When Brand Relevance Is A Relevant Metric

by Laura Patterson

Brands identify the source or maker of a product. Based on what customers know about the brand, they can form reasonable expectations about its benefits. Companies believe that brands contribute to reducing risk by helping buyers avoid a purchasing mistake. It is also a widely held belief that brands are financially important to companies. For example, Carol J. Simon, Mary W. Sullivan in 1993 found that brand power is reflected in higher firm valuation. As a result, many organizations invest heavily in brand building initiatives.

So it is not surprising that many researchers and practitioners have focused on ways to measure brands' performance. Various studies (David Aaker 1991 and Kevin Lane Keller 1993) examined brand awareness, associations, and loyalty as customer-based indicators of brand performance. Other studies have linked financial outcomes such as price premium, revenue or market share to brand performance.

Some companies are beginning to use brand relevance, which measures a customer's predisposition to a brand, as a way to measure the success of a brand. The assumption is that a brand's relevance affects the buying decision, and when brands are more relevant, customers are willing to accept a higher price for the brand name product or to be more loyal to their preferred brand. Brand relevance therefore measures the influence the brand has on the customers' buying decision. It is only a viable measure if brands are important in the decision and buying processes.

How do you create a relevant brand? In 2004, David Aaker said that for a brand to be relevant it must meet all three of the following conditions:

1. A product or service category or subcategory exists

2. There is a perceived need or desire on the part of a customer segment for the category or subcategory

3. The segment considers the brand as being material to the product category or subcategory

So a key question you need to answer is, "Does brand relevance play a role in my customers' decision and purchasing process?" To determine whether brand relevance is important in your industry, you need to ascertain the following:

1. The role brand plays in comparison to other decision criteria (such as price, availability)

2. The importance of a brand in the decision criterion

3. The importance of buying branded products

4. The likelihood customers will buy a branded product even if they incur extra costs or efforts

5. The importance of a branded product in the purchase decision

Once you have this information, you can decide whether brand relevance is a critical measure of your marketing investments and worth measuring. If it turns out that brands are of low significance in a category, then your marketing efforts and dollars related to brand investments are highly inefficient and should be redirected to other marketing efforts that would be more beneficial. Therefore, brand relevance as a metric is irrelevant and a more appropriate marketing metric should be used.

If on the other hand, you learn that brand relevance is crucial to the decision and purchasing process, then marketing efforts and dollars should be allocated accordingly, and brand relevance should be an important metric for your marketing investments.