Brand Equity by Market Perceptions

Ricky Boyer
Duygu Phillips
Overview

• Predicted Monetary Brand Value from Marketing Research
  • Brand Finance Statistics

• Created new clustering for the data based on the brand values
• Looked at the perceived risk of brands based on the new clusters
Predicting Brand Values

Interbrand

Brand strength index (BSI)

Brand equity

Brand performance

Brand strength expressed as a BSI score out of 100.

Brand ‘Royalty rate’

Strong brand

Weak brand

Royalty rate applied to forecast revenues to derive brand values.

Brand revenues

Forecast revenues

Post-tax brand revenues are discounted to a net present value (NPV) which equals the brand value.

Brand value

Brand = Brand investment x Brand equity x Brand performance
Perceived Risk and Its Influencers

- Reliable
- Competent
- Successful
- Visible
- Intelligent
- Contemporary
- Exciting
- Hard-working
- Young
- Up-to-date
- Independent
How to Control Perceived Risk?

• Keep Risk Perception Low:

- Build a Reliable Brand Image
- Demonstrate Competence
- Tell Success Stories
- Be Visible & Available

Advertising, Online Channels, Social Media
Predicting Brand Value

- Bootstrap Forest
  - All Brand Associations and Attributes
  - Age, Newness to Category, and Satisfaction
Clustering: Premium vs Brand Attributes

Original Study
- Premium
- Middle
- Value

New Clustering
- 4 Clusters:
<table>
<thead>
<tr>
<th>Cluster</th>
<th>Middle</th>
<th>Premium</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>130</td>
<td>78</td>
<td>77</td>
</tr>
<tr>
<td>2</td>
<td>125</td>
<td>45</td>
<td>68</td>
</tr>
<tr>
<td>3</td>
<td>86</td>
<td>47</td>
<td>26</td>
</tr>
<tr>
<td>4</td>
<td>11</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>
Clustering by Brand Value

<table>
<thead>
<tr>
<th>Clusters</th>
<th>Premium</th>
<th>Predicted Brand Value 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster</td>
<td>Middle</td>
<td>Premium</td>
</tr>
<tr>
<td>1</td>
<td>130</td>
<td>78</td>
</tr>
<tr>
<td>2</td>
<td>125</td>
<td>45</td>
</tr>
<tr>
<td>3</td>
<td>86</td>
<td>47</td>
</tr>
<tr>
<td>4</td>
<td>11</td>
<td>3</td>
</tr>
</tbody>
</table>
Clustering by Brand Value

Highest Brand Value in Cluster 4

<table>
<thead>
<tr>
<th>Clusters</th>
<th>Brand Value 2010</th>
<th>Predicted Brand Value 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster 1</td>
<td>8407</td>
<td>8197</td>
</tr>
<tr>
<td>Cluster 2</td>
<td>9143</td>
<td>8064</td>
</tr>
<tr>
<td>Cluster 3</td>
<td>8343</td>
<td>7437</td>
</tr>
<tr>
<td>Cluster 4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Is Brand Value related to Perceived Risk?

- Operates on a bell curve.
- High equity brands have low risk.
- Low equity brands can also have low risk.

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Predicted Perceived Risk</th>
<th>Predicted Brand Value 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster</td>
<td>Mean</td>
<td>Min</td>
</tr>
<tr>
<td>1</td>
<td>1.83</td>
<td>1.06</td>
</tr>
<tr>
<td>2</td>
<td>1.75</td>
<td>1.17</td>
</tr>
<tr>
<td>3</td>
<td>1.79</td>
<td>1.05</td>
</tr>
<tr>
<td>4</td>
<td>1.76</td>
<td>1.47</td>
</tr>
</tbody>
</table>
Brand Value and Perceived Risk Levels

• Is there a high correlation between Brand Value and Perceived Risk? Is a high value brand considered as low risk?
  ➢ Not necessarily...

Cluster 2 – Lowest Brand Value | Perceived Risk
---|---
T·J·maxx | 1.57
Dial | 1.38
St. Ives | 1.68

Cluster 4 – Highest Brand Value | Perceived Risk
---|---
KIA | 2.09
T·Mobile | 2.05
HYUNDAI | 1.94
Ricky Boyer
rmboyer@okstate.edu
214-769-0788
https://www.linkedin.com/in/rickyboyer

Duygu Phillips
duygup@okstate.edu
405-338-5375
https://www.linkedin.com/in/duyguphillips