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BBA | Semester 6 | UK6DSEMGT307

Brand Management

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Module 2: Brand Strategy and Brand Equity Models

Strategic Brand Process, Brand Equity Sources, Keller CBBE, Aaker Model, Brand Valuation, and Architecture

Chapter 1: The Strategic Brand Management Process

1.1 The Paradigm of Strategic Brand Management

Brand management is not an isolated tactical advertising function confined to periodic creative campaigns; it is a comprehensive, senior-executive discipline that aligns organizational strategy, operational delivery, and customer experience over the long-term horizon. Formalized by Kevin Lane Keller, the **Strategic Brand Management Process** involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity. The process is characterized by an iterative, four-stage feedback loop that ensures the brand remains competitively vital and financially lucrative throughout changing market cycles.

1.2 The Four Core Steps in the Strategic Brand Management Process

Management must execute the strategic brand process through four sequential phases:

Strategic Step	Key Focus Areas	Operational Deliverables & Tools
Step 1: Identifying and Developing Brand Plans	Laying the strategic conceptual foundation; understanding what the brand represents and how it should be positioned relative to rivals.	Mental Maps, Competitive Frame of Reference, Points-of-Parity (POPs), Points-of-Difference (PODs), Core Brand Mantras.
Step 2: Designing and Implementing Brand Marketing Programs	Translating positioning into tangible marketing activities; choosing brand identity elements and integrating marketing mix.	Brand Elements (Names, URLs, Logos, Slogans, Characters), Product Quality, Pricing Strategies, Omnichannel Distribution, Integrated Marketing Communications (IMC).
Step 3: Measuring and Interpreting Brand Performance	Establishing systematic audit systems to track the health and financial performance of brand assets.	Brand Audits, Brand Tracking Studies, Brand Equity Dashboards, Brand Equity Charters.
Step 4: Growing and Sustaining Brand Equity	Managing the brand across multiple product categories, customer segments, and international geographic boundaries.	Brand Architecture Strategy, Brand Portfolio Rationalization, Line/Category Extensions, Brand Reinforcement and Revitalization.

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1.3 The Concept of the Brand Mantra

A critical deliverable in Step 1 of the strategic brand process is the formulation of a **Brand Mantra** (also termed the brand essence or core brand promise). A brand mantra is an internal, short three-to-five-word phrase that captures the irrefutable essence and spirit of the brand positioning. Unlike an external advertising slogan (which is targeted at consumers and changes periodically), a brand mantra is crafted for internal employees and agency partners to act as a definitive compass for organizational decision-making.

- **Nike:** *"Authentic Athletic Performance"* (Ensures that any product bearing the Swoosh enhances athletic capability; prohibits casual lifestyle drift).
- **Disney:** *"Fun Family Entertainment"* (Guides every film, theme park attraction, and merchandise licensing agreement).
- **BMW:** *"Ultimate Driving Machine"* (Ensures every chassis, engine, and interior ergonomic detail prioritizes driver engagement and performance).

Chapter 2: Brand Equity: Concept, Multi-Dimensional Nature, and Sources

2.1 Defining Brand Equity

The term **Brand Equity** emerged in the 1980s as financial analysts and marketing academics realized that traditional accounting metrics—focused strictly on tangible physical plant and equipment—failed to explain the massive valuation premiums observed in corporate takeovers. When Philip Morris acquired Kraft in 1988 for $12.9 Billion (four times its tangible book value), the vast majority of the purchase price represented the intangible commercial goodwill and cognitive power of Kraft's portfolio of food brands.

Fundamentally, brand equity represents the **added value endowed to products and services by virtue of the brand name**. It can be viewed through two interrelated perspectives:

- **Customer-Based Brand Equity (CBBE):** The differential effect that brand knowledge has on consumer response to the marketing of that brand. A brand possesses positive customer-based brand equity when consumers react more favorably to a product, its advertising, or pricing when the brand is identified than when the identical product is unbranded or branded generically.
- **Financial Brand Equity:** The incremental cash flows, price premiums, and discounted future economic earnings generated by the branded enterprise over and above an unbranded equivalent commodity operation.

2.2 The Underlying Sources of Brand Equity

Brand equity does not materialize spontaneously; it is generated through the accumulation of **Brand Knowledge** in consumer memory. Under cognitive associative network models, brand knowledge consists of two primary pillars:

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Knowledge Pillar	Dimensions & Sub-Components	Marketing Role & Strategic Significance
Brand Awareness	**Brand Recognition:** Consumer ability to confirm prior exposure when given the brand as a cue. **Brand Recall:** Consumer ability to retrieve the brand from memory when given the product category or need as a cue.	Establishes the brand in the consumer's *consideration set*; creates perceived familiarity and quality signals; essential prerequisite for building associations.
Brand Image (Associations)	**Strength:** How deeply the association is encoded into long-term memory. **Favorability:** How positively the association is evaluated by the consumer. **Uniqueness:** How distinctly the association belongs to the brand versus competitors.	Provides the fundamental reasons to buy, drives emotional affinity, establishes points-of-difference, and commands price premiums.

Chapter 3: Keller's Customer-Based Brand Equity (CBBE) Model

3.1 The Architectural Logic of the CBBE Pyramid

Developed by Professor Kevin Lane Keller of Dartmouth College, the **Customer-Based Brand Equity (CBBE) Model** (widely known as the *Brand Pyramid*) conceptualizes brand building as an ascending, four-step staircase. To reach the pinnacle of the pyramid—where true brand loyalty and advocacy reside—an enterprise must sequentially answer four fundamental questions posed subconsciously by consumers:

1. *Who are you?* (Brand Identity)
2. *What are you?* (Brand Meaning)
3. *What about you? What do I think or feel about you?* (Brand Response)
4. *What about you and me? What kind of association and how much of a connection would I like to have with you?* (Brand Relationships)

3.2 The Six Brand Building Blocks

The four ascending steps correspond directly to six interrelated brand building blocks, structured across a dual-track cognitive framework (the rational left side and the emotional right side):

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Pyramid Level & Step	Building Block	Cognitive Orientation	Core Conceptual Dimensions
Level 1: Identity	**Brand Salience**	Foundational Awareness	Depth of awareness (likelihood of recall/recognition); Breadth of awareness (range of purchase and consumption situations where brand comes to mind).
Level 2: Meaning	**Brand Performance**	Rational (Left Side)	Primary ingredients and supplementary features; product reliability, durability, and serviceability; service effectiveness, efficiency, and empathy; style and design; price.
Level 2: Meaning	**Brand Imagery**	Emotional (Right Side)	User profiles (demographic and psychographic traits of typical buyers); purchase and usage situations; brand history, heritage, and experiences; brand personality.
Level 3: Response	**Brand Judgments**	Rational (Left Side)	Consumer opinions based on performance: Brand Quality (perceived superiority); Brand Credibility (trustworthiness, expertise, likability); Brand Consideration; Brand Superiority.
Level 3: Response	**Brand Feelings**	Emotional (Right Side)	Emotional reactions evoked by the brand: Warmth, Fun, Excitement, Security, Social Approval, and Self-Respect.
Level 4: Relationships	**Brand Resonance**	The Pinnacle (Ultimate Loyalty)	Behavioral Loyalty (repeat purchase frequency and volume); Attitudinal Attachment (viewing brand as a beloved possession); Sense of Community; Active Engagement (investing time/energy).

3.3 The Strategic Dynamics of Brand Resonance

True brand resonance represents the ultimate summit of marketing achievement. When an enterprise attains high brand resonance (such as Apple with its enthusiast developer community or Royal Enfield with its motorcycle touring brotherhood), consumers become active brand evangelists. These consumers exhibit price insensitivity, actively defend the brand against online criticism, and seek out communal interactions with fellow brand owners, transforming the brand into a cultural movement.

Chapter 4: David Aaker's Brand Equity Model

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4.1 The Five Brand Asset Categories

Pioneered by Professor David A. Aaker of UC Berkeley, the **Aaker Brand Equity Model** conceptualizes brand equity as a set of brand assets and liabilities linked to a brand, its name, and symbol that add to or subtract from the value provided by a product or service. Aaker categorizes these assets into five distinct dimensions:

Asset Dimension	Core Mechanism	Value Created for Firm & Customer
1. Brand Loyalty	The degree of consumer attachment and resistance to switching to competitors.	Reduces marketing costs (retaining existing customers costs 5x less than acquiring new ones); creates trade leverage with retailers; provides substantial time to react to competitor moves.
2. Brand Awareness	The strength of the brand's presence in the consumer's mind (from recognition to top-of-mind).	Serves as an anchor for other associations; creates familiarity and positive feelings; signals organizational substance and longevity.
3. Perceived Quality	The customer's perception of the overall quality or superiority of a product relative to alternatives.	Provides a decisive reason to buy; justifies a price premium; secures premium retail shelf space; enables profitable brand extensions.
4. Brand Associations	Anything in memory linked directly or indirectly to the brand (celebrities, imagery, values).	Helps consumers process and retrieve information; differentiates the brand from competitors; generates positive attitudes and purchase motivations.
5. Other Proprietary Brand Assets	Intellectual property, trademarks, patents, and exclusive distribution relationships.	Prevents competitors from eroding customer loyalty and provides legal defensibility in courts.

4.2 Strategic Differences between Keller and Aaker Models

While both frameworks provide invaluable insights, their analytical orientations diverge:

- **Keller's Model:** Emphasizes the *consumer's psychological journey* (how marketing communications transform brand salience into deep psychological resonance). It is primarily an experiential and communications-building model.
- **Aaker's Model:** Emphasizes the *firm's strategic asset portfolio* (how organizational investments in quality, awareness, and loyalty create tangible business value). It is primarily an asset management and portfolio-valuation model.

Chapter 5: Brand Valuation Techniques and Methodologies

5.1 The Commercial Need for Brand Valuation

Quantifying the precise monetary value of a brand name has become indispensable in contemporary business for several strategic reasons: (1) mergers, acquisitions, and joint ventures where the purchase price must be allocated between tangible assets and identifiable intangibles under IFRS 3; (2) securing debt financing where brand equity serves as collateral; (3) determining arm's length inter-company licensing royalties under transfer pricing rules; and (4) evaluating executive performance and capital budgeting decisions.

5.2 Classical Valuation Approaches

Financial appraisers utilize three primary classical methodologies:

- **Cost-Based Approach:** Evaluates the brand based on historical costs incurred to build it (cumulative advertising, R&D, design, and legal registration) or the replacement cost required to recreate an identical brand from scratch today. *Limitation:* Fails to reflect current earning power; past expenditures do not correlate directly with consumer goodwill.
- **Market-Based Approach:** Values the brand by comparing it with recent market transactions involving the sale or licensing of comparable brands in the same industry. *Limitation:* Truly iconic brands are unique and rarely traded independently on public exchanges, making reliable comparables scarce.
- **Income-Based Approach:** The universally preferred methodology in corporate finance. It calculates the present value of future economic cash flows directly attributable to the brand over its remaining economic life.

5.3 The Relief-from-Royalty Valuation Method

The **Relief-from-Royalty Method** is the most widely accepted income-based technique under International Valuation Standards (IVS 210). It operates on a straightforward economic premise: *"How much would the company have to pay in licensing royalties to an independent third party if it did not own this brand itself?"* The hypothetical royalty payments saved represents the economic value of the brand.

Step-by-Step Computational Procedure:

1. Project total revenues of the branded business over a discrete forecast period (typically 5 to 10 years).
2. Determine an appropriate arm's length royalty rate (e.g., 3% to 6% of gross revenues) by benchmarking comparable third-party licensing agreements.
3. Calculate gross annual royalty savings: Gross Royalty = Forecast Revenue multiplied by Royalty Rate.
4. Deduct income taxes to arrive at the **After-Tax Royalty Savings**.
5. Discount the after-tax savings to present value using the brand's Weighted Average Cost of Capital (WACC), adjusted for brand-specific risk premiums.
6. Calculate the discounted terminal value of royalty savings beyond the discrete forecast horizon.

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5.4 Leading Commercial Valuation Models: Interbrand and BrandZ

Two global consulting frameworks dominate institutional brand rankings:

- **The Interbrand Methodology:** Certified under ISO 10668 (Requirements for Monetary Brand Valuation). It employs three core components:
  - **Financial Analysis:** Forecasts economic value added (EVA) or operating profit minus a capital charge for tangible assets deployed.
  - **Role of Branding Index (RBI):** Measures the percentage of purchase decisions driven by the brand name rather than other factors (price, convenience, features). The RBI ranges from over 80% in luxury goods to less than 20% in industrial commodities.
  - **Brand Strength Score (BSS):** Evaluates the brand across 10 internal and external dimensions (Clarity, Commitment, Governance, Responsiveness, Authenticity, Relevance, Differentiation, Consistency, Presence, Engagement) to establish the brand discount rate.
- **The Millward Brown BrandZ Framework:** Combines institutional financial data (from Bloomberg) with massive worldwide consumer surveys (measuring brand predisposition across three consumer metrics: *Meaningful, Different, and Salient*). It multiplies corporate earnings by the "Brand Contribution" percentage to determine final brand equity value.

Chapter 6: Managing Brand Portfolios and Brand Architecture

6.1 Defining Brand Architecture

As corporations grow through organic expansion, mergers, and acquisitions, they inevitably accumulate multiple brands across diverse categories. **Brand Architecture** refers to the structural organization of an enterprise's portfolio of brands, defining the strategic roles, relationships, and boundaries between the parent corporate entity and its individual product offerings.

6.2 The Brand Architecture Spectrum

Corporate brand architecture exists along a continuous spectrum between two extreme models:

Architecture Model	Structural Mechanism	Key Advantages	Key Vulnerabilities	Corporate Examples
Branded House (Monolithic)	A single master corporate brand is applied across all products and business units. Product lines are described functionally.	Maximum marketing efficiency; massive economies of scale; instant credibility for new products; lower launch costs.	Brand contagion: A product failure, crisis, or scandal in one unit instantly tarnishes the entire enterprise across all categories.	**Virgin** (Virgin Atlantic, Virgin Media, Virgin Active); **FedEx** (FedEx Express, FedEx Ground, FedEx Freight).

Architecture Model	Structural Mechanism	Key Advantages	Key Vulnerabilities	Corporate Examples
House of Brands (Pluralistic)	An array of standalone, independent individual brands, each with its own identity, positioning, and target segment. The corporate parent remains largely invisible.	Precise segment targeting; ability to cover conflicting niches (luxury vs. budget); failure of one brand does not contaminate siblings.	Extremely high marketing expenditures; zero synergy; each brand requires separate advertising budgets and promotional teams.	**Procter & Gamble** (Tide, Pampers, Gillette, Head & Shoulders); **Unilever** (Dove, Axe, Knorr, Magnum, Surf Excel).
Endorsed Brands (Hybrid)	Individual product brands lead the identity, but carry a prominent endorsement badge from the well-known parent corporate entity.	Provides individual brand freedom while providing the reassurance and credibility of the respected corporate guarantor.	Dilution risk if the endorsed brand underperforms; requires dual-brand visual balance.	**Marriott** (Courtyard by Marriott, Fairfield by Marriott); **Nestlé** (KitKat by Nestlé, Maggi by Nestlé).
Sub-Brands (Master-Led)	The master corporate brand combines with a strong individual sub-brand name, sharing equal prominence to modify the core offering.	Extends the master brand into new consumer segments while revitalizing the corporate brand personality.	High management complexity; potential cannibalization across sub-brands.	**Apple** (Apple iPhone, Apple Watch, Apple Mac); **Toyota** (Toyota Prius, Toyota Land Cruiser).

6.3 Strategic Portfolio Roles

Within a balanced corporate portfolio, individual brands perform distinct tactical roles:

- **Flanker or Fighting Brands:** Positioned alongside the flagship brand to ward off aggressive low-cost competitors and protect the premium pricing and gross margin of the core brand (e.g., Qantas operating Jetstar).
- **Cash Cows:** Mature, highly profitable brands requiring minimal marketing support that generate robust cash flows to finance high-growth developmental brands (e.g., Gillette Mach3 financing multi-blade innovations).

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- **Low-End Entry-Level Brands:** Affordable offerings designed to attract first-time customers into the corporate franchise, with the strategic goal of trading them up to premium offerings over time (e.g., BMW 1-Series or Mercedes-Benz A-Class).
- **High-End Prestige Brands:** Premium, flagship offerings designed to confer halo prestige, technological credibility, and aspirational aura across the entire brand family (e.g., Audi R8 sports car).

Chapter 7: Comprehensive Worked Analytical Problems and Case Applications

7.1 Worked Problem 1: Application of Keller's CBBE Pyramid for a FinTech Digital Payments App

A fast-growing Indian FinTech digital wallet and neo-banking platform, **"PaySwift"**, commissions an independent brand equity audit across 5,000 active urban smartphone users to evaluate its positioning relative to market incumbents (PhonePe, Google Pay, and Paytm). Survey responses were aggregated into percentage achievement scores across Keller's six building blocks:

Pyramid Level	Building Block	PaySwift Metric	Incumbent Benchmark	Strategic Forensic Diagnosis
Level 1: Identity	**Salience**	91%	94%	Exceptional depth of awareness; top-of-mind recall is high for UPI peer-to-peer transfers. Breadth in merchant QR payments is rapidly expanding.
Level 2: Meaning	**Performance**	88%	85%	Superior transaction processing speed (99.4% server uptime and sub-second payment clearance). Zero failed payment reversals.
Level 2: Meaning	**Imagery**	72%	78%	Viewed primarily as a functional tech utility. Lacks distinct lifestyle personality or emotional warmth compared to consumer-lifestyle apps.
Level 3: Response	**Judgments**	84%	82%	Very high perceived quality, technical expertise, and security credibility. Scored highest in financial safety and data privacy protection.

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Pyramid Level	Building Block	PaySwift Metric	Incumbent Benchmark	Strategic Forensic Diagnosis
Level 3: Response	**Feelings**	54%	71%	Deficit in emotional arousal. Consumers feel "safe" (security), but report minimal "excitement" or "fun" during usage encounters.
Level 4: Relationships	**Resonance**	31%	49%	Severe drop-off at the pinnacle! High repeat behavioral usage exists, but attitudinal attachment is weak. Users would switch instantly if cashbacks ceased.

Managerial Corrective Action: PaySwift suffers from the classic *"Rational Trap"*—it possesses high performance and credibility, but lacks emotional imagery and communal engagement. To elevate brand resonance from 31% to over 50%, PaySwift must launch gamified community savings challenges, user rewards programs, and emotional storytelling highlighting how small merchants achieve financial independence through the platform.

7.2 Worked Problem 2: Corporate Brand Valuation using the Relief-from-Royalty Method

Apex Consumer Electronics Ltd. is evaluating the monetary brand value of its audio sub-brand **"Acoustix"** for an impending private equity investment. Financial management provides the following audited data and projections:

- **5-Year Revenue Forecast:** Year 1: Rs. 100 Crores; Year 2: Rs. 120 Crores; Year 3: Rs. 145 Crores; Year 4: Rs. 175 Crores; Year 5: Rs. 210 Crores.
- **Benchmark Royalty Rate:** Comparable third-party consumer electronics trademark licensing agreements support an arm's length royalty rate of **4.0% of gross revenues**.
- **Corporate Tax Rate:** 25.168% (under Section 115BAA).
- **Discount Rate (Brand WACC):** 12.0%.
- **Long-Term Terminal Growth Rate:** 5.0% per annum after Year 5.

Step-by-Step Resolution:

1. Computation of Annual After-Tax Royalty Savings:
Gross Royalty = Revenue × 4.0%.
After-Tax Factor = (1 – 0.25168) = 0.74832.
After-Tax Royalty = Gross Royalty × 0.74832.

Year	Forecast Revenue (Rs. Cr)	Gross Royalty at 4% (Rs. Cr)	After-Tax Royalty Savings (Rs. Cr)	PV Factor at 12%	Present Value (Rs. Cr)
1	100.00	4.00	2.993	0.8929	2.672
2	120.00	4.80	3.592	0.7972	2.864
3	145.00	5.80	4.340	0.7118	3.089
4	175.00	7.00	5.238	0.6355	3.329
5	210.00	8.40	6.286	0.5674	3.567
Sum of Discrete Present Values (Years 1 to 5)					**Rs. 15.521 Crores**

2. Computation of Terminal Brand Value:
Year 6 Royalty Cash Flow = Year 5 Cash Flow × (1 + g) = 6.286 × (1 + 0.05) = Rs. 6.600 Crores.
Terminal Value at end of Year 5 = 6.600 ÷ (0.12 – 0.05) = 6.600 ÷ 0.07 = Rs. 94.286 Crores.
Present Value of Terminal Value = Rs. 94.286 × 0.5674 (PV factor Year 5) = **Rs. 53.498 Crores**.

3. Final Brand Valuation Synthesis:
Total Intangible Brand Equity Value = Discrete PV (Rs. 15.521 Cr) + Terminal PV (Rs. 53.498 Cr) = **Rs. 69.019 Crores**.
Management can authoritatively present a standalone brand valuation of **Rs. 69.02 Crores** to prospective investors.

Chapter 8: Managerial Decision Framework for Sustaining Brand Equity

8.1 The Brand Equity Tracking Dashboard

To detect competitive erosion before it impacts gross revenues, enterprises implement continuous brand tracking studies monitoring key performance indicators (KPIs):

- **Unaided vs. Aided Brand Recall:** Percentage of category consumers identifying the brand without prompts.
- **Net Promoter Score (NPS):** Percentage of active brand promoters minus brand detractors across consumer segments.
- **Price Premium Tolerance:** Percentage price increase customers will tolerate before defecting to alternative brands.
- **Brand Health Index (BHI):** Composite metric tracking perception of innovation, trustworthiness, and social responsibility.

8.2 Defending Against Store Brands and Private Labels

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In retail grocery and apparel, private label store brands (e.g., Amazon Basics, Reliance Smart, DMart Premia) threaten manufacturer brand equity by offering comparable functional performance at 20-30% lower prices. To preserve brand equity, national manufacturers must: (1) accelerate continuous product innovation that private labels cannot replicate; (2) bundle products with proprietary digital services and warranties; and (3) intensify emotional storytelling that elevates brand connection beyond functional utility.

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