

ROI ● *A matter of perception*

Brand metrics strengthen business health

By JUDY HOPELAIN

What's not measured is not managed" is a well-understood catchphrase, especially since the long-term health and stability of an organization are closely measured across multiple dimensions, from productivity to ROI to cash flow.

Its applicability to brand is less understood, however. Considering that the branding concept is an intangible, no wonder few businesses actively measure their brands' impact. In San Francisco-based Prophet's "2002 Best Practices Study," we found that only 35% of 90 global corporations surveyed, actively monitor their brands. But by doing so, they strengthen both the brand and the business.

"Brand" is defined as a set of expectations and associations evoked from experience with a company or product. It's about how customers think and feel about what the business or product actually delivers. If the experiences are positive, the likely result is a positive perception of the brand, increased likelihood of repeat purchase and positive word of mouth, and measurable bottom-line contributions in terms of increased market share and profitability.

Getting at such overall business benefits requires brand managers to understand key business performance goals and identify those that can be influenced by the brand. Once those brand performance metrics are identified, they can be broken down into their component parts to identify the underlying drivers of customer perceptions that most influence customer behavior. We call these brand perception metrics. In short, the underlying thinking of the brand metrics development process is that brand perceptions influence brand performance, and brand performance drives business

results.

Take, for example, an organization with double-digit revenue growth as a business goal. Retaining loyal customers and increasing the customer's share of category purchases allocated to the company's brand are key factors in reaching the goal. These, then, are the key brand performance metrics. Going a step further, ensuring consistent delivery against the brand promise and an active customer preference for the brand over a competitor are crucial factors in customer retention—as such, brand delivery and preference would be two key perception metrics to track.

Perception metrics may help diagnose what drives trends in the business' performance. For example, suppose preference and brand delivery were monitored quarterly and these metrics were gradually slipping. Let's say management decided it wasn't an issue, and then the company unexpectedly saw drops in market share or financial performance. This result could have been anticipated by using perception metrics as a leading indicator, and presumably a corrective course of action could have been taken. Even after the fact, management can use the brand perception metrics to identify the underlying issues.

Creating a metrics system that will help manage the health of the brand and the business requires understanding the interplay between the different types of metrics and the "rules" for implementation, and selecting strategic metrics that ensure the business and brand goals are aligned and appropriate metrics are put in place to assess those goals.

As noted, brand metrics fall into two categories. Performance metrics help assess how brand-building activities have combined to drive overall business results. These metrics range from price premium to loyalty to lifetime

value of a customer. Perception metrics monitor the more intangible aspects of a brand such as relevance, awareness and preference, and help gauge the effectiveness of various brand-building activities.

Deciding which particular combination of metrics to use means weighing them against some basic, underlying rules. The metrics should be:

◆ **Simple to use**—The more complex the metric, the more time spent on measuring the brand than managing it.

◆ **Meaningful**—There must be a direct link to brand-building efforts as well as business results.

◆ **Actionable**—An apparent business decision should be associated with the metric, with the focus on "need-to-have," not "nice-to have," metrics.

◆ **Repeatable**—Marketers must be able to consistently apply a metric to deliver valuable information.

◆ **Time-bound**—Results should be compared, benchmarked and evaluated against other brands within the portfolio and the competition at regular intervals.

But the backdrop to it all is the decision-making process against which the metrics are developed. First, make sure all the decision-makers are clear about the goals that are generally in the volume, revenue and profit growth area. Referring back to our earlier example, one specific business goal might be to achieve double-digit increases in sales volume at a higher margin, and improve profits.

Once the business goals are set, marketers should identify the indicators of whether the business goals are being met. For example, retaining loyal customers and giving those cus-

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tomers reasons to increase the share of category purchases they commit to the brand will help boost margins and revenues.

The next step is to identify which brand performance metrics will best help the business monitor progress against business goals. While market share and profit margin would be the end-result measurements, a company would also monitor customer retention and share of wallet to help gauge progress.

However, the most crucial aspect of the selection process is identifying which perception metrics would best monitor the effectiveness of branding activities. The more successful those activities, the better they help the business meet its overall goals.

Take the goal of creating loyal customers: If customers perceive that a brand's product or

service is not a must-have, then the marketer's job is to develop branding activities that ensure the brand experience provides value and a reason to choose this brand over others. Such perception metrics as perceived value, brand satisfaction and, ultimately, brand preference would monitor changing perceptions and brand performance.

This selection process provides the strategic overview under which the brand metrics can be developed and put to good use. Various ways exist to develop meaningful and quantifiable measures, involving custom surveys, syndicated data or financial performance. For the sake of expediency and affordability, a blend of approaches is best, particularly given the frequency with which a business needs to measure for meaningful results.

To develop effective brand metrics, marketers must clearly understand the link between brand and business strategy. Well-designed metrics can help diagnose the brand's health and show how it can be better managed. They can also provide the rationalization for more effective brand and business resource allocation. In the final equation, however, a more measured approach to gauging the brand's performance will greatly leverage its power, with the overall business reaping the benefits. ■

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