

Measuring the Softer Side of Marketing

Quantifying the benefits of softer, more brand-oriented marketing activities is a challenge facing both CMOs and CFOs. Cost-based approaches are meaningless because of the weak relationship between long-term costs and present value. Market-based comparisons are difficult since data is often not available and each brand tends to be unique. There are almost as many marketing approaches as companies/brands.

The following matrix shows four simple, commonly used ways to measure the value of branding activities. Of course, the most widely used approach is to just ignore branding impact measurements entirely. Campaigns continue to be financed and run on the basis of a logical or intuitive rationale. So long as there are CEOs willing to follow a CMO's advice on a "trust me" basis, the persuasion-driven approach will continue to exist. But, they are a dying breed.



Allocate as Overhead

Some companies lump all branding activity costs in with other "marketing overhead" (such as administrative staff, tracking studies, travel, etc.) and then include an overhead allocation in each project ROI based upon the proportion of total marketing budget assigned to that project, the degree to which that project is expected to benefit from the branding campaign, or both. This simple approach is useful when brand spending is a

Royalty Relief

If you had to license your brand from another entity that owned it, how much would you be willing to pay as a royalty? Using the discounted value of future cash flows, this method tries to assess the differential between expected gross margins derived over time from the branded product versus what might be expected from a generic or new category entrant. If the ROI of brand spending relative

smaller fraction of the total marketing budget, or when trended data on brand equity characteristics aren't available.

Brand Equity Indexing

Brand characteristics (e.g., awareness, perceptions, ranking, intentions, elasticity, etc.) are measured via research and tracked over time.

Absolute performance is indexed against a competitive comparison set and the size of the gap is used to determine change in overall brand health/strength. If brand spending is out of synch with indices in either magnitude or direction, what is the money really buying?

to the royalty value is low, you are either underestimating the value of the brand or overspending.

Goodwill

Brand value is assumed to be a contributing component to "goodwill" on the company's balance sheet. In other words, a company's market value beyond that which can be explained by earnings or tangible assets is then divided up with a portion (sometimes the largest portion) owing to the value of the company's brand(s). If brand spending seems out of proportion with the goodwill attributable to the brand, warning lights should flash.

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For a more thorough review of branding measurement activities, we recommend the following sites:

- www.BrandFinance.com — A UK-based consultancy with great depth of research on brand valuation and a uniquely financial orientation.
- www.Interbrand.com — A global brand-building agency whose annual study of Best Brands is widely published by major business periodicals.
- www.LippincottMercer.com — The branding consultancy arm of Mercer Management Consultants has a broad multidimensional approach to measuring brand impact and value.
- www.MillwardBrown.com — A specialty marketing research firm with a long established track record of brand value assessment.

