U.P.B. Sci. Bull., Series D, Vol. 77, Iss. 4, 2015 ISSN 1454-2358

THE BRAND INDICATOR – A NEW METHOD FOR QUANTIFICATIONS OF BRAND EVOLUTION

Octavian Ion NEGOITA[1], Mihai COROCAESCU[2], Cezar SCARLAT[3], Olivia Doina NEGOITA [4], Andreea DUMITRESCU[5]

In a highly instable economic environment, in which change is the single certain and repetitive element, reconsidering the organization based on new principles which allow for agility enhancement, efficiency improvement and continuous adaptability, should become the enterprises' first priority. Therefore, managers have searched for that particular element which enabled their products to overcome competition. This was the brand. Brand offers clients an added value through the information they receive, as well as risk mitigation regarding the acquisition process due to an increased awareness regarding the product and the organization which provides it. Therefore, this current paper introduces a new model for brand measurement and positioning against competition. The aforementioned model has been validated thorough studies in different industrial organizations and the results include a higher degree of accuracy compared to the classical methods.

Keywords: brand, branding process, brand awareness, notoriety, brand loyalty, brand associations, marketing metrics

1. Introduction

As results of business processes, products are more and more numerous and resemble more and more each other, the innovative ones being imitated right after their launch. On the other hand, for the consumers it is difficult to distinguish between suppliers or to make a better distinction between products. When the products are almost identical, there are certain elements that tilt the decision towards one product instead of another. That is why managers have been striving to find that element that would favour their products in front of others. This was the brand.

The brand can offer the clients a supplementary value through the information that they receive, through the minimisation of the risk in the buying decision, through greater recognition, offering a wider picture about the product and the company and thus bringing an image benefit. Kotler [1] shows that if a

[1] PhD, University POLITEHNICA of Bucharest, Romania
[2] PhD, Assoc. Lect., University POLITEHNICA of Bucharest, Romania
[3] PhD, Prof. Eng., University POLITEHNICA of Bucharest, Romania
[4] PhD, Lect. Eng., University POLITEHNICA of Bucharest, e-mail: negoita.olivia@gmail.com
[5] PhD Candidate, Eng., University POLITEHNICA of Bucharest, Romania

product can be easily imitated, the brand, which allows for the differentiation of goods and services, cannot.

The brand can make the difference in a highly competitive market.

Best [2], citing a research by S.M. Davis, shows that:

- 72% of the buyers will pay 20% more for the preferred brands
- 50% will pay 30% more
- 40% will pay 25% more
- 25% say that the price doesn't matter
- 50% are "lead" by brands

This is only one example for that academia specialists and professionals as well [3], [1], [2], [4] consider that the brand has become an intangible asset of a company, a strategic asset, which assures its long-term profitability.

Another highly important aspect is the fact that a brand influences all stakeholders. In a global economy the brand breaks the space barriers, allowing the company to have an outstanding visibility, much outside its coverage area.

That is why more and more managers have directed their attention towards the branding process, giving it a strategic importance, because it creates long-term actives that facilitate the growth and the maintaining of the competitive advantage.

A strong brand offers the company protection from the direct competition and also from the new entries on the market; it is a key element in the decision making process of the buyer.

Many specialists [1]; [5]; [6] have shown in literature that one of the directions the management has to act, in order to assure a good market position, is the process of building a brand – the branding process.

Kotler argues that the branding process cannot be considered as a component of the marketing management. He shows that "a brand reflects in anything the company does, a holistic approach on the brand imposes a strategic perspective".

According to another renowned researcher, specialized in branding, [3], the brand is thus defined: „a product, at its base, but one that brings other dimensions that differentiate it from other products that satisfy the same needs". This differentiation can be a rational, tangible one, which comes from the product's performances, or a symbolic, emotional, intangible one, which is tied to what the brand represents. [3] also underlines that what distinguishes a brand from its product is the sum of the consumer's perception and the feelings he has towards the product's attributes and the way it performs. Another differentiating aspect is the perception of the brand's name and of what it represents and the perception of the company associated with the brand.

The evolutions of the economy, the appearance of the financial crisis, reinforce the idea that an organisation's most valuable assets are not products, equipment or real estate, but its intangible assets. The value of an organisation's assets is mostly found in its intangible assets, of which the most valuable is the brand.

For a long time the idea has been sustained, that in business-to-business relationships a choice is mostly made relying on rational criteria and efficiency objectives, the brand thus being a less important element. Praxis has proved the contrary. Anderson and Naurus (1998) and Blakett (1998), cited by [1], show: „[The brands] ...facilitate the identification of the products, services and companies, differentiating them at the same time from competition, thus being a more efficient and convincing instrument for the communication of value and of the benefits that a product can bring, they represent a guarantee of the quality, the origin and the performance, growing the value perceived by the client".

An important characteristic of the business-to-business brands is that they not only reach the client, but all stakeholders: investors, employees, suppliers, competitors, public institutions, thus leading to better knowledge and coverage inside the economic and social environment they are active in.

2. Measurement methods of brand equity

The brand equity is linked to the added value, which the marketing services bring to a brand, added value which is not only reflected financially, in comparison to what a brand would represent, if it didn't have a marketing strategy behind.

Keller asserts that the creation of a brand is in fact the creation of the differentiation. This differentiation is not strictly the differentiation from the competition products, but also a differentiation in the consumer's or the market's perception of the brand. The financial added value is a result of the marketing efforts, of the research in product innovation, of production improvement etc., accumulated in years and not only during a short period in time. The efforts of all the organisation's departments, especially marketing, that were made in time for the creation and development of a brand, find in the brand equity the one common element that can help in the their direction towards building a stronger and stronger brand. This concept strengthens the idea that the brand plays an essential role in the marketing strategy. Moreover, as the economic environment is continuously changing, this concept exploits current theories and research in order to create new brand management opportunities [3].

The consumer's reaction towards the brand depends on a wide range of factors, hence many theories aim to describe and depict the mental maps of consumers based on the associations these clients make.

Starting from the brand equity's definition which takes into consideration only the elements related to the consumer, [7] have developed a measurement method which is based on market research. This particular method captures different opinions and attitudes aiming to identify the liability factors when creating the brand equity by improving the decisional process.

By collecting information and knowledge regarding success factors related to brand equity, managers are able to determine their position against the competition and, hence to plan future actions regarding brand improvement [3].

Rao and Agrawal [8] are presenting a method which is testing the predictability and convergence of eleven indicators, hence to quantify the brand equity at consumer's level.

In order to determine the brand equity at the level of product's market, there is a series of methods which enable the identification of brand's impact on the market. These methods are based on common elements, such as: quantifying the level of premium prices, increasing the promotion's elasticity, decreasing the sensitivity towards competition's prices and the ability to secure the distribution channels [5]. The research undertaken by various scholars have highlighted that brands which are market leaders can have different prices compared to competition's (Simion, 1979) and are not affected by price growth.

Some authors suggest that the high rate of repeatability of acquisition process in terms of brands depends also on their availability within retail stores [3].

However, when the brand equity measurement is conducted on the financial layer, the approach is based on market value, which cannot be explained by financial assets and company profit [5].

The indicator which estimates the brand equity for the financial market is Tobin`s Q and it retrieves the market value of the company assets divided by the officially estimated trade value. Some authors showed that this indicator has for some of the companies, like Coca-Cola, Pepsi, General Foods, a value higher than 2, revealing that the intangible assets value of the company is very high.

The researchers who introduced the concept of intangible and tangible asset are, and they define the tangible asset of a company as the market value of total assets and the net value of receivables. Regarding the intangible value, the concept was divided into two categories: the brand factor and factors related to industry. Therefore, the values of brand equity are ranging from zero for products as oil, glass etc. to 60-70% for products which are processed, i.e. the brand equity is defined as the share of market value.

The brand equity must be regarded by the company management as a strategic asset, being the core element for achieving competitive advantage and long term profitability [9]. According to the same authors, the brand must be permanently

monitored and improved in order to achieve performance and thereby, it contributes to the organization's performance.
The brand equity must be regarded by the company management as a strategic asset, being the ground of the competitive advantage and long term profitability [9]. According to the same authors, the brand must be permanently monitored and improved in order to enhance its performance and hence, to improve the overall organization's performance.

It is important to determine the value of this asset; therefore there is a wide range of scientific studies in the domain, which lead to identification of varied methods in this aspect.

Because of the brand importance in the success of an organization, its assets concerned both the theoreticians and practitioners.

3. Brand positioning index

In order to determine the relevance of a brand, we propose the **Brand Positioning Index - I_B** which can determine:

- The market position of the brand against the rival companies in a specific timeframe
- The development trend of both, the brand and organization.

The quantification method of the Brand Positioning Index is presented below:
The Brand Positioning Index depends on a number of factors according to the relation (4.5)

$$\boldsymbol{I_{B_i} = f(F_1, F_2, F_3,..., F_j,..., F_n)} \quad (1)$$

The factors considered Fj, for j=1,n, are the determinant factors in brand positioning for both the consumers and market, as follows:
F1 – sales (value)
F2 – market share (value)
F3 – relative average price
F4 – brand penetration
F5 – awareness
F6 – attitude
F7 – numerical distribution
F8 – number of brands and new products
In Table 1, the authors have detailed the way each determinant is assessed in order to highlight the availability and easiness this data can be obtained:

Table 1

Financial metrics used in brand's evaluation

No.crt.	*Metrics*	*Definition*	*Calculation method*
1	**Sales (monetary units)**	Brand's total sales	**V = P x Q**, where: V = sales P = brand's retail price Q = units sold
2	**Market share (units and monetary units)**	The ratio between brand's sales (units and monetary units) and total sales recorded on the market (units and monetary units)	$\mathbf{Cp_{v,q} = (V,Q)/(Vp,Vq)}$ [%], where $Cp_{v,q}$= market share (units and monetary units) [%], V = sales [units] (brand i); Q = sales [monetary units] (brand i), Vp = Market's total value, Vq = Market's total volum.
3	**Medium relative price**	The ratio between the average price of brand i and the average price of all the brands which currently exist on the market	$\mathbf{PMR_i = PM_i / PMp}$ [%], where: $\mathbf{PMR_i}$ = average relative price (brand i), $\mathbf{PM_i}$ = average price (brand i), **PMp** = average market price.
4	**Brand penetration**	Ratio between the number of clients who bought the brand (i) at least once during a specific timeframe and the total number of clients (market, market segment)	$\mathbf{BP_i = TC_i / TCp}$ [%], where: $\mathbf{BP_i}$ = brand (i) penetration, $\mathbf{TC_i}$ = total number of clients who bought brand i, **TCp** = total number of clients on the market.
5	**Awareness**	The number of existing or potential clients who can recognize a brand or a brand's specific element (for example: the name)	$\mathbf{N_i = CN_i / CE_i}$ [%], where: $\mathbf{N_i}$ = brand (i) awarness $\mathbf{CR_i}$ = number of existing or potential clients who recognize brand i , $\mathbf{CE_i}$ = number of existing clients (market segment).
6	**Atitudine**	Evaluates the existing or potential client's attitude against a brand	Based on queries (questions and scales), individuals are asked to evaluate **their attitude against the brand.**
7	**Numerical ditribution**	Evaluates the number of stores in which an existing or potential client can find the brand	$\mathbf{DN_i = M_i / TM}$ [%], where: $\mathbf{DN_i}$ = numerical distribution of brand i $\mathbf{M_i}$ = number of stores in which the brand i is sold , **TM** = total number of stores

8	**Number of brands and new products (%)**	Quantifies the supply, i.e. number of new brands (products), which an organization is commercialising in a specific timeframe	**MN = MN / MT** [%], where: **MN** = share of new brands (products) **MN** = number of new brands (products), which an organization is commercialising in a specific timeframe, **MT** = total number of new brands (products), commercialised in a specific timeframe,

(Source: Farris, Bendle, Pfeifer, Reibstein, 2006)

It can be noticed that the metrics described above have been analysed based on three measurement directions: financial, market and consumer.

The quantification of brand positioning index was conducted according to ROMPEDET (Romanian Model of Performance Determination) method, which was developed by Prof. Univ. Ing. Ion Stăncioiu (Stăncioiu, Purcărea, Niculescu, 1993). According to this aforementioned method, the brand positioning index is measured based on Cobb – Douglas function by taking into account each brand i, as follows :

$$\boldsymbol{I_{B_i}} = \boldsymbol{a} \prod_{j \in S_1} \left(\frac{K_{ij}}{K_{rj}}\right)^{\varphi_j} \prod_{j \in S_2} \left(\frac{K_{rj}}{K_{ij}}\right)^{\varphi_j} \qquad (2)$$

where:

a – scale factor for emphasizing the $\mathbf{I_{Bi}}$ values for brands which are subject to comparison.

$\mathbf{k_{ij}}$ – the characteristic j, which quantifies the factor $\mathbf{F_j}$ for brand i, with i = $\overline{\mathbf{1}, \boldsymbol{m}}$ și $\mathbf{j} = \overline{\mathbf{1}, \boldsymbol{n}}$

$\mathbf{k_{rj}}$ – characterstic **j,** which quantifies the factor $\mathbf{F_j}$ for brand r- reference brand with $\mathbf{r} = \overline{\mathbf{1}, \boldsymbol{n}}$

Characteristics $\mathbf{k_j}$, (associated to factors $\mathbf{F_j}$) belong to the set **S**, where:

$$\mathbf{S} = \{ \mathbf{k_j} \} \qquad (3)$$

The characteristics of influencing factors $\mathbf{F_j}$ have heterogenic measurement units, as well as different directions of progress. Therefore, the characteristic $\mathbf{k_j}$ is the result of the reunion between $\mathbf{S_1}$ and $\mathbf{S_2}$, as follows:

$$\mathbf{S} = \mathbf{S_1} \cup \mathbf{S_2} \qquad (4)$$

where:

$\mathbf{S_1}$ – the subset of characteristics $\mathbf{k_j}$ related to $\mathbf{F_j}$ factors, which should have greater values, hence the brand positioning index to increase

$\mathbf{S_2}$– the subset of characteristics $\mathbf{k_j}$ related to $\mathbf{F_j}$ factors, which should have lower values, hence the brand positioning index to decrease .

If:

$$\mathbf{i = r} \tag{5}$$

Then:

$$\mathbf{I_{Br} = a} \tag{6}$$

where:

$\mathbf{I_{Br}}$ – brand positioning index for the reference brand (r)

$\boldsymbol{\varphi_j}$ –share of characteristics j related to $\mathbf{F_j}$ factors, according to the restrictions:

$$\sum_{j=1}^{n} \boldsymbol{\varphi_j} = \mathbf{1} \quad \textbf{and} \quad \mathbf{0} \leq \boldsymbol{\varphi_j} \leq \mathbf{1} \tag{7}$$

For measuring the shares $\boldsymbol{\varphi_j}$, it is used the following mathematical relation:

$$\boldsymbol{\varphi_j} = \boldsymbol{\varphi_{j_1}} = \frac{\sum_{j_1} a_{j_1 j_2}}{\sum_{j_2} \sum_{j_2} a_{j_1 j_2}} \quad , \qquad j_1 \in \overline{1,n} \text{ şi } j_2 \in \overline{1,n} \tag{8}$$

$\boldsymbol{a_{j_1 j_2}}$ - Elements of a square matrix:

$$\boldsymbol{A_{nxn}} = \|\boldsymbol{a_{j_1 j_2}}\| \tag{9}$$

a_{j1j2} = 4 when $F_{j1}PPF_{j2}$ (F_{j1} factor is highly preferred against F_{j2} factor)

a_{j1j2} = 3 when $F_{j1}PPF_{j2}$ (F_{j1} factor is preferred against F_{j2} factor)

a_{j1j2} = 2 when $F_{j1}PPF_{j2}$ (F_{j1} factor is indifferent to F_{j2} factor)

a_{j1j2} = 1 when $F_{j2}PPF_{j1}$ (F_{j2} factor is preferred against F_{j1} factor)

The values for $\mathbf{k_j}$ characteristics can be determined based on a qualitative and quantitative marketing research methods, i.e. questionnaires.

7. Conclusions

In process oriented organizations, branding has become an integrator element, whose influence and dependency on other processes can be the determinant factor towards enterprise's success or failure.

The current economic context with its rapid growth and focus of globalization has increased the value which brands generate to companies. Therefore, the brand has become an intangible asset which exceeds the value of tangible ones. As brands are subject to trade, the price of the company is most of the times established by these brands.

Considering the B2B'group target, the brands of industrial organization which are active in this particular sector have been considered for a long time as being insignificant. However, the experience of large companies has demonstrated that the role of B2B brands, as well as B2C brands regarding the competitive advantage has considerably increased.

Although the concept of brand equity was sceptically regarded at the beginning, in time, it has proved to be the core element of brand's evolution.

Its quantification became a measure of brand's maturity and efficiency on all its layers of influence: financial, market and consumer. Therefore, the brand's measurement is currently a basic activity when considering the brand's sustainable development and overcoming competition.

The continuous measurement of indicators regarding market, financial and consumer's perception and behaviour, should be a permanent focus for branding process management team. In his research entitled „B2B Brand Management", Kotler makes a reference to Jim Collins principle: "it is not an aim itself to be the best, it is not a strategy itself to be the best, it is not an intention itself to be the best and it is not a plan itself to be the best. It is about properly understanding the domain in which you can be the best" and this is the main principle which lies at the core of brand's performance. Thoroughly understanding the brand's industry, along with the tight connections between process branding and the organization's processes is the leading way towards success.

There are various methods which allow for brand equity and brand penetration measurement, etc. The current method enables the managers of industrial organizations to enhance their knowledge regarding brand development in a specific timeframe on the main three directions, i.e. market, financial and consumer.

The method's validation was conducted based a series of case studies on industrial organizations active on Romanian market, hence enabling managers to make use of a different and new approach regarding their brands, as well as to better coordinate their process with branding process and to gain a more coherent and realistic understanding of economic environment with regard to their brand.

Acknowledgements

"This work is supported by the Sectoral Operational Programme Human Resources Development (SOP HRD), financed from the European Social Fund and the Romanian *Government* under the contract number POSDRU/159/1.5/S/137390/"

REFERENCES

[1] *Kotler P., Pfoertsch W.*, Business-to-Business Brand Management, BRANDBUILDERS GRUP, 2011
[2] *Best J.R.,* Market Based Management – Strategies for Growing Customer Value and Profitability, Prentice Hall, Pearson Education International, 2005
[3] *Keller L.K., Lehmann R.D.*, Brands and Branding: Research Findings and Future Priorities, 2005
[4] *Cooper R.D., Schindler S.P.*, Business Research Methods, McGraw Hill, 2011
[5] *Keller K.L.,* Strategic Brand Management, 2nd ed. Upper Saddle River, NJ: Prentice Hall, 2003
[6] *Doyle Peter,* Marketing management and strategy, Pretince Hall Europe, 1998

[7] *Srinivasan V., Park S.C.,Chang R.D.*, An Approach to the Measurement, Analysis, and Prediction of Brand Equity and its Sources, Research Paper No.1685(R2), Stanford, Graduate School of Business, 2005

[8] *Rao V.R., Agrawal M.K., Dahlhoff D.*, How Is Manifest Branding Strategy Related to the Intangible Value of a Corporation? Journal of Marketing, 68, October, pp. 126-141, 2004

[9] *Aaker D.,* Managementul capitalului unui brand, Cum să valorificăm numele unui brand, Brandbuilders Grup, 2005

[10] *Farris W.P, Bendle T.N., Pfeifer E.P, Reibstein J.D.,* Marketing Metrics: 50+ Marketing Metrics Every Executive Should Master, Wharton School Publishing, 2006