

# [How to measure brand equity](https://assignbuster.com/how-to-measure-brand-equity/)

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## 3. 1. Potential Benefits of the Marketing Metrics

Driver Trett can continue to use these metrics as they have various benefits. According to Simon and Sullivan (1993), using the financial stream to measure brand equity pays mote attention to objective and less to subjective measures. In essence, as the authors posit, using financial stream, including operating profit and revenues helps in estimating the overall. Brand equity, and thus, the methodologies successfully measure the effectiveness of the strategies used in maintaining and a positive brand that can attract clients. According to Keller and Lehman (2003), using financial metrics enable a company to ensure that it tracks the brand equity. For this reason, Driver Trett will be able to track its brand equity, and thus, be able to manipulate the marketing strategies to achieve the best overall marketing strategy. Furthermore, Mizik and Jacobsen (2003) also posit that there is a connection between a company’s profitability and the brand strength and stature. For this reason, the company can be able to track the brand strength using its profitability indexes, and thus, it can be able to determine what marketing strategies are working and which need to be changed. In addition, Aaker and Jacobsen (2001) posit that effective marketing and marketing metrics which include financial performance helps a company gauge and create brand equity, which subsequently reduces the vulnerability to external environment threats. For this reason, Driver Trett using these metrics will facilitate lower risk of failure emanating from increased competition, which the company stands to face. Also, the metrics will also allow the company to create a positive brand, and thus, enable customer loyalty, satisfaction, as well as maintain high retention rates. Besides, as Fournier (1998) asserts, creating a strong brand through marketing provides a company with intangible benefits, as well as bonding, thereby allowing the company to be insulated from competitive forces and moves. For this reason, with Driver Trett using these metrics, it will allow the company to be more competitive compared to the other competitors, thereby allowing it to experience increased growth not only in profitability and revenues but also regarding brand equity

The metrics will also allow Driver Trett to increase the customer equity. According to Kotler and Pfoertsch (2007), using customer metrics, such as retention will allow a company to ensure that its brand is of high quality. In addition, it will also help the company determine whether the clients are satisfied, and thus, be able to take measures that will yield high satisfaction, which will subsequently promote a better brand image in the countries the company operates in. In effect, this will yield high profitability, and the company will stand in a better position to mitigate competition. It also raises the loyalty levels, which works towards improving the brand.

## 3. 2. Other Predictive Metrics that Driver Trett can Utilize

Driver Trett can capitalize on customer lifetime value (CLV), which can be varied to incorporate historical CLV, and can be based on what the client previously spent on a particular service. The predictive CLV can allow the firm to leverage on both the predicted retention, which is currently used by the firm and historical CLV to estimate the discounted stream of futuristic revenue. In essence, using CLV, the company is capable of predicting future revenues, and thus, be able to change marketing strategies in accordance with the demands of the market and the goals and objectives of the firm. In essence, using the predictive CLV, Driver Trett can be able to obtain key market insights, including what types of clients will be profitable in a certain period, and thus, allow the company to make effective strategies pertaining the profitability of the firm. Driver Trett can also use response rates as a predictive metric. In essence, response rate measures how many clients responded to a certain marketing campaign. It is calculated by dividing the total number of responses by the total number of possible responses. The response rate can be used in predicting the success of a certain marketing campaign, such as direct marketing. For this reason, the company can use the model generated to study the response rates for different marketing strategies. Also, the response rate can be used in studying the external environment by analyzing the competitiveness of the other firms when it comes to marketing. In essence, if Driver Trett receives low response rates compared to a certain competitor on a certain marketing campaign, it means that Driver Trett is not optimally performing on the marketing endeavor, and thus, it should change the strategy to ensure increased future response rates, and thus, curb the competition.

The company can also use Return on Investment. The predictive metric can measure the success of a marketing campaign by measuring the profitability that can be achieved using a certain marketing tool. It is easy to calculate as it is obtained by dividing the profit generated by the marketing campaign by the investment. In essence, the ROI will measure the profit associated with a certain marketing campaign, and thus, it will allow the firm to ascertain the profitability of the marketing campaign. Therefore instead of just using the revenues and operating profits, Driver Trett can benefit a lot if it uses ROI, which significantly enables a company to determine the success of marketing endeavors. Customer expectations can also be used as for be used as a predictive metric. Client expectations strongly influence it. According to Rust et al. (1995) and Oliver (1980), the gap between the expected quality and the perceived quality is referred to as the expectancy disconfirmation, which is a strong predictor of customer satisfaction. For this reason, Driver Trett can capitalize on the metric to explicitly measure the extent to which the company’s services and products meet the expectations of the clients. Lastly, the company can use trend in spending as a predictive metric. According to Soderlund et al. (2001), past customer behavior an effective predictor of future client behavior. In essence, this can be used as a strategy to market the company’s services and products in the future. As such, the company can be able to know what products or services need marketing, and in turn, capitalize on the opportunity to improve to revenues and profits.

## 3. 3. How Metrics can Improve Strategic Decision Making

The CLV approach is viable for Drier Trett in controlling the external environment as well as improving strategic decisions associated with the external environment. In essence, this is because the CLV is forward-looking and dynamic. It will allow Driver Trett to calculate the risk-adjusted value about a customer’s lifetime. Further, by allowing Driver Trett to leverage some of the econometric tools, such as the firm’s survivability in adverse competition, the predictive portion of the CLV will allow the company to estimate the retention probability of individual clients.

The response rate predictive data is vital for the company as it ensures that the marketing strategy used is working and reaches many clients. In effect, this will promote acquiring new clients, and thus, it will increase the revenues. The strategy will improve strategic decision making by enabling Driver Trett to learn the most effective marketing campaigns the firm can capitalize on, and thus, be able to control the external environment in its favor. Regarding ROI, the strategy can be used in strategizing on the external environment, and in particular, how to curb competition. In essence, I the profits associated with a certain marketing campaign are low it means that the campaign is not an effective marketing strategy, which subsequently means that the company needs to change the marketing strategy. In essence, this will allow the company only to adopt those marketing strategies and campaigns that are profitable. For this reason, Driver Trett will be able to control the external environment, and in particular, competition, by leveraging on the positive marketing strategies. According to Joshi and Hanssens (2010), through financial metrics, such as ROI, managers can justify large marketing investments as well as ensure that the success rate for the marketing campaigns is high. As the researchers posit, the financial metrics can be used in making decisions about PR/sponsorship decisions, as well as traditional advertising. ROI will allow Driver Trett to gauge the success of the marketing campaigns it employs, thereby allowing the firm to measure their effectiveness and efficiency as far as marketing investments are concerned.

Other marketing metrics that can be used include brand awareness. The predictive metric will allow Driver Trett to measure the level of awareness of its brand relative to competitors. The higher the awareness, the more likely that the firm has employed effective marketing strategies, and thus, they should be used in future. However, if the awareness level is low, the marketing campaigns used are not as effective signifying the need for changing the marketing strategy. On the other hand, using the customer expectations, predictive metric is important to gauge the satisfaction level of the clients. In essence, if the expectations are not met, the client can prefer competitor products and services, which may hamper the profitability of Driver Trett. For this reason, employing the customer expectations metric will enable the company to predict future expectations and satisfaction levels, which will allow the company to offer products and services that are of value to the clients in future, which as Zeithaml et al. (1996) allows for client retention. Lastly, the trend in spending dictates how the client will pay for future services, as well as the most preferred services and products. In effect, Driver Trett can capitalize on this opportunity to identify the most viable marketing campaigns.