MEASURING BRAND HEALTH IN THE DIGITAL AGE

The End of Lagging Indicators

By Peter Murane
President, Brand VO2

Reading Time – 3 Minutes

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The End of Lagging Indicators

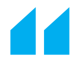
Brand Equity Tracking – An Old Model

To protect the value of brand franchises most companies implement some form of quantitative brand equity tracking survey. These are designed to assess overall brand health and benchmark a brand versus its competition over time.

For example, many years ago when I was working in brand management for a Fortune 100 consumer products company, I remember gathering in a conference room one rainy February morning to listen to our brand equity research vendor report the results for the prior year's brand equity tracking survey.

The room was packed with many of the Company's senior leaders because, at the time, the laundry care brand I was working on was the cash cow of the company. Everyone's stock option plan was riding on the performance of the golden goose.

As our research vendor presented their findings and page after page of brand attribute scores the tension in the room was palpable. My manager was particularly nervous because his job performance would be equated with the brand's performance.



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Most of the brand attribute scores being presented by the vendor were the same versus prior years. For example, consumers rated the brand a 4.2 out of 5.0 on the attribute of quality – the same score as last year. But there were a couple of brand attribute dimensions that were slightly declining. The vendor said the declines weren't statistically significant but everyone left the room feeling a bit uneasy. Shortly thereafter my manager was moved to a different assignment in the company.

Similar low-level dramas play out in company conference rooms around the world as marketers keep an eye on the brands they govern.

However, the concept of annual brand equity tracking via survey methodologies is beginning to be debated. Some marketers and researchers are challenging this conventional approach because of poor actionability and high cost.

Leading Indicators Versus Lagging Indicators

Survey-based brand equity trackers produce lagging indicators of brand health because they report the past -- the past year, the past quarter, etc. This may have been ok when broadcast media reigned supreme and much of the marketer's focus was the development of next year's TV ad campaign.

But lagging indicators of brand and business health are becoming irrelevant given the rise of real-time marketing and the shifting media landscape from broadcast media to digital formats.

As more and more of the marketer's wallet flows to digital and marketing platforms like social media the people who run brands can ill afford to rely on lagging indicators to assess the health of their franchises and effectiveness of their marketing investments.

They must migrate to leading indicators of brand health from a new generation of insight companies like Brand VO2 that mine insights about brand and competitor health from on-line conversations in real-time.

The reason the tide is turning on traditional brand equity tracking is simple. Brands now live in a dynamic digital footprint

where customer and consumer opinion can change over-night and new forms of competition can materialize out of the blue. The idea that a company can assess brand health once a year, measure the same attributes year-after-year, and look at the same competitive set year-after year is outdated given the pace of marketplace change, migration to e-commerce in many industries and rising influence of social media.

The High Cost of Blind Spots

Let's go back to the laundry care brand example. That brand franchise has been under business pressure for decades as it faces challenges on several fronts including:

- New forms of competition including laundry boosters like Oxi-Clean
- More consumers concerned about the environmental profile of laundry chemicals
- Younger generations less engaged in laundry care
- New kinds of high efficiency washing machines that require fewer chemicals

Ironically, while the laundry category has evolved over the decades, the brand equity attributes of major brands haven't moved that much. Therein lies a fundamental problem with survey-based equity tracking – it often does not reflect the pace of marketplace change. And when an attribute score like "cleaning" shows a decline from one year to the next -- say 4.0 to 3.8 on a 5 point scale -- exactly what should a marketing team do in response? The actionability is fuzzy because the insights are fuzzy.

Another illustration may be helpful. This year, Greek-style yogurt which has more milk solids and protein compared to traditional yogurt will grow to represent 50% of the entire $7.6 billion yogurt category. The leader of the Greek-style segment is Chobani, which released its first product in 2007 and succeeded by mixing fruit and other goodies like dark chocolate in its innovative products.

While survey-based brand equity trackers may still have a role in measuring the longitudinal health of brands, the demand for leading indicators that report data in real-time and do a better job of detecting marketplace change will grow.

It's simply amazing that Chobani rocketed to more than a billion dollars in revenue in six years and even more amazing that market leaders like Dannon sat on the sidelines doing nothing in response. With billions of dollars at stake, one has to ask why.

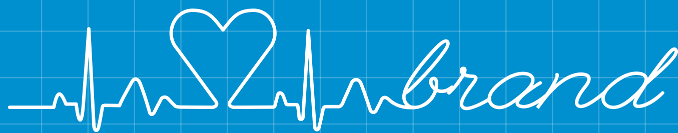
A plausible answer is that Dannon and others simply didn't understand the shifts occurring in its category – the consumer's growing appetite for more protein and more exotic flavors. This can be a common problem for market leaders – being blind-sided by new forms of competition that either aren't measured or aren't taken seriously.

At least part of the culpability here is an over-reliance on equity tracking and measures of brand attributes that don't move very much year-to-year even when a competitive landscape is radically changing.

Since Dannon launched it's Greek-style offering, Oikos, in 2011, it has made steady progress re-capturing market share lost to Chobani. But Dannon is spending a lot of money playing catch-up and surely the company wishes it hadn't waited four years to battle Chobani when it was a smaller competitor.

Measuring Brand Health In the Digital Age

Many C-level executives inside large companies and, frankly, a lot of marketers and researchers are unsure how to measure business health in the digital age. Social media measures like Twitter followers and Facebook likes may have some merit, but these measures are often disconnected from considerations like ROI and not taken seriously when compared to business measures like market share and sales.



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We believe the most actionable insights will come from data-mining the millions of on-line conversations occurring every day in social media and e-commerce. These are engaged consumers

and customers who, unlike survey respondents, are not being paid to give their opinions about a brand or express their love or dissatisfaction. People taking the time to tweet or blog or write a review do so because they are engaged.

With the right software and insight systems to make sense of on-line conversations, marketers can measure brand health in real-time, identify risks presented by new forms of competitors and detect emerging dimensions of consumer importance that can be hidden in the long-tail of big data. This is the future of brand equity research.

Peter Murane
President

Direct - 303.454.3256
Email - peter@brandjuice.com

Learn more at www.brandvo2.com