ACNielsen

insights Asia Pacific

VNU Marketing Information Services

Issue 100 April 2003

The global leader in market research, information and analysis

Building Successful Brands

Frank Martell, President, ACNielsen Asia Pacific

The concept of "branding" a product began as early as the sixteenth century. Since those early times, building and maintaining strong brands have been the hallmarks of all successful companies. Building the right relationship between the brand and its consumers creates successful brands. Brands with the greatest equity are the most profitable because their customers are generally more loyal and willing to pay higher prices for the product, and have a closer relationship with the brand.

Introducing new products and building strong brands is an imperative for successful companies. Companies must work harder to build and, importantly, to maintain their brands. Building the right relationship between the brand and its consumers is crucial. In this issue of Insights, we have drawn on ACNielsen's 80 years' experience in market research and our proprietary brand health research models, to provide you with some insights into brand health management.

On the following pages, we review a number of case studies demonstrating how market share can be driven by strengthening the underlying drivers of brand equity and the use of other marketing techniques. In addition, we provide insight into the decision-making process of consumers and what characterises a 'good' brand. We also outline the rapid and successful growth of local brands in fast emerging China.

For retailers, building store equity is increasingly more important as consolidation and the expansion of the modern trade increases. Through our ACNielsen ShopperTrends study, for the first time we are able to demonstrate the importance of store equity to retailers by examining consumer loyalty and their willingness to pay a premium to shop there. We look at the drivers of store equity, how to build store level customer loyalty and chain level brand awareness.

ACNielsen is committed to help our clients achieve sustainable competitive advantage through our large array of research techniques and services, including brand equity management systems, and our unmatched geographic footprint. We are here to serve you as you build your business and your brands.

Frank Martell

inside

Managing Brand Health for Profitable Growth

David McCallum, managing director, Customised Research Services, ACNielsen Asia Pacific

These days, Brand Health Management is seen as strategically central to the long-term success of any company. This arises because manufacturers and retailers are consistently revising and rationalising brand portfolios, to concentrate resources on those with maximum leverage. Acquisitions and investments tend to be brand 'fit' based rather than asset based. Furthermore, it is often more cost-effective to leverage the strengths of an existing brand than create a new one. At ACNielsen, we believe there are three key elements of Brand Health, all of which we monitor and measure with our various services. They comprise: Category Context (the setting in which consumers interact with the brand, and how this impacts the brand), Brand Equity (the value of the brand in consumers' minds) and Consumer Dynamics (the extent and manner in which brand equity translates into real-life behaviour).

Professor Kevin Keller* defined the following characteristics of Strong Brands:

Understand brand meaning and market products appropriately.

Properly position brands.

Maintain innovation and relevance.

Communicate with a consistent voice.

Use full range of integrated brand elements and supporting marketing programs.

These three elements are best reported on in concert; on their own, they often cannot explain the full picture. For example, Category Trends put the brand picture into context, but cannot explain the complexity of consumer interaction. Consumer Behaviour describes the way people are using the brand today but may say little about vulnerability and potential tomorrow. Brand Equity defines a brand's potential, but 'equity' does not always translate into action.

ACNielsen aims to provide clients with Brand Health Barometers exploiting and integrating the ACNielsen range of measurement and applications to which our clients subscribe. These Barometers will of course Monitor Current Performance, ie track your marketplace performance to identify changes in sales, usage and distribution measures. In addition, they will cover Issues that Impact Future Performance such as brand equity and consumer dynamics related issues that have been shown to be fundamental in building and maintaining brand leadership.

Through the Brand Health Barometers and attendant brand workshops, it is easier for manufacturers to leverage and amalgamate the findings and implications from the services to which they subscribe. The following schematic summarises the inputs and the outcomes that can be expected.

Recent Activities & Current Situation	Future Scenarios and Options for Action
What's happened in the Category: • Macro: growth, threats/opportunities • Behaviour, rational needs • Emotional drivers/commitment	**What will happen to the Category (especially based on recommended actions below):** • Growth directions, threats/opportunities • Relate to complementary categories • Behaviour trends, rational needs • Emotional drivers/commitment
How has that impacted the client's/competitive brands: • Comparative brand equity & positioning • How they use it • How committed they are to it	**How to strengthen and better position client brands:** • Potential brand equity & positioning • How to influence BE from consumer and retail point of view • Specifics of Retail trends and impact on brands and categories
How successful were the marketing strategies/campaigns: • Based on findings from research above • Based on benchmarking on best practice for building strong brands	**Recommended marketing strategies/campaigns** • Based on implications from research into 1 & 2 above • Based on benchmarking on best practice for building strong brands
Relative success of tactical initiatives	**Suggested tactical initiatives**
What NPD efforts were effective and how did they align with core strategies	**Future NPD recommendations and opportunities**

*Professor of Marketing, Tuck School of Business, Dartmouth College

Brand Equity vs In-Market Performance: Strategies for Growth

Manjima Khandelwal, vice president, ACNielsen International Research, U.S.

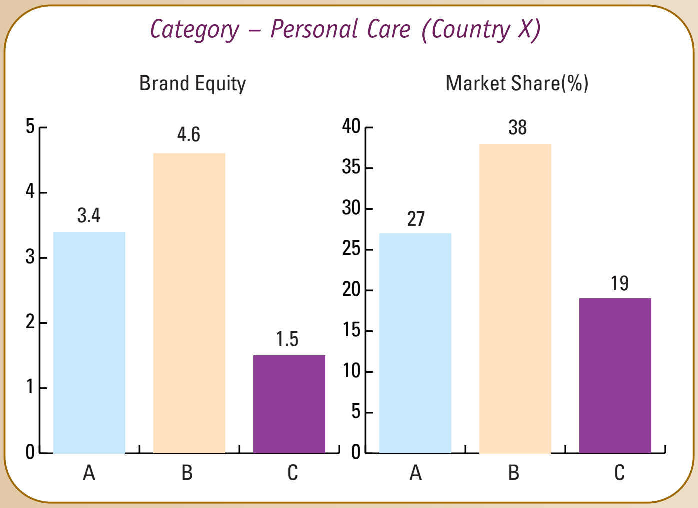
A comparison of Brand Equity Indices – from ACNielsen | Winning Brands – with in-market performance data reveals that Brand Equity valuation can be a tangible and accountable measure for understanding the extent to which Brand Equity drives market share. Marketers can therefore develop strategies to build market share based on strengthening the sources driving brand equity or other marketing variables – such as distribution, pricing or targeting – that may be impeding the brand's in-market performance.

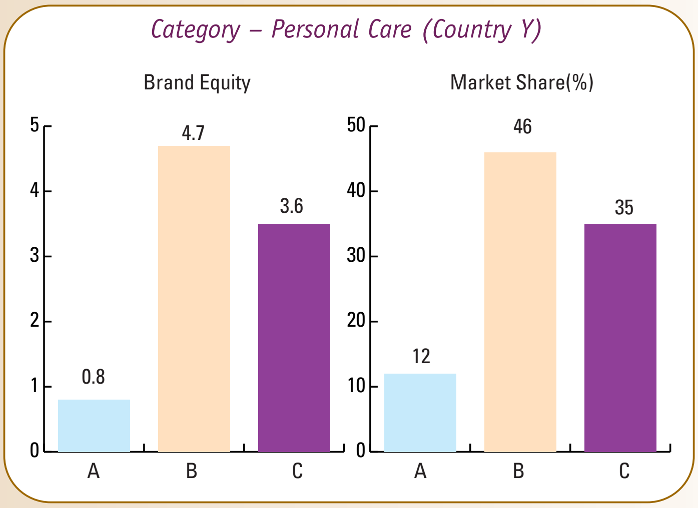
- A comparison of the Brand Equity Indices of FMCG brands, as well as a few in other industries, reveals that for most, their BEIs relative to the competition are in proportion to the market shares for the category. This demonstrates that brand equity is a strong driver of market share, and the sources of brand equity – familiarity and brand associations – should be examined to determine how share can be built.
- However, in some cases, BEIs do not correlate with the brand's in-market performance, indicating there are factors other than Brand Equity, eg distribution, pricing or targeting, that must be addressed to build share.

Strengthen Sources of Brand Equity to Drive Market Share

Case Study 1: Multinational Personal Care Brand

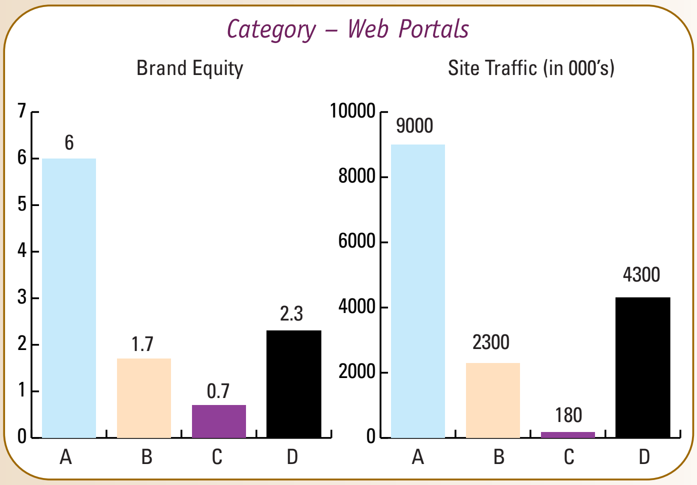
Brand A should strengthen its brand image in Country X and familiarity in Country Y





All key brands in the category across two countries are multinational with relative brand equity indices in proportion to market shares. In both countries, Brand A must strengthen its equity to drive market share. The relative importance of the sources of brand equity for the category in both countries is fairly similar. In Country X, Brand A and B are level on familiarity but A has negative 'old-fashioned' brand associations. Brand A must focus on becoming more contemporary and create a distinct positioning on associations that are strong drivers of brand equity. In Country Y, however, Brand A has very low familiarity and must focus on strengthening its awareness and brand consideration.

Case Study 2: Web Portals



Brand equity metrics were modified to compute Brand Equity Indices, which were measures of brand loyalty based on 'stickiness' of web portals. Brand equity indices were in proportion to market performance – measured by the number of hits to the portal according to Nielsen//NetRatings.

In this category, awareness contributed 55% of the source of brand equity (in contrast to a median of 32% across FMCG categories) and the weaker web portals, Brands C and D, suffered from relatively low brand awareness. To drive market performance, web portals C and D must first increase their brand awareness.

Continued on page 5.

Take a Tip from the Locals: Unconventional Marketing Mix Works in China!

International brands take heed: while classic marketing strategies may win consumers elsewhere in the world, they may not necessarily lead to market share growth in China, a country with the largest consumer population and a unique retail universe.

ACNielsen recently completed a study into the marketing strategies of selected foreign and local brands in China by examining each element of the marketing mix: product, placement, promotion and price.

"In recent years we have witnessed local brands in certain packaged goods categories making phenomenal gains in market share in China. The study aimed to explore what was behind this local brands' growing importance," says Alistair Watts, managing director of ACNielsen China.

"The study told us a great deal about marketing in China. In a market – really a jigsaw of different markets – as fragmented and varied as this, it seems that the age-old marketing strategies may fail to deliver sustained brand success. In some cases, international brands that concentrate on strong advertising to grow consumer preferences, have found their share shrinking in a market experiencing double digital growth. At the same time, most local brands appear to be gaining ground by carving out a more tailored strategy focussed on effective distribution, in-store presence and promotions."

Chart A: China Shampoo Brand Performance
- International Brand Vs Local Brand-

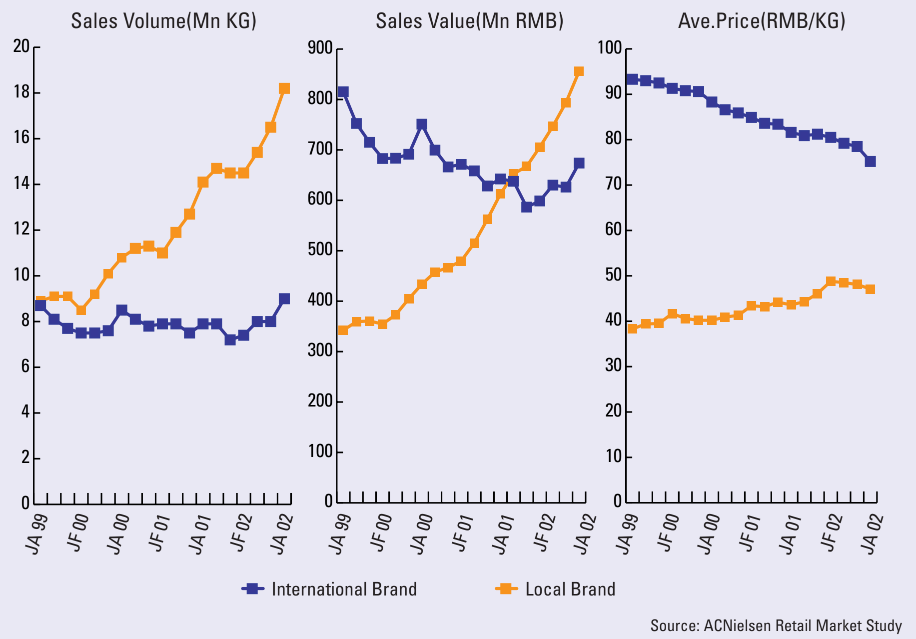
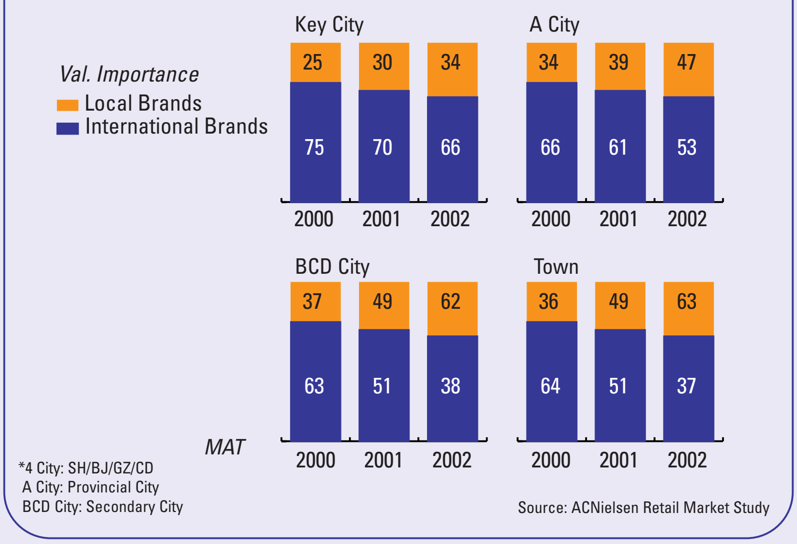


Chart B: JV & Local Brands Importance By City Type
Local Players Achieved Notable Growth Outside 4 Key Cities



Over the last three years or more, some brands owned or marketed by foreign or joint venture companies in China have been losing share to their local brand rivals in a number of packaged goods categories. ACNielsen's previous research of 2002 vs 2001 sales volume reported non-local brands losing ground to locals in 13 out of 22 major FMCG categories.

"In the past, the growing strength of local brands has been anecdotally attributed to the lower price at which these brands are offered", observed Watts.

"While they are cheaper in general, our study of foreign vs local brands indicates that a lower price was NOT the sole preserve of local companies and price may NOT be the overriding determinant of success in the China market."

Shampoo is a classic example of the fierce battle between local and foreign brands in China [*See Chart A*]. In 2001, the shampoo industry experienced a YOY growth of some 16% on volume and 10% in value. 16% of the sales were in the four key cities (Beijing, Shanghai, Guangzhou and Chengdu), 24% in the capital cities, 41% in secondary cities and 20% in towns. There was an observed trend of local brands – La Fang and Slek to name two – experiencing healthy growth in market share, while international brands were losing share, although individually they were still growing in terms of sales.

ACNielsen looked into the marketing strategies of the top shampoo brands to try and shed light onto the causes for this.

"What we saw was that although each brand had their own strategies, by and large the international brands tended to take the 'conventional' marketing approach by focusing on high brand preference and strong advertising support", said Watts.

"Their advertising expenditure at brand level was consistently amongst the highest in the category, and they placed a strong emphasis on building brand preference. In reality these brands ARE enjoying a high preference rate among consumers, individually their sales are still growing steadily, and they still dominate the market in key cities".

"However, despite the high levels of advertising spend and preference rate, the growth of these brands was below the market average nationally, which means from a total country point of view they are actually losing market share."

By reviewing the marketing mix of the local brands, ACNielsen found local brands to be employing an interesting strategy to penetrate the market.

In terms of advertising, local brands such as La Fang were increasing their expenditure, yet ACNielsen's figure showed the ratio of sales:advertising expenditure to be relatively low compared to international brands. As a result, local brands were often found to have a low level of consumer preference.

However, a winning formula was found in the used of distribution and in-store promotions. La Fang, for example, has dramatically increased its distribution on a national basis to establish a key presence in the hypermarket and supermarket segment, particularly outside the main cities [*See Chart B*]. Consequently it has achieved rapid market penetration in the less attractive geographies and is emerging as a fast growing brand in China.

Slek, on the other hand, showed strong in-store promotional activity and high presence on the shelves. Priced at about the same level as the top international shampoo brands, Slek could be considered a premium brand. Spending a lot less than average on advertising, it is not the most preferred brand according to the ACNielsen study. However, Slek far outperforms its rivals on temporary signage, temporary promotion displays and in-store promoters. A good strategy in a market where consumers shop often, and the chance of being exposed to in-store activity is high. Consequently, despite a premium price positioning, low levels of claimed consumer preference and relatively low above the line advertising expenditure, Slek's sales are growing faster than the market average.

"Two salient points arose out of our study," observed Watts. "Low prices aren't necessary to achieve high growth overall. And sometimes you don't need high consumer preference to achieve high growth."

But if consumer preference and price aren't always essential, what is?

"China is unique in terms of retail universe and shopping behaviour, and a different marketing mix appears to be more effective. Our study indicated a winning mix to be one of competitive price plus extensive advertising with a rapid expansion of in-store presence, or strong in-store promotion plus strong in-store presence".

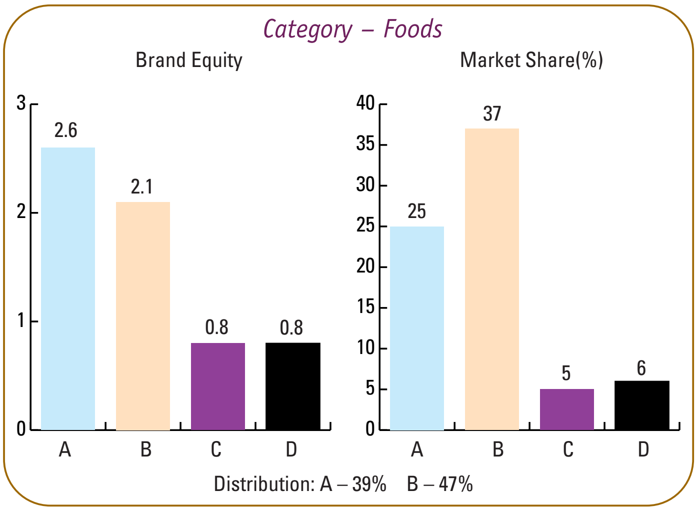
In-store support and promotions may be far more important elements of the marketing mix in China than they are elsewhere. And a focus on different geographies in this huge and heavily populated country allows for differentiated tactics, depending on the stage of retail development and consumer sophistication in each geography.

Continued from page 1.

Brand Equity Out of Proportion to Market Performance: Focus on Other Marketing Mix Variables to Build Share

Case Study 3: Food

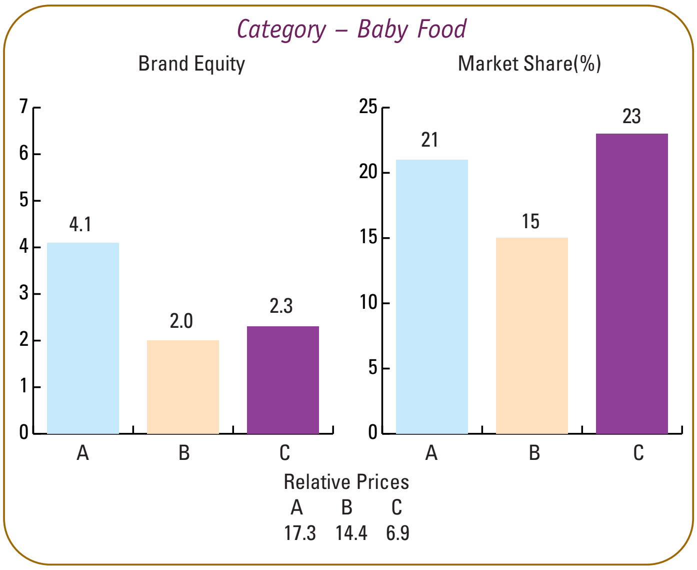
Brand A should increase its distribution



In the absence of brand equity valuation it could be concluded that Brand A's equity must be strengthened to increase market shares. However, Brand A has stronger equity than Brand B, but lower distribution, resulting in weaker market performance. Brand A should maintain its familiarity levels and current positioning but increase its distribution coverage.

Case Study 4: Baby Food

Brand A should leverage its equity and launch a low price line extension



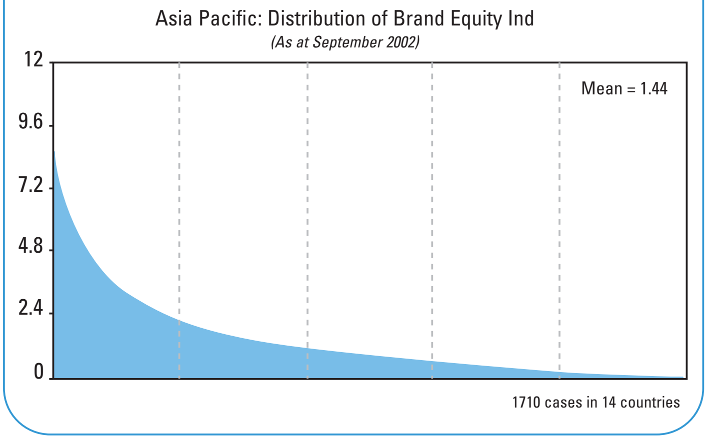
Equity for Brand A is significantly stronger than for Brand C, but their market shares are comparable. Brand A is priced at a 151% premium over C, which results in a lower brand equity to market share ratio for Brand A. Brand A has strong brand awareness and a distinctive image on attributes that are important in the category, which drive its strong brand equity. However, due to its price premium, its brand equity does not translate into an equitable market share. Brand A can leverage its equity and launch a lower price line extension to compete with Brand C and increase overall brand share.

How Consumers Identify a Good Brand

Alastair Gordon, executive director,
Research & Development, ACNielsen Asia Pacific

The world is increasingly cluttered with brands – some researchers suggest people may be able to recognise as many as 10,000 of them. Yet, despite the claims of books such as "No Logo", evidence indicates that most brands enjoy rather low levels of consumer commitment. Our ACNielsen | Winning Brand's normative database reveals that the mean Brand Equity across Asia Pacific is 1.87 (on a 0–10 scale, where 0 is effectively a 'generic' product or service, with no brand value). As the following chart shows, only a very few brands are 'stand-out', ie able to command great loyalty and price at a huge premium.

5% of FMCG brands have BEI's above 5, another 9% between 3–5. Many brands are little better than 'generic'...

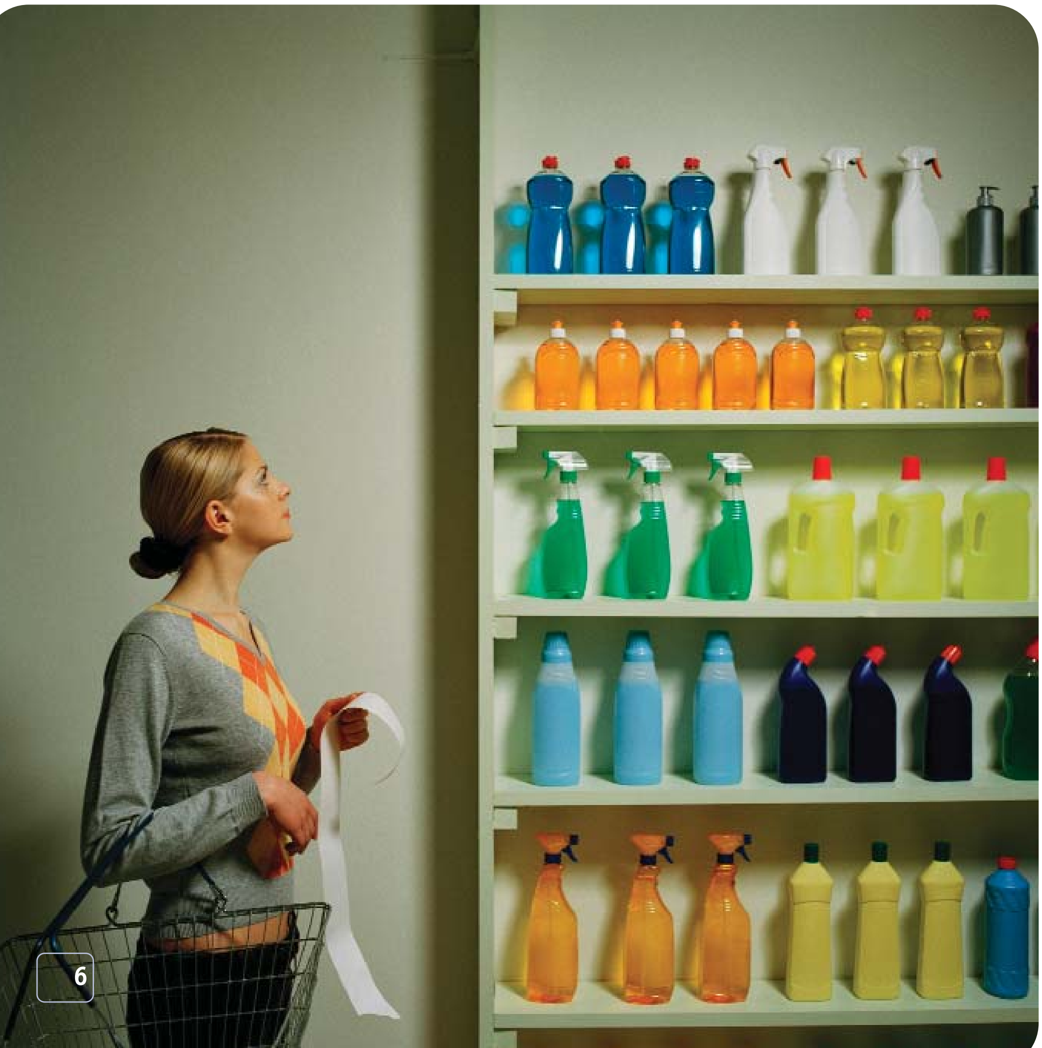


It's clear, therefore, that building strong brand commitment is hard work. The question is then, what distinguishes these standout brands from the rest? Traditionally, the answer to that question has concentrated on positioning and imagery. However, Winning Brands modelling of Asia Pacific brands reveals that, while perceived product and image benefits are important, they are only part of the story (indeed, we estimate that they account for only around half the total variation in our models). What emerges is a picture in which not only the 'content' of what the consumer knows about the brand, but also simple 'strength of awareness', and habitual usage seem to play a large part in deciding a brand is 'good'.

Our research also shows that when image and benefits do play a role, it isn't really a situation of people rationally considering all the differences between brands:

- People distinguish between brands on few, rather general, criteria – not a mass of specific attributes
- Typically two factors account for 66% of variance accounted for by brand associations. These big factors are often holistic assessments of 'product quality', or general affirmations of brand reliability (trust, reputation, etc)
- More specific imagery attributes account for less variation in brand equity.

These findings fit with research in cognitive psychology, which suggests that people base much of their decision-making on a few 'simple' mental rules, and that, of all the simple rules: 'familiarity' is one of the big ones. In some cases, just looking at a brand on the supermarket shelf can vastly increase consideration: a recent academic study showed that simply having looked at a brand on a shelf increased consideration of that brand by 30–120%! This shows the importance of visual impact and getting packaging right.



If habit, familiarity and 'simplistic decision-rules' are key elements of the process for consumers identifying 'good' brands, then what does this imply for marketing? Well if people are often buying on the basis of past habits and general familiarity, it tends to emphasise the importance of brand recognition, visual impact and doing enough to make people 'sit up and take notice' and break their usual habitual practices.

This in turn means that issues of pricing, promotion and packaging are important not only in terms of making quick sales, but also for longer-term brand building.

What the ACNielsen | Winning Brands Normative Database Tells Us About Strong Brands

Barry Ooi, director, ACNielsen | Winning Brands, ACNielsen Asia Pacific

One of the insights we have discovered from the ACNielsen | Winning Brands normative database of over 2,400 brands is that strong brands (ie brands with equity scores of more than 5.0*) maintain about 55% of consumers as their current, most-often-purchased brand. However, they can also command a higher percentage (62%) of consumers as their favourite brand and 57% would recommend the brand to someone else. This suggests that consumers have a certain degree of emotional attachment to strong brands.

Building a distinctive brand identity and personality that connects with consumers is therefore essential to achieving strong brand equity. And what's more important is that building a solid brand identity requires a strategy that is executed consistently over time.

What happens if a brand does not maintain a consistent strategy? This is best illustrated with an actual case study. A client conducted a TV campaign and the main focus of the campaign was on the benefits and enjoyment of using the product. The campaign had the desired effect of increasing the brand's advertising awareness. Subsequently, the client switched to another TVC. The new campaign's emphasis was on the company where its theme and message was about the company. This new campaign was less effective in terms of ad awareness (*See Chart 1*) and as a result of the new TVC, consumers' perception of the brand had also changed. The brand is less perceived on the key attributes (*See Chart 2*). Consequently, this affected the brand's equity, which had weakened as a result of the inconsistency of the brand's communication campaign (*See Chart 3*).

This example serves to demonstrate that building strong brands requires a consistent brand strategy and all marketing programmes have the potential to either strengthen or weaken a brand's equity.

** Brand equity score is calculated based on consumers' response to: 1) favourite brand, 2) brand would recommend and 3) willingness to pay higher prices. The maximum score is 10.*

Chart 1: Advertising awareness of campaigns

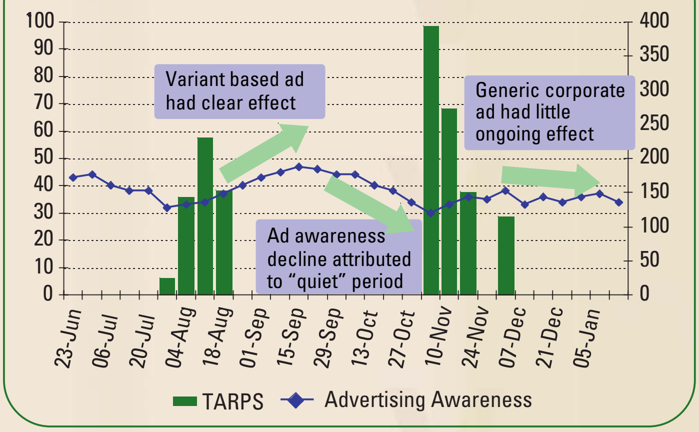


Chart 2: Consumers perception of Brand A - changes from Qtr 3 to Qtr 4

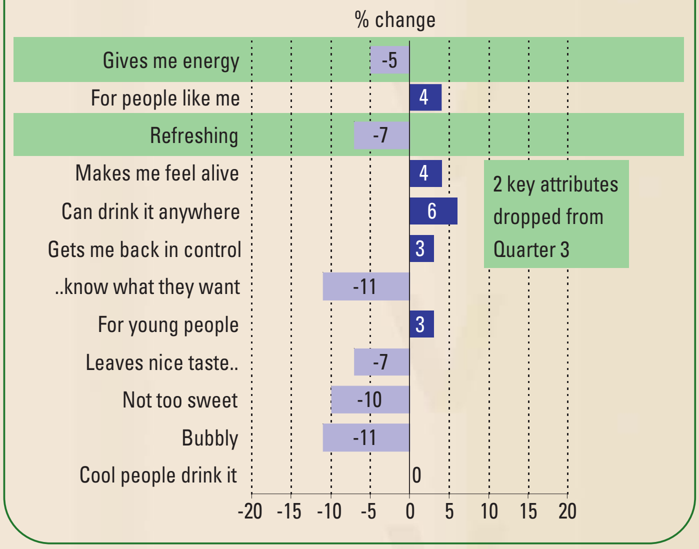
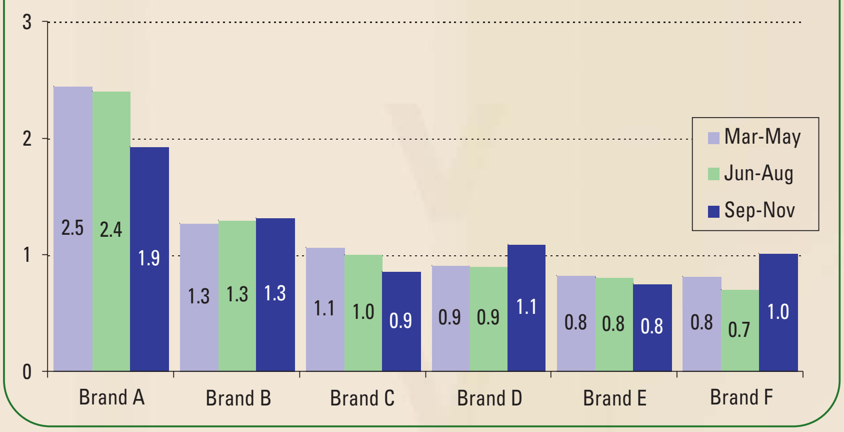


Chart 3: Brand Equity Trend - main brands



The Retail Store as a Brand

In recent years, more and more retailers have seen the importance of branding and have recognised the need to adopt distinctive positioning within their marketplaces. However, the drivers of branding for retailers are often misunderstood, and it is sometimes unclear what a retailer needs to do to develop their brand. The ACNielsen | ShopperTrends Study 2003, conducted in 12 Asia Pacific countries, tackled this problem with the help of the proven ACNielsen | Winning Brands approach to identifying the sources of brand equity.

What Is Brand Equity for Retailers?

Store Equity (our measure of brand equity specific to retail chains) measures the strength of the store brand by examining the extent of consumer loyalty, and their willingness to pay a premium to shop there. It's not the same as 'customer satisfaction': customer satisfaction is about the day-to-day interface with customers, and while shopping experience is obviously vital for retailers, it is not the only factor in developing a brand. To build long-term commitment, and to drive conversion opportunities among non-customers, retailers need to develop their store, as well as customer, equity.

ACNielsen ShopperTrends uses sophisticated multivariate analysis techniques to model what drives store equity – that is, what factors do consumers seem to use between what they regard as a 'good' and 'less good' retail brand.

The chart above summarises the results averaged across three key types of markets.

The largest drivers are not related to specific store features, but are called 'awareness' and 'consideration'. These general drivers of brand differentiation summarise the degree to which very basic brand knowledge criteria (Do I know it? Is it 'top-of-mind'? Have I used it before?) is key for consumers. It is apparent that these really general differentiators are strongest in developing markets (Indonesia, Philippines, etc), less important in what are sometimes called the Asian Tiger economies (Singapore, Thailand, Hong Kong, etc) and of least importance in Australia and New Zealand (where strong retail brands are longest established).

This implies that, as markets develop, shop features and imagery will become more important to consumers. In developing markets, therefore, those retailers who work to develop their brand positioning will have an advantage as markets mature. Yet we can also see that even in more developed markets, consumers continue to differentiate between store brands on the basis of pretty superficial aspects of brand knowledge. The basics of making plenty of 'marketing noise' and providing incentives to induce trial remain essential for brand building everywhere.

Consumers also use 'Location' to distinguish between store brands, (convenience to access generally, as well as convenience of specific location), and clearly a strong store brand has to be accessible.

After these broad factors come a number of more specific drivers. Note, however, that one of the big findings from ACNielsen research is that in terms of general brand imagery, consumers often don't think about stores on the basis of individual benefits – rather they build holistic assessments based on a few broad criteria.

This points to a big difference between building store level customer loyalty, and driving chain level brand equity. For the former, a retailer needs to identify and fix problems at a very specific level (eg speed at checkout counter), but in terms of general brand development, it may not be enough to improve single attributes – instead, consumers may differentiate chains on the basis of – for example – 'overall ease of shopping' and it may require changes on a number of related performance areas to change their assessment of the store brand.

For ShopperTrends, we have identified four such holistic criteria:

- Everything I expect (essentially the degree to which chains provide all the key range of requirements/facilities, etc)
- More than I expect (the provision of key extras, notably extra/better promotions, better quality fresh and instant food, good private label brands)
- Value for money
- Hassle free shopping.

It is notable that all four of these drivers are (in the Tiger and Australia/NZ markets at least) of reasonably equal importance.

In the Tiger and Australasian economies, 'Value for Money' – a very traditional positioning for many retailers – does not differentiate markedly more than 'hassle free shopping' and 'offering more than I expect'. This may be partly because consumers do not necessarily see much difference between the chains on this driver, but it also seems to reflect a developing customer interest in 'extras' as economies develop.

Certainly, 'hassle free shopping' and 'offering more than I expect' are more important in the more developed markets, and are areas that retailers in fast-developing markets (like China) will need to emphasise if they are to prosper as the market matures.

Overall, the research emphasises the need for retailers to develop a broad-based approach to developing their brands. Strong store brands need to be familiar, accessible and offer value – but as markets develop, so do consumer expectations, and they need increasingly to look at the totality of the shopping experience and invest more in convincing consumers that they offer 'something special'.

Drivers of Store Equity By Market Type