits.

Second, the results of the tracking surveys and other relevant outcome measures should be assembled into a brand equity report that is distributed to management on a regular basis (monthly, quarterly, or annually). The brand equity report should provide descriptive information as to *what* is happening to a brand as well as diagnostic information as to *why* it is happening. These reports are often being displayed in marketing dashboards for ease of review.

Finally, senior management must be assigned to oversee how brand equity is treated within the organization. The people in that position would be responsible for overseeing the implementation of the brand charter and brand equity reports to make sure that, as much as possible, product and marketing actions across divisions and geographic boundaries are performed in a way that reflects the spirit of the charter and the substance of the report so as to maximize the long-term equity of the brand.

DISCUSSION QUESTIONS

1. What do you see as the biggest challenges in conducting a brand audit? What steps would you take to overcome them?
2. Pick a brand. See if you can assemble a brand inventory for it.
3. Consider the McDonald's tracking survey presented in Branding Brief 8-1. What might you do differently? What questions would you change or drop? What questions might you add? How might this tracking survey differ from those used for other products?
4. Can you develop a tracking survey for the Mayo Clinic? How might it differ from the McDonald's tracking survey?
5. Critique the Rolex brand audit in Brand Focus 8.0. How do you think it could be improved?

BRAND FOCUS 8.0

Rolex Brand Audit

For over a century, Rolex has remained one of the most recognized and sought-after luxury brands in the world. In 2009, *Businessweek*/Interbrand ranked Rolex as the 71st most valuable global brand, with an estimated brand value of $5 billion.[27] A thorough audit can help pinpoint opportunities and challenges for Rolex, whose brand equity has been historically strong, as much is at stake.

> *"The name of Rolex is synonymous with quality. Rolex—with its rigorous series of tests that intervene at every stage—has redefined the meaning of quality."*
>
> **—www.rolex.com**

BACKGROUND

History

Rolex was founded in 1905 by a German named Hans Wilsdorf and his brother-in-law, William Davis, as a watch-making company, Wilsdorf & Davis, with headquarters in London, England. Wilsdorf, a self-proclaimed perfectionist, set out to improve the mainstream pocket watch right from the start. By 1908, he had created a timepiece that kept accurate time but was small enough to be worn on the wrist. That same year, Wilsdorf trademarked the name "Rolex" because he thought it sounded like the noise a watch made when it was wound. Rolex was also easy to pronounce in many different languages.

In 1912, Rolex moved its headquarters to Geneva, Switzerland, and started working on improving the reliability of its watches. Back then, dust and moisture could enter the watch case and cause damage to the movement or internal mechanism of the watch. As a result, Wilsdorf invented a screw crown and waterproof casebook mechanism that revolutionized the watch industry. In 1914, the Rolex wristwatch obtained the first Kew "A" certificate after passing the world's toughest timing test, which included testing the watch at extreme temperature levels.

Twelve years later, Wilsdorf developed and patented the now famous Oyster waterproof case and screw crown. This mechanism became the first true protection against water, dust, and dirt. To generate publicity for the watch, jewelry stores displayed fish tanks in their windows with the Oyster watch completely submerged in it. The Oyster was put to the test on October 7, 1927, when Mercedes Gleitze swam the English Channel wearing one. She emerged 15 hours later with the watch functioning perfectly, much to the amazement of the media and public. Gleitze became the first of a long list of "ambassadors" that Rolex has used to promote its wristwatches.

Over the years, Rolex has pushed innovation in watches to new levels. In 1931, the firm introduced the Perpetual self-winding rotor mechanism, eliminating the need to wind a watch. In 1945, the company invented the first watch to display a number date at the 3 o'clock position and named it the Datejust. In 1953, Rolex launched the Submariner—the first diving watch that was water-resistant and pressure-resistant to 100 meters. The sporty watch appeared in various James Bond movies in the 1950s and became an instant symbol of prestige and durability.

For decades, Swiss-made watches owned the middle and high-end markets, remaining virtually unrivaled until the invention of the quartz watch in 1969. Quartz watches kept more accurate time, were less expensive to make, and quickly dominated the middle market. Within 10 years, quartz watches made up approximately half of all watch sales worldwide.[28] Joe Thompson, editor of *Modern Jeweler*, a U.S. trade publication, explained, "By 1980, people thought the mechanical watch was dead."[29]

Rolex proved the experts wrong. The company would not give in to the quartz watch rage. In order to survive, however, Rolex was forced to move into the high-end market exclusively—leaving the middle to the quartz people—and create a strategy to defend and build its position there.

Private Ownership

Rolex is a privately owned company and has been controlled by only three people in its 100-year history. Before Wilsdorf died, he set up the Hans Wilsdorf Foundation, ensuring that some of the company's income would go to charity and that control of the company lay with the foundation.[30] This move was a critical step toward the long-term success of Rolex as a high-end brand. Over the years, many luxury brands have been forced to

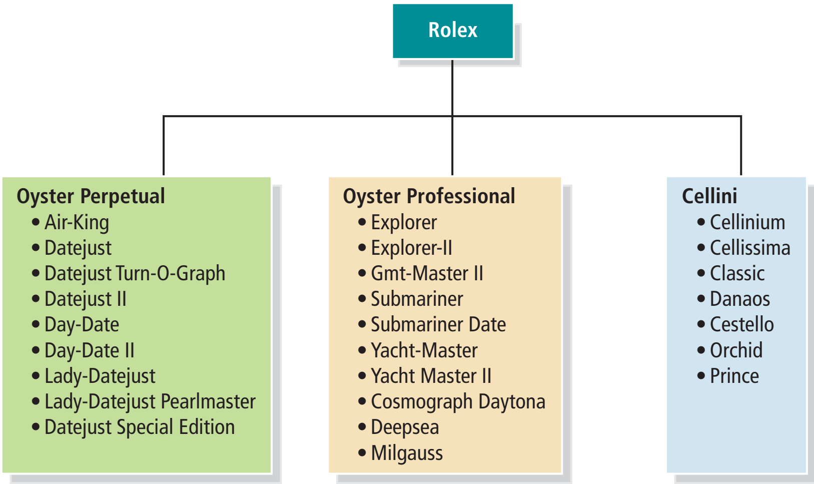


FIGURE 8-7
Rolex Product Portfolio

affiliate with conglomerates in order to compete, but by staying an independent entity, Rolex has remained focused on its core business. André Heiniger, managing chairman of Rolex through the 1980s, explained, "Rolex's strategy is oriented to marketing, maintaining quality, and staying out of fields where we are not prepared to compete effectively."

Brand Portfolio

Rolex includes three family brands of wristwatches, called "collections"; each has a subset of brands (see Figure 8-7).

- The *Oyster Perpetual Collection* includes the "traditional" Rolex wristwatch, and has eight sub-brands that are differentiated by features and design. The Perpetual Collection targets affluent men and women.
- The *Professional Collection* targets specific athletic and adventurer user groups through its features and imagery. The Oyster Professional Collection includes seven sub-brands.
- The *Cellini Collection* focuses on formal occasions through its elegant designs, and encompasses seven sub-brands. These watches incorporate fashion and style features like colored leather bands and an extensive use of diamonds.

In addition to the three collections, Rolex owns a separate "fighter" brand called Tudor, developed in 1946 to stave off competition from mid-range watches such as Tag Heuer, Citizen, and Rado. Tudor has its own range of family brands, or collections, namely Prince, Princess, Monarch, and Sport, each of which encompasses a number of sub-brands. Tudor watches are sold at own-brand specialty stores and through the network of exclusive Rolex dealers. Although they are no longer for sale in the United States, there are many outlets in Europe and Asia. Tudor targets younger consumers and offers watches at a lower price range. The brand is distinctly separate, and the Rolex name does not appear on Tudor watches.

BRAND INVENTORY

Rolex's success as the largest single luxury watch brand can be credited to several factors. The company not only produces extremely high-quality timepieces, but also tightly controls how its watches are sold, ensuring high demand and premium prices. In addition, Rolex's sophisticated marketing strategy has created an exclusive and premium brand that many aspire to own. The brand inventory will describe each of these factors in more depth.

Brand Elements

Rolex's most distinguishable brand element is its Crown logo. Trademarked in 1925, the Crown made its appearance on the watches in 1939. The logo has undergone few revisions, keeping its signature five-point crown intact over the years. Rolex watches feature the name "Rolex" on the dial, a tradition dating to 1926. This development initially helped increase brand recognition. Many Rolex watches also have a distinct look, including a big round face and wide wrist band.

Rolex watches have a classic design and look.
Source: Lee Hacker/Alamy

Product

Throughout the years, Rolex timepieces have maintained the high quality, durability, and prestige on which the company built its name. In particular, the firm has maintained a keen focus on delivering a highly accurate watch of superior craftsmanship, using only the finest premium materials such as gold, platinum, and jewels. It continually works on improving the functionality of its watches with better movements and new, sophisticated features. As a result, Rolex watches are complex mechanisms compared to most mass-produced watches. A quartz watch, for example, has between 50 and 100 parts; a Rolex Oyster chronometer has 220.[31]

Each Rolex watch consists of 10 unique features identified as the company's "10 Golden Rules:"

1. A waterproof case
2. The Perpetual rotor
3. The case back
4. The Oyster case
5. The winding crown
6. The finest and purest materials
7. Quality control
8. Rolex self-winding movement
9. Testing from the independent Controle Official Suisse des Chronometres
10. Rolex testing

The company does not license its brand or produce any other product besides watches. Its product portfolio is clear, concise, and focused.

Rolex spends more time and money than any other watch company fighting counterfeiters. Today, it is often hard to spot the differences between a $25 counterfeit and a $10,000 authentic Rolex watch. Counterfeiting Rolex watches has become a sophisticated industry, with sales exceeding $1.8 billion per year.

Pricing

By limiting production to approximately 2,000 watches a day, Rolex keeps consumer demand high and prices at a premium. Prices start around $2,500 for the basic Oyster Perpetual and can reach $200,000, depending on the specific materials used such as steel, yellow gold, or platinum. Scarcity also helps positively influence the resale value of Rolex watches. One report indicated that "almost all older Rolex models are valued above their initial selling price."[32]

Distribution

Rolex carefully monitors how its timepieces are sold, distributing them only through its approximately 60,000 "Official Rolex Dealers" worldwide. Official dealers must meet several criteria, including a high-end image, adequate space, attractive location, and outstanding service. In addition, a large secondary market exists for Rolex, both through online auction sites such as eBay and at live auctions run by Christies and Sotheby's.

Communications

Rolex's marketing and communications strategy strives to create a high-quality, exclusive brand image. The company associates itself with "ambassadors"—established artists, top athletes, rugged adventurers, and daring explorers—to help create this imagery. Rolex also sponsors various sports and cultural events as well as philanthropy programs to help align with targeted demographics as well as create positive associations in consumers' minds.

Advertising. Rolex is the number-one watch advertiser in the world. In 2008, the firm spent over $49 million on advertising, $20 million more than the number-two contender, Breitling.[33] One of the company's largest expenditures is for magazine advertising. Rolex's print ads are often simple and austere, usually featuring one of its many brand ambassadors or a close-up photo of one of its watches with the tagline "Rolex. A Crown for Every Achievement." Rolex does not advertise extensively on television, but does sponsor some events that are televised.

Ambassadors. Rolex's celebrity endorsers are continuously added and dropped depending on their performance. These ambassadors fall into four categories: athletes, artists, explorers,

Rolex sponsors a number of different sporting events, including sailing races.
Source: AP Photo/J Pat Carter

Artists
Cecilia Bartoli
Michael Buble
Placido Domingo
Gustavo Dudamel
Renee Fleming
Sylvie Guillem
Jonas Kaufmann
Diana Krall
Yo-Yo Ma
Anoushka Shankar
Bryn Terfel
Rolando Villazon
Yuja Wang
Royal Opera House
Teatro Alla Scalla
Wiener Philharmoniker

Explorers
David Doubilet
Sylvia Earle
Alain Hubert
Jean Troillet
Ed Viesturs
Chuck Yeager
Setting Out to Conquer the World
Deepsea Under the Pole
The Deep
The Deepest Dive

Yachting
Robert Scheidt
Paul Cayard
Rolex Sydney Hobart
Maxi Yacht Rolex Cup
Rolex Fastnet Race
Rolex Farr 40 World Championship
Rolex Swan Cup

Equestrian
Rodrigo Pessoa
Gonzalo Pieres, Jr.

Golfers
Paul Casey
Luke Donald
Ricky Fowler
Retief Goosen
Charles Howell
Trevor Immelman
Martin Kaymer
Matteo Manassero
Phil Mickelson
Jack Nicklaus
Lorena Ochoa
Arnold Palmer
Gary Player
Adam Scott
Annika Sorenstam
Camilo Villegas
Tom Watson
U.S. Open Championship
The Open Championship
The Ryder Cup
The President's Cup
Evian Masters
The Solheim Cup

Racing
Sir Jackie Stewart
Tom Kristensen
Rolex 24 at Daytona
Goodwood Revival
24 Hours at Le Mans

Tennis
Roger Federer
Justine Henin
Ana Ivanovic
Zheng Jie
Juan Martín del Potro
Li Na
Jo-Wilfried Tsonga
Caroline Wosniacki
Wimbledon
Australian Open
Monte-Carlo Rolex Masters
Shanghai Rolex Masters

Skiing
Hermann Maier
Lindsay Vonn
Carlo Janka
The Hahnenkamm Races

FIGURE 8-8 **2011 Rolex Ambassadors**

and yachtsmen (see Figure 8-8). Aligning with acclaimed artists symbolizes the pursuit of perfection. Association with elite sports figures is meant to signify the company's quest for excellence. Its support of sailing events, for example, highlights the company's core values: excellence, precision, and team spirit.[34] Explorers also test the excellence and innovation of Rolex's watches at extreme conditions. Rolex ambassadors have scaled Mt. Everest, broken the speed of sound, reached the depths of the ocean, and traveled in space. A print ad will usually feature one ambassador and one specific watch, with the goal of targeting a very specific demographic or consumer group.

In 2011, much to the surprise of industry experts, Rolex signed golfer Tiger Woods as a Rolex ambassador. Woods has had a long and complicated history as a celebrity endorser of watches. In 1997, just after he turned pro, Rolex's Tudor watch signed him to a partnership that lasted almost five years. Woods backed out of the contract in 2002 to sign with rival Tag Heuer, which paid him approximately $2 million annually. Woods rationalized his decision to end ties with Tudor by explaining, "My tastes have changed," and that he didn't "feel a connection with that company."[35] In 2009, the tables turned when Tag Heuer announced it had ended the relationship following Woods's involvement in a sex scandal.

Rolex's sponsorship marked the golfer's first celebrity endorsement since 2009. The company said it was "convinced that Tiger Woods still has a long career ahead of him and that he has all the qualities required to continue to mark the history of golf. The brand is committed to accompanying him in his new challenges . . . This association pays tribute to the exceptional stature of Tiger Woods and the leading role he plays in forging the sport's global appeal. It also constitutes a joint commitment to the future."[36]

Sports and Culture. Rolex sponsors a variety of elite athletic and cultural events to reinforce the same messages, values, and associations as it does through its ambassador endorsements. These include a quest for excellence, pursuit of perfection, teamwork, and ruggedness. Rolex sponsors sporting events in golf (U.S. Open Championship, the Open Championship, and the Ryder Cup), tennis (Wimbledon and the Australian Open), skiing (the Hahnenkamm Races), racing (Rolex 24 at Daytona), and equestrian events.

Rolex also sponsors several sailing races, including the Rolex Sydney, Rolex Fastnet Race, and Maxi Yacht Rolex Cup. The company has partnered with extreme exploration expeditions, including The Deepest Dive and Deepsea Under the Pole. It is a major contributor to establishments such as the Royal Opera House in London and the Teatro alla Scala in Milan to align with a more cultural audience.

Philanthropy. Rolex gives back through three established philanthropic programs:

1. The *Awards for Enterprise* program supports individuals whose work focuses on benefiting their communities and the world. These projects are focused on science and health, applied technology, exploration and discovery, the environment, and cultural heritage.[37]
2. The *Young Laureates Programme* is part of the Awards for Enterprise program, providing support for outstanding innovators between the ages of 18 and 30.[38]
3. The *Rolex Mentor and Protégé Arts Initiative* seeks out extraordinarily gifted young artists around the world and pairs them with established masters. Young artists have been paired with accomplished filmmakers, dancers, artists, composers, and actors.[39]

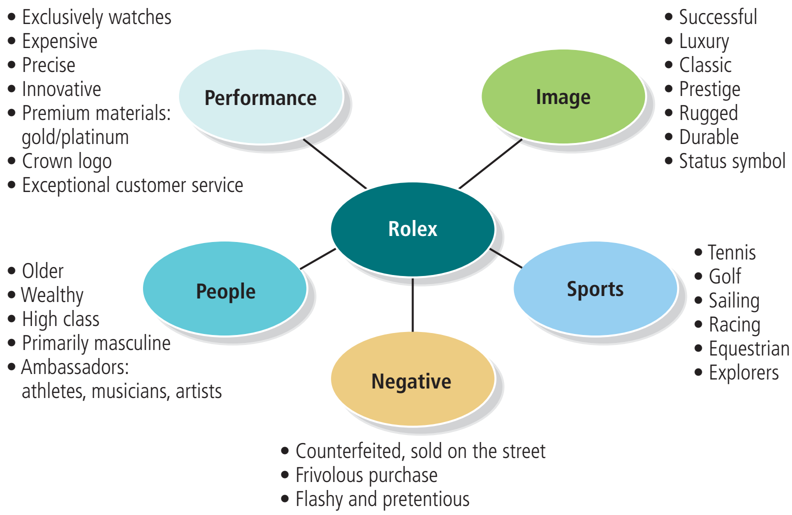


FIGURE 8-9
Rolex Mental Map

BRAND EXPLORATORY

Consumer Knowledge

Rolex has successfully leveraged its history and tradition of excellence along with innovation to become the most powerful and recognized watchmaker in the world. Some positive consumer brand associations for Rolex might be "sophisticated," "prestigious," "exclusive," "powerful," "elegant," "high quality." Some negative brand associations that some consumers may link to the brand, however, could include "flashy" or "snobby." Figure 8-9 displays a hypothetical Rolex mental map.

In one report by the Luxury Institute research group in New York, consumers had positive attitudes in terms of purchase intent toward Rolex. Wealthy people said they were more likely to buy a Rolex than any other brand for their next watch. The Rolex brand was far more recognizable (84 percent knew it) than Bulgari (39 percent) and even Cartier (63 percent), although several rivals outranked Rolex for perceived quality and exclusivity.[40]

A 2008 Mintel survey on the watch industry revealed that "women are still likely to view watches as an accessory, with many buyers choosing their watch based on looks alone. However, at the top end of the luxury market there is a growing number of women who are interested in mechanical watches. The study also found that women are increasingly choosing androgynous or unisex watches."[41]

Many older, affluent people place a high value on owning a Rolex, whether new or collectible. In 2011, a Rolex sold for $1 million for the first time. The watch—an oversized stainless-steel split-second chronograph wristwatch manufactured in 1942—was purchased at Christie's Geneva auction for $1,163,340, an all-time high price paid for any Rolex.[42]

While the brand and product line seem to resonant well with older, wealthy individuals, Rolex struggles somewhat to connect with younger consumers. In a NPD Group poll, 36 percent of people under the age of 25 didn't wear a watch.[43] Another study by Piper Jaffray revealed that 59 percent of teenagers said they never wear a watch and 82 percent said they didn't plan to buy one in the next six months.

Brand Resonance Pyramid

The Rolex brand resonance model pyramid (see Chapter 3) is equally strong on the left-hand and right-hand sides. There is great synergy between the two sides of the pyramid; the functional and emotional benefits Rolex strives to deliver are in harmony with consumers' imagery and feelings about the brand. The pyramid is also strong from bottom to top, enjoying the highest brand awareness of any luxury brand as well as high repeat purchase rates and high customer loyalty. Rolex has successfully focused on both the superior product attributes and the imagery associated with owning and wearing a Rolex. Figure 8-10 highlights some key aspects of the Rolex brand resonance pyramid.

Competitive Analysis

Rolex has many competitors in the $26.5 billion watch industry; however, only a few brands compete in the very high-end market.[44] Through its pricing and distribution strategies, Rolex has positioned itself as a high-end luxury watch brand. On the lower end of the spectrum it competes with companies such as TAG Heuer and OMEGA, and on the high end with brands such as Patek Philippe, maker of the world's most expensive wristwatch.

TAG Heuer. A leader in the luxury watch industry, the Swiss firm TAG Heuer distinguishes itself by focusing on extreme chronograph precision in its watches, and on sports and autoracing sponsorship in its advertising. Founded by Edouard Heuer in 1876, TAG Heuer has been a mainstay in the luxury watch business. In 1887, the firm created the first oscillating pinion, a technology that significantly improved the chronograph industry and is still used in many of its watches today. In 1895, it developed and patented the first water-resistant case for pocket watches. TAG Heuer expanded into the United States in 1910, introduced a chronograph wristwatch in 1914, and has continued to focus on chronograph innovation ever since.

TAG's image and positioning is inextricably connected to chronograph precision. Its timepieces were the official stopwatches of the Olympic Games in 1920, 1924, and 1928. The firm was a Ferrari team sponsor of Formula 1 from 1971 to 1979 and was part of the TAG-McLaren racing team from 1985 to 2002. It was also the official timekeeper of the F-1 race series for much of the 1990s and early 2000s.[45] TAG Heuer has sponsored numerous Americas Cup teams and other yacht racing teams over the years.

TAG Heuer uses officially licensed retailers to sell its watches both in stores and online. These licensed retailers range from exclusive jewelers to department stores such as Nordstrom and Macy's. The watchmaker generates brand awareness through

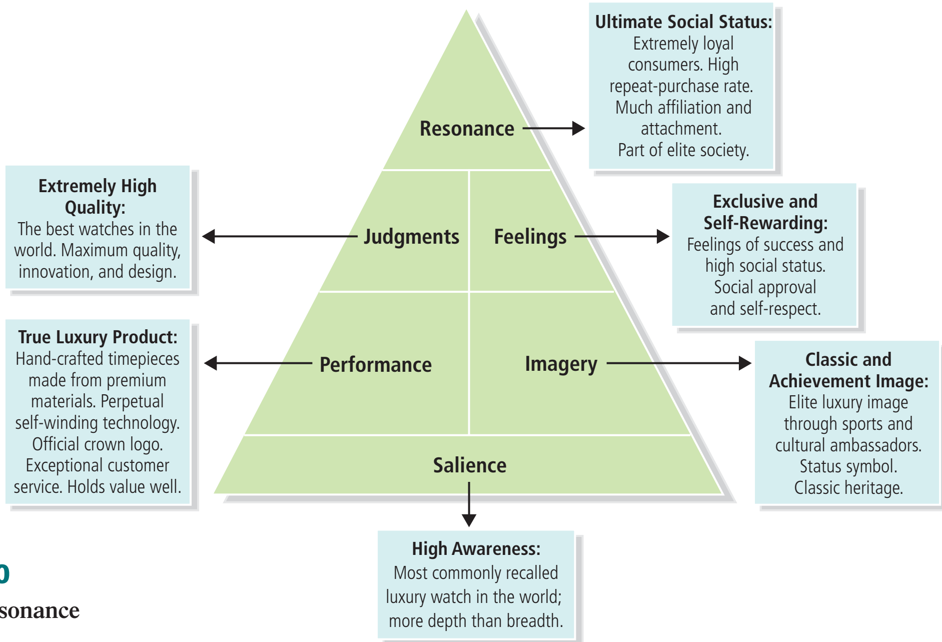


FIGURE 8-10
Rolex Brand Resonance Pyramid

brand ambassadors and sponsoring sporting events and advertises extensively in magazines. In 1999, TAG Heuer was purchased by luxury goods conglomerate LVHM.

OMEGA. Founded in 1848 by Louis Brandt, OMEGA has long prided itself on the precision of its watches and timing devices. It built what was Amelia Earhart's watch of choice during one of her transatlantic flights and has been involved in aviation and athletic timing ever since. OMEGA was the time equipment selected for the 1936 Winter Olympics, which saw the first use of synchronized chronographs. By 1937, the company had launched its first waterproof wristwatch, and in 1967 it invented the first underwater touchpad timing equipment, which was used in Olympic swimming competitions. OMEGA watches accompanied the expedition to locate the exact position of the North Pole, and boarded the Apollo 11 mission to become the first and only watch ever to land on the moon. OMEGA is now owned by watch conglomerate, Swatch Group.

Like Rolex and TAG Heuer, OMEGA employs ambassadors to generate brand awareness, including athletes Michael Phelps, Alexander Popov, Ernie Els, and race car driver Michael Schumacher as well as Hollywood stars Nicole Kidman and Cindy Crawford. In 1995, OMEGA became the official watch of the *James Bond* film franchise.

OMEGA watches are offered in both women's and men's styles in four different collections: Constellation, Seamaster, Speedmaster, and De Ville. Prices vary greatly even within individual collections. Watches in the De Ville collection range from $1,650 to over $100,000.

Patek Philippe. In 1839, Antoine Norbert de Patek and François Czapek started a Swiss-based watch company built upon 10 values: independence, innovation, tradition, quality and workmanship, rarity, value, aesthetics, service, emotion, and heritage. After several name changes during its formative years, the company was finally named Patek Philippe. The innovator of many technologies found in today's high-end watch, it represents the absolute pinnacle of luxury timepieces. In particular, the firm prides itself on creating many of the world's most complicated watches through innovations with split-second chronograph and perpetual date technology.

Unlike other leading luxury watchmakers, Patek Philippe does not rely on event sponsorship or brand ambassadors to generate name recognition. However, since 1851, the firm has made watches for royalty throughout Europe. Its watches are only sold through authorized retailers, of which there are 600 worldwide. In 1996, the brand started its "Generations" campaign, building on its values of heritage and tradition and featuring the tag line, "You Never Actually Own a Patek Philippe, You Merely Look After It for the Next Generation."

Patek Philippe evaluates every authorized dealer's storefront to ensure that it meets the watchmaker's quality standards. It also separates itself from other watchmakers on price, with its least expensive noncustomized watch retailing at $11,500 and its most expensive at over $600,000.

STRATEGIC RECOMMENDATIONS

Positioning

Figure 8-11 summarizes some positioning analysis and possible points-of-parity and points-of-difference, as described below.

Brand Mantra:
"Classic Designs, Timeless Status"

Points-of-Parity	Points-of-Difference
• Swiss watchmaker	• Innovative products
• Durable	• Unique appearance Big face; wide wrist band
• Fine materials	• Iconic crown logo
• Quality craftsmanship	• Exclusive, prestigious imagery
• Accurate	• Rich history and heritage
• Attractive	• Enduring premium value

FIGURE 8-11
Possible Rolex Brand Positioning

Points-of-Parity. Rolex is similar to other watchmakers in the high-end luxury watch market on several levels. They all make their watches in Switzerland, which is renowned for superior craftsmanship in watch making, and they all deliver high quality. All pride themselves on their attention to detail and ongoing innovation in the watch industry.

Points-of-Difference. Rolex separates itself from the competition in several ways. One, Rolex watches have a distinct look with their Crown logo, big face, and wide band. Two, Rolex has kept a strategically tight control on its distribution channel and production levels, creating a sense of prestige, importance, and exclusivity in the minds of consumers. Three, it has kept the brand pure, remaining focused only on watches and never licensing its name. Through careful selection of event sponsorships and brand ambassadors, Rolex has cut through the clutter, resonated with consumers around the world, and maintained an air of prestige.

Brand Mantra. Rolex has been extremely successful in building a global name through clever marketing and communications, without compromising the integrity of the brand. It has nurtured the belief that acquiring a Rolex represents a milestone in one's life and has built a well-known brand recognized for its elegance and status throughout the entire world. A brand mantra that captures these ideas might be, "Classic Designs, Timeless Status."

TACTICAL RECOMMENDATIONS

The Rolex brand audit proved that Rolex is a very strong brand with significant brand equity. It also identified a few opportunities and challenges:

Leverage the Company's Independent, Continuous Heritage and Focus

- Rolex is the largest and most successful watch company in the world. As a result, many consumers don't realize it is privately owned and competes against major conglomerates such as TAG Heuer's parent company, LVMH, and OMEGA's parent company, Swatch Group. While being privately owned is a good thing for many reasons, it also brings up several challenges. For example, Rolex has to compete against companies that are 10 times its size. Larger companies have lower labor costs, wider distribution, and significant advertising synergies.
- Rolex may want to leverage and promote the fact that in some ways it has to work harder to succeed. It is doing what it has done for 100 years—making durable, reliable, premium watches on its own. Due to the currently popular anti-Wall Street vibe, this positioning may resonant well with consumers.

Leverage the Company's Elite Craftsmanship and Innovation

- Research from the Luxury Institute group suggested that consumers do not consider Rolex the top brand in quality and exclusivity. History has proved that Rolex watches are in fact leaders in both craftsmanship and innovation and Rolex may want to run a campaign focused more on these aspects.

Connect with the Female Consumer

- Women make up the majority of jewelry and watch purchases. However, as Mintel's 2008 study revealed, women are more and more interested in purchasing unisex mechanical watches rather than feminine-styled watches. This is a great opportunity for Rolex, whose watches are primarily masculine in design. The firm could move away from its decorative, jeweled watches and introduce more powerful, gender-neutral watches. Its 2009 Oyster Perpetual Datejust Rolesor 36 mm is one example—robust, with large utilitarian numbers, and waterproof to a depth of 100 meters.[46] However, its floral dial design and diamond-set bezel possibly give it an unnecessary feminine angle.
- Rolex may want to tweak its female ambassador list to coincide with a more unisex product line. Women who have succeeded in a male-dominated environment such as Condoleezza Rice or Katie Couric could be powerful brand endorsers.

Attack the Online Counterfeit Industry

- Counterfeits damage the company's brand equity and present a huge risk to the brand. The boom in e-commerce has taken counterfeit Rolexes from the street corner to the Internet, where fakes can reach far more consumers. Consequently, the age-old problem of counterfeiting is a bigger threat than ever before. To maintain its limited distribution, Rolex does not authorize any of its watches to be sold on the Internet. In order to combat the online sale of counterfeits, however, Rolex might consider building an exclusive online store, or an exclusive distribution site to which all official e-retailers must link. In fact, Rolex dedicates extensive resources to fight the illegal use of the brand, including sponsoring the International Anti-Counterfeiting Coalition and suing companies that allow the sale of counterfeit Rolexes.

Use Marketing to Reach Younger Consumers

- Research has shown that younger consumers do not value watches the same way older generations did. As a result, Rolex should be researching the questions: How will prestige be defined in the twenty-first century? Who or what symbolizes prestige, ruggedness, precision? Will the same formula work for the millennial generation as they age and move into the Rolex target market?

Communicate Long-Term Value

- Rolex competes for a share of the luxury buyer's wallet with a host of other types of goods, such as clothes, shoes, and handbags. Many are less durable over time than a Rolex watch and are susceptible to falling out of fashion. Rolex should leverage its superior value retention—both in its resale value and in its "heirloom" quality—in order to better compete for luxury spending with brands outside its category.
- Swiss luxury watch competitor Patek Philippe used print advertising to communicate the heirloom quality of its watches. Rolex could pursue a similar approach, perhaps using its more visible ambassadors, to communicate its own heirloom quality.

Notes

1. Frederick E. Webster, Jr., Alan J. Malter, and Shankar Ganesan, "Can Marketing Regain Its Seat at the Table?" *Marketing Science Institute Report* No. 03–113, Cambridge, MA, 2003. See also Frederick E. Webster Jr., Alan J. Malter, and Shankar Ganesan, "The Decline and Dispersion of Marketing Competence," *MIT Sloan Management Review* 46, no. 4 (Summer 2005): 35–43.
2. Patrick LaPointe, *Marketing by the Dashboard Light—How to Get More Insight, Foresight, and Accountability from Your Marketing Investment* (New York: Association of National Advertisers, 2005).
3. Clyde P. Stickney, Roman L. Weil, Katherine Schipper, and Jennifer Francis, *Financial Accounting: An Introduction to Concepts, Methods, and Uses* (Mason, OH: Southwestern Cengage Learning, 2010).
4. Phillip Kotler, William Gregor, and William Rogers, "The Marketing Audit Comes of Age," *Sloan Management Review* 18, no. 2 (Winter 1977): 25–43.
5. Laurel Wentz, "Brand Audits Reshaping Images," *Ad Age International* (September 1996): 38–41.
6. Grand Ogilvy Winner, "Pizza Turnaround: Speed Kills. Good Taste Counts," *Journal of Advertising Research* (September 2011): 463–466; Seth Stevenson, "Like Cardboard," *Slate*, 11 January 2010; Ashley M. Heher, "Domino's Comes Clean With New Pizza Ads," *Associated Press*, 11 January 2010; Bob Garfield, "Domino's Does Itself a Disservice by Coming Clean About Its Pizza," *Advertising Age*, 11 January 2010; www.pizzaturnaround.com.
7. Private correspondence with Chris Grams and John Adams from Red Hat.
8. Sidney J. Levy, "Dreams, Fairy Tales, Animals, and Cars," *Psychology and Marketing* 2 (Summer 1985): 67–81.
9. Deborah Roeddder John, Barbara Loken, Kyeongheui Kim, and Alokparna Basu Monga, "Brand Concept Maps: A Methodology for Identifying Brand Association Networks," *Journal of Marketing Research* 43 (November 2006): 549–563.
10. John Roberts, professor of marketing, Australian National University, personal correspondence, 23 June 2011.
11. Nigel Hollis, executive vice president and chief global analyst at Millward Brown, personal correspondence, 6 October 2011.
12. Na Woon Bong, Roger Marshall, and Kevin Lane Keller, "Measuring Brand Power: Validating a Model for Optimizing Brand Equity," *Journal of Product and Brand Management* 8, no. 3 (1999): 170–184.
13. http://download.skype.com/share/brand/SkypeBrandBook.zip.
14. Joel Rubinson, "Brand Strength Means More Than Market Share," paper presented at the ARF Fourth Annual Advertising and Promotion Workshop, New York, 1992.
15. Tim Ambler, *Marketing and the Bottom Line*, 2nd ed. (London: FT Prentice Hall, 2004).
16. Michael Krauss, "Marketing Dashboards Drive Better Decisions," *Marketing News*, 1 October 2005.
17. Kunur Patel, "Data Moves From Research to Consumer Lure," *Advertising Age*, 6 June 2011, 4.
18. Pat LaPointe, "Dashboards—Huge Value or Big Expense," www.marketingNPV.com, 10 August 2010; see also, Koen Pauwels, Tim Ambler, Bruce Clark, Pat LaPointe, David Reibstein, Bernd Skiera, Berend Wierenga, Thorsten Wiesel, *Dashboards & Marketing: Why, What, How and What Research Is Needed?*, Report no. 08-203, Marketing Science Institute Electronic Working Paper series, 2008.
19. Amy Miller and Jennifer Cloffi, "Measuring Marketing Effectiveness and Value: The Unisys Marketing Dashboard," *Journal of Advertising Research* 44 (September 2004): 237–243; "Unisys Overcomes 6 Common Dashboard Mistakes," www.marketingnpv.com, 4 October 2004.
20. Gail McGovern and John Quelch, "Sarbox Still Putting the Squeeze on Marketing," *Advertising Age*, 19 September 2005, 28.
21. Tim Ambler and Bruce Clark, "What Will Matter Most to Marketers Three Years from Now?" paper presented at Marketing Science Institute Conference, *Does Marketing Measure Up? Performance Metrics: Practices and Impacts*, 21–22 June 2004, London, United Kingdom. See also Bruce H. Clark and Tim Ambler, "Marketing Performance Measurement: Evolution of Research and Practice," *International Journal of Business Performance Management* 3, nos. 2/3/4 (2001): 231–244; and Bruce H. Clark, Andrew Abela, and Tim Ambler, "Organizational Motivation, Opportunity and Ability to Measure Marketing Performance," *Journal of Strategic Marketing* 13 (December 2005): 241–259.
22. Bruce Clark and Tim Ambler, "Managing the Metrics Portfolio," *Marketing Management* (Fall 2011): 16–21.
23. Scott Bedbury, *A New Brand World* (New York: Viking Press, 2002).
24. Bedbury, *A New Brand World.*
25. Betsy Spethman, "Companies Post Equity Gatekeepers," *Brandweek*, 2 May 1994, 5.
26. "The Death of the Brand Manager," *The Economist*, 9 April 1994, 67–68.
27. www.businessweek.com; www.interbrand.com; "Best Global Brands 2010."
28. David Liebeskind, "What Makes Rolex Tick?" *Stern Business*, Fall/Winter 2004.
29. Peter Passell, "Watches That Time Hasn't Forgotten?" *New York Times*, 24 November 1995.
30. Gene Stone, *The Watch* (New York: ABRAMS, 2006).
31. David Liebeskind, "What Makes Rolex Tick?" *Stern Business*, Fall/ Winter 2004.
32. Ibid.
33. Joe Thomas, "Rolex Leads U.S. Watch Advertiser Pack." *Watch Time Magazine*, 12 July 2009.
34. www.rolex.com, accessed 15 November 2011.
35. Suzanne Vranica and Sam Walker, "Some Find Tiger's Move Untimely—Golfer Switches Watches to TAG

Heuer From Rolex; Brand Experts Disapprove," *Wall Street Journal*, 7 October 2002.

36. "Tiger Woods Signs Endorsement Deal with Tiger," *Watch Time Magazine*, October 2011.

37. www.rolex.com, accessed November 15, 2011.

38. Ibid.

39. Ibid.

40. Christina Binkley, "Fashion Journal: Celebrity Watch: Are You a Brad or a James?" *Wall Street Journal*, 11 January 2007.

41. Jemima Sissons, "Haute Couture Takes On Horlogerie: Fashion's Big Guns Continue to Impress in the Battle for Women's Wrists," *Wall Street Journal*, 19 March 2010.

42. "Christie's Achieves World Record Price for Any Rolex Sold at Auction," *Watch Time Magazine*, 27 May 2011.

43. Hurt Harry, "The 12-Watches-a-Year Solution," *New York Times*, 1 July 2006.

44. Women's Wear Daily, July 2005; www.fashionproducts.com; Federation of Swiss Watch Industry, 2010.

45. http://www.f1scarlet.com/historyoftag_f1.html.

46. Sissons, "Haute Couture Takes on Horlogerie."