



UNIQUE CAPABILITIES

“ What is our brand worth and how can its inherent equity be measured?... ”

BRAND EQUITY ASSESSMENT: b-EXT

BUILDING A BRAND

Establishing immediate and positive salience with target consumers is the essential starting point for building a strong brand. But to maintain robust growth, established brands expand their existing turf with flanker products while exploring new operating territory through targeted extensions into new categories.

FLANKERS AND BRAND EXTENSIONS

In general, flanker products are designed to reinforce the position of the parent brand within its home category by progressively extending the parent brand's established imagery and performance equities with new forms, enhanced functions, packaging innovations or innovative applications. The process works as long as the target consumer continues to embrace the relevance and perceived efficacy of the parent brand's imagery and equities within each of these new variations.

Extending the brand into a new category, however, significantly enhances the challenge: from the perspective of the category consumer, the relevance of the brand's core equities may now be in question. For example, can a brand that is synonymous with durability, practicality and utility in its home category successfully enter a new category that – at its core – celebrates aesthetics and product design? Or – to take a slightly different perspective – can “durability” in the context of household products successfully translate as “durability” in the context of building materials?

Most successful flanker products are “close enough” to the established brand’s defining equities to facilitate an immediate recognition of their relevance and value by the target consumer. Brand extensions, however, offer both a greater challenge and the potential for a greater reward. The challenge – and it’s a significant one – is to successfully project a recognizable and relevant formulation of parent brand’s defining imagery and performance equities into an entirely new setting. If the effort is successful, then the marketing expectations jump from merely gaining incremental share to launching a major conquest in a new environment.

b-EXT-QUANTITATIVE NEW PRODUCT CONCEPT ASSESSMENT

While working with a well-known marketer of household products, we developed a unique procedure for assessing the viability and potential monetary value of new product concepts. The technique focuses on the brand’s ability to successfully project its established brand imagery and performance equities across a range of flanker products as well as into entirely new categories. b-EXT was created to facilitate the screening of a wide range of new product concepts at an early stage of development.



SIMULATED SHOPPING & BRAND PROFILES

This survey-based method employs a simulated shopping procedure that masks a simple conjoint measurement exercise. The respondent is asked which branded product would be preferred under a variety of pricing scenarios. A generic option is generally included, as well. The simulated shopping exercises feature the *test brand*:

- o Represented as a new product,
- o Competing with the category’s principal existing brands,
- o And competing across a variety of price points.

That simulated shopping task is followed by a comprehensive assessment of perceived brand imagery and performance attributes as represented within each new product concept. These brand profile comparisons demonstrate the power of the test brand to:

- o Carry its own key attributes and imagery into a new flanker product or into an entirely new product category,
- o Establish its relevance and challenge the leading brands on their own turf,
- o Capture the “high ground” for perceived product performance in that category.

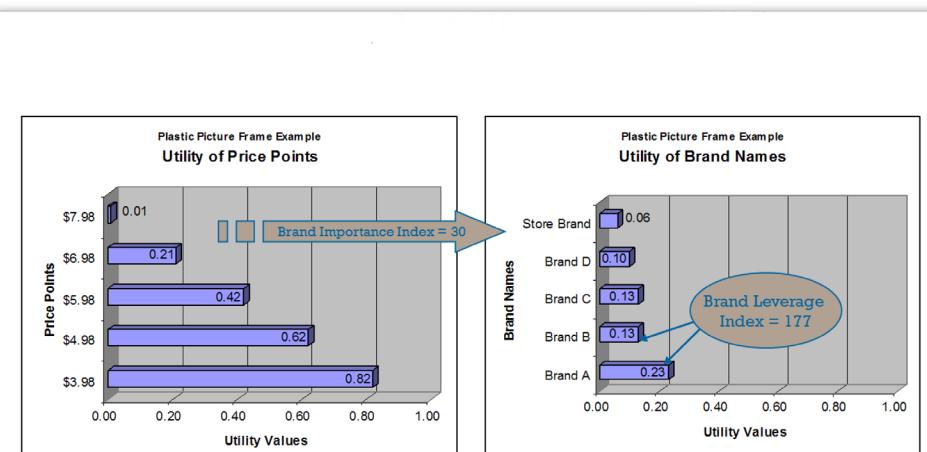
MEASURES OF BRAND EQUITY

The simulated shopping exercise provides the data for simple, yet an informative, conjoint measurement analysis. The resulting measures and statistical summaries provide estimates of a brand’s ability to:

- o Command a price premium – and/or grab additional share – through flanker products in its home category.
- o Successfully transfer – and make relevant – its core attributes and image characteristics to new products in categories where the brand does not currently compete.
- o Command a price premium – and/or grab significant share – in those new categories.

The critical insights generated by this approach are the estimates of the value and the elasticity of the brand's established equity. The simulated shopping exercise at the heart of the b-EXT technique generates a series of category-specific measures of that brand equity:

- o **The Brand Importance Index:** all other things being equal, this index reflects the relative importance of "brands" v. "price points" within the product category. In other words, this measure indicates the category's price sensitivity and whether purchase decisions are influenced, primarily, by brands and brand imagery, or by pricing.
- o **The Test Brands' Leverage Index:** all other things being equal, this index reflects the relative appeal of the Test Brand v. competitive brands within the category.
- o **The Test Brand's Pricing Advantage:** all other things being equal, this index reflects the relative price premium the Test Brand would likely enjoy in this new setting or, conversely, the potential discount that would be required to grab meaningful share.
- o **Share of Preference & Source of Volume:** as with other conjoint measurement techniques, the comparative shopping exercise permits us to generate estimates of share of preference and likely source of volume at varying price points.
- o **Modeling of Brand Share & Source of Volume:** lastly, the brand- and price-point specific estimates of utility can be used as input for various "what if...?" scenarios that model the impact on both share and source of volume that might flow from changes in pricing – both for the test brand and for the other competitive brands included in the simulated shopping exercise.



Decorative plastic picture frames:

- This category is highly price sensitive: Brand Importance Index equals 30
- Even so, Brand A is nearly twice as appealing to potential consumers as Brand B:
- For this category, the Our Brand's Leverage Index is 177

A SIMPLE APPROACH THAT YIELDS POWERFUL INSIGHTS

The relative simplicity of the underlying model – and explicit test of respondents' preference for branded products v. pricing within a specific category – has multiple advantages over other, more complex modeling approaches.

- o First, the respondent task is both realistic and routine: making a choice between branded products at various price points. This is something respondents do every day and the task is readily comprehended.
- o Secondly, the simplicity of the choice process embedded in the simulated shopping exercise substantially simplifies the interpretation of the resulting statistical indicators. The estimates of brand and price utility provide direct measures of respondents' willingness to pay more for a well-established brand, or to switch to alternative brands offered at lower price points. The by-product of this approach is a direct estimate of the monetary value of the test brand.

MODELING THE CHALLENGE OF EXTENDING INTO A NEW CATEGORY

b-EXT: A SIMPLE, COST EFFECTIVE APPROACH FOR SCREENING NEW PRODUCTS

Finally, because all of the key measures of brand and price utility are calculated at the respondent level, they can be used to model shifts in respondent brand loyalty associated with changes in product pricing. For markets dominated by a small number of well-entrenched brands – or markets characterized by weak, near-commodity branding – these pricing simulations can help to quickly estimate the magnitude of the task facing the test brand as it attempts to crack into a new category. Specifically, they can signal the level of discounting that may be required to take on the leading brands in the new category.

Like all of our unique approaches, b-EXT was developed to help a client with a specific challenge: how to screen a wide range of new product ideas quickly and cost effectively. Their disappointment with approaches based solely on self-reports of purchase intent led to the simulated shopping exercise under rotating pricing scenarios. And it worked...!

The simulated shopping exercise quickly indicates the potential for success against established brands in mature categories as well as against second-tier brands in near-commodity categories. The resulting share-of-preference simulations show in clear, monetary terms, the potential impact an established brand may anticipate with flanker or with an entry into an entirely new category. In addition, the brand profile analyses provide a diagnostic read on the factors that contribute to a new product's likely success – or lack thereof.

TO LEARN MORE...

b-EXT is one of several unique capabilities we have developed at StarPoint Consulting. To learn more about the technique, its application and its interpretation, please feel to contact us directly. We would be pleased to discuss your marketing challenge and help you determine whether q-EXT – or one of our other innovative approaches – could contribute to your new product development and marketing program.



1341 W. Fullerton, #256
Chicago, IL 60614
773.342.5660

www.starpointgroup.com
info@starpointgroup.com