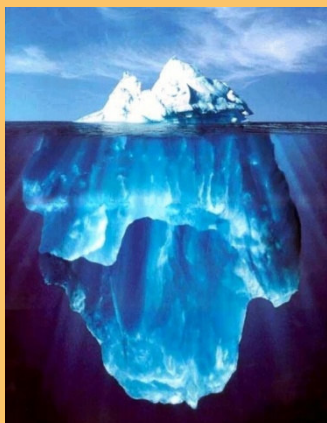




*The function of a trademark consists in identifying and differentiating products. It serves as a guarantee for the customers and facilitates their buying decision process.*



One of the greatest long-term responsibilities of the Marketing Department consists of building brand equity and appropriately manage it over time. That's why, following the company's line of building models that would allow us to define indicators in order to analyze and quantify the influence of marketing actions on company results, in the present study we propose the synthesis of a model showing the impact of such actions on "Brand Equity".

### What do we mean by Brand Equity?

We could define it as a **set of intangible values** to be added to the measurable and tangible benefits of a specific product or service and which create a greater awareness or added value for the product or service: as much as for the company as for the customer or final consumer. That is to say, the results of marketing a product or service exclusively attributable to the brand name and which could not have been obtained if it had been marketed under a different brand name. In short, the higher the value of a brand, the greater price differential of a product.

According to a document prepared by the ANA Marketing Accountability Task Force (work team in charge of preparing a catalogue of indicators to quantify marketing actions) the total shareholder value of a company can be broken down into three main components:

1. The book value
2. The adjusted net present value of this year's profits (Cash-Flow)
3. Brand equity,

This brand equity would result as the difference between those two amounts and the total value of the company, represented by share price multiplied by the total number of shares outstanding.

According to the above-mentioned document, this value may vary depending on the company and industry sector, in the range of 30% to 50%.





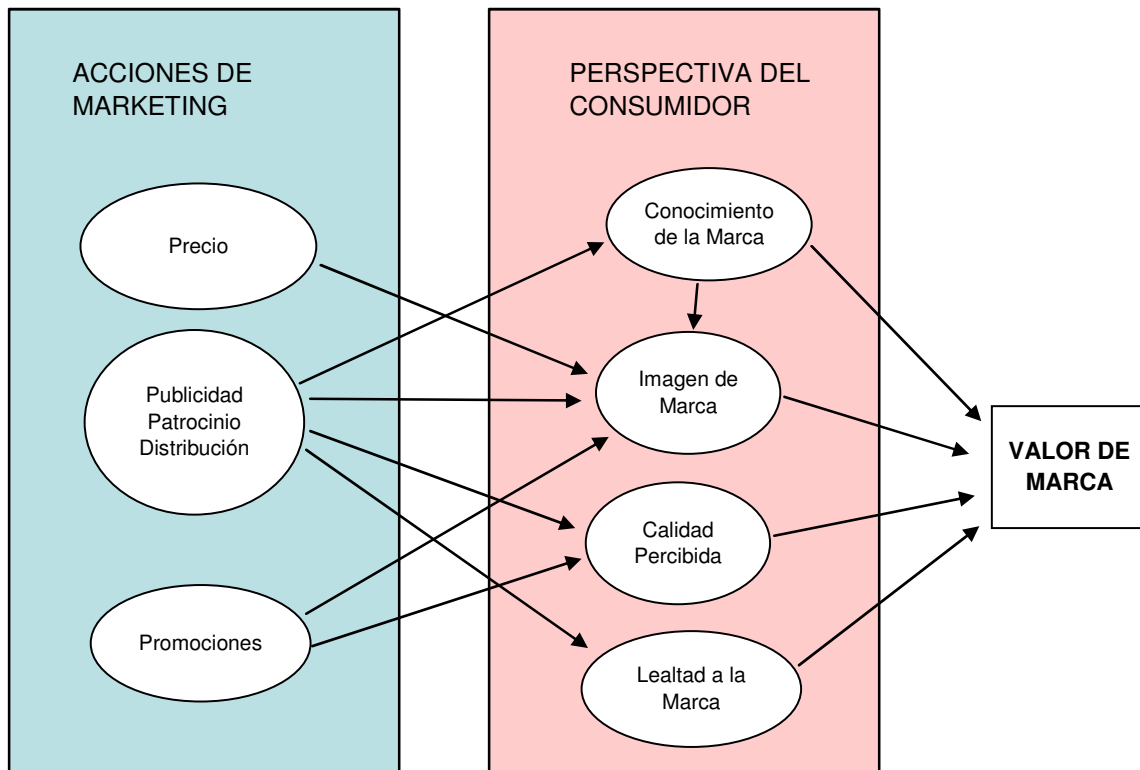
*To know what creates brand value will allow us to evaluate the strength of a brand*

**Brand Equity Structural Model**

**From the Consumer's Perspective**

Even being aware of the fact that carrying out an analysis of brand equity only from one the two perspectives mentioned before, leaves out important aspects of brand equity, we will nevertheless focus our attention on expounding and analyzing the creation of brand value from the Consumers' perspective, since consumers are the ones who determine what for them generates brand value and what it does not. Based on this value, the consumer establishes a preference ranking for a set of brands he considers as options at the purchase decision time. Therefore, we can consider brand equity as an intangible asset which is situated in the mind of consumers.

All the above justifies trying to explore in what way and with what intensity the different components of the marketing mix affect brand value. This is what we will suggest in the following structural model which uses brand equity dimensions as mediator variables, and in which, in order to study the intensity and direction of the variables impact, we have taken as a starting point a study of consumers' attitudes and opinions.



*We have to act on two fronts: Brand building and strategic brand management*

Although analyzed separately, we have grouped together in the model, as a single component, Advertising, Sponsorship and Distribution. We have done so to simplify their representation, since these three components affect all the dimensions of brand equity.

The main conclusions drawn from our studies on the subject are the following:



- Greater **advertising activity** perceived by the consumer (advertising, sponsorships and advertising in the distribution) has a positive impact on all the dimensions that create brand value: it generates a better knowledge of the brand, better brand image, improves quality perception and contributes to brand loyalty and it encourages successive purchases.

- **Price** has a positive impact on brand image and so, a higher price will generate a better brand image.

- A good **distribution** network positively influences all the dimensions which contribute to create brand value; by the same token the image of the shopping centers where the brand is distributed also affects brand image.

- A **variety** of products, as well as constant **innovation** positively influences brand image. As matter of fact, the mere announcement of a new product launch usually causes the share prices of the company to rise.

- On the contrary, **promotions** with frequent price reductions have a negative impact on the perceived quality of the brand as much as on the brand image itself and do not generate loyalty. In this case, the consumer will wait for the promotions to take place in order to buy the brand.



*Having a short-term view and tangible results, as much as another based on the long-term and intangible results*

### **Conclusions**

As we have seen, there are marketing activities which have a negative impact on brand equity creation, that's why mathematical models like the one presented here are important for brand management over time, so as to serve as guidance in helping us create and maintain brand value.

Therefore, if we were to focus exclusively on sales for brand management we could be promoting marketing actions (such as discounts or promotions) that could indeed increase sales in the short-term, but which would deteriorate brand equity in the long-term.

This model will also be useful when it comes to distributing the marketing budget. It will allow us to assign greater resources to those marketing actions of the marketing mix which have a greater impact on the creation of brand equity. In this way, the potential impact of each of the components of the marketing mix should be used as a criterion to guide the allocation of the marketing budget.