

## Executive Briefing

### Brand Effectiveness

With an increase in global competition, branding has become a source of competitive advantage. In the rapidly evolving market for consumer, and industrial products and services, the source of next generation competency will be branding. In this briefing we demonstrate how we calculate brand strength, the price premium associated with product categories, and the type of customers attracted to “Premium Products.” We recommend that marketers conduct similar analysis and match their products to the needs of retailers and distributors. Marketers that match their brands with the needs of customers will have a sustainable competitive advantage.

#### Brand Strength

We have developed a method to measure the brand strength or brand equity of brands. The equity or strength of a brand is based on five underlying dimensions. These dimensions are the performance, image, value, trustworthiness and attachment associated with the brand. For example we have calculated the brand strength of three television brands:

Branding Advantage	Sony	RCA	Goldstar
Brand Strength or Equity (100 point scale)	90	63	44
Market Price (27" Stereo Television)	\$289	\$209	\$179

When we examined market prices, brand equity was highly correlated with market prices. Building brand equity allows firms to develop higher margin products. Our clients need to calculate Return on Brand Equity for brand building expenses.

#### What Kinds of Products Can Be “Premium Products?”

We have developed a method to determine the amount of premium that a product can charge. The premiums associated with a range of product categories in the US have been calculated. The results are:

Type of Price Premium	Sample Product Categories
Low Premium Products (<10%)	Pain Relievers, Cheese, Frozen Vegetables, and Orange Juice
Medium Premium Products (11-29%)	Cake Mix, Dishwashing Liquid, Fabric Softener, Jams, and Coffee
High Premium Products (>30%)	Dog and Cat Food, Shampoo, Soft Drinks, Toilet Tissue, and Cold Cereal

Our clients need to ensure that their products are susceptible to higher premiums before expending resources.

### **What Type of Customers Does the Brand Attract?**

In determining the effectiveness of brands, firms are concerned about the type of customer that the brand attracts. We have measured the type of customer that the “Premium Product” attracts in the US:

<b>Customer Attributes</b>	<b>Who is Attracted to “Premium Products?”</b>
Annual Income	Rich (>\$75,000) and poor (<\$20,000)
Age	Younger (<40 years)
Family Size	Couples and Small Families
Gender	Women

### **Further Information**

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