MaxMindShare™

A Roadmap for Measuring and Building High Equity Brands by Investing in Mindshare

ROCKBRIDGE

Share this:

Contact us: Joe Taliuaga | jtaliuaga@rockresearch.com

A Roadmap for Measuring and Building High Equity Brands by Investing in Mindshare

In a constantly changing marketing environment, one fact remains constant – brand matters. This is why a company like Coca Cola will spend $4 billion a year on traditional and digital advertising, or a tech-savvy company like Amazon will spend $3.8 billion a year, to build their brands. These two players are considered the fourth and twelfth most valuable brands, respectively. A strong brand translates into increased market share, larger share-of-wallet, higher customer retention, and an ability to charge higher prices. While it is critical for companies to invest in their products, technology, channels, and customer experience, long-term success also depends on systematically investing in and managing their brand.

A disciplined brand strategy requires measurement. Companies need to quantify the equity of their brands, identify the drivers of equity, build their brands by stressing the key drivers, and track performance over time. But measurement leads to a fundamental question that is as much philosophical as it is science-based – how should we define and measure brand equity? The answer to this question is "mindshare."

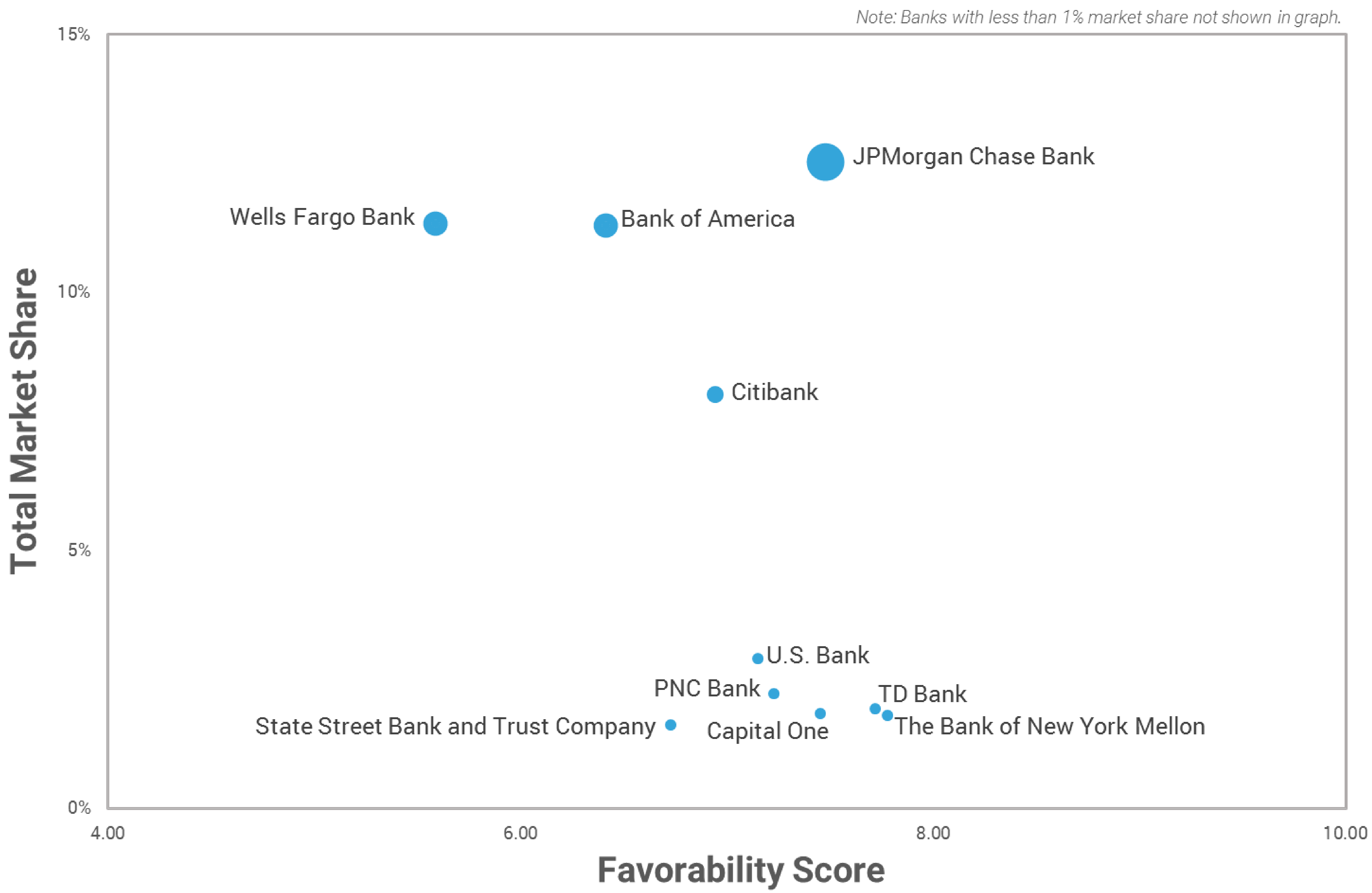
Marketers are comfortable setting goals based on tangible metrics such as share-of-wallet or market share, but mindshare is intangible and more challenging to measure. Like share-of-wallet, mindshare sums to 100 percent for any consumer in a given product or service category. Like market share, mindshare sums to 100 percent across the entire market. Brands with the highest mindshare ultimately attract greater share of wallet, and even in industries where consumers are likely to allocate 100 percent of spending to one brand (say, an Internet Service Provider), companies with the highest mindshare experience the lowest churn and highest acquisition, leading to greater market share.

The role of mindshare can be illustrated by a hypothetical shopping experience, say, purchasing a vehicle. A consumer in the U.S. would have access to over a dozen different domestic and import manufacturers (e.g., General Motors or Nissan), and scores of different "makes" (e.g., Cadillac or Infiniti). Given unlimited time, a shopper could carefully weigh every vehicle make and model in the market in order to make an optimal choice. In reality, the consumer will likely consider alternatives from an "evoked set" of familiar brands. Brand awareness will play a critical role in determining which company the consumer purchases from, since low salience brands will not even be considered. Moreover, the brands considered will be influenced by the overall degree of favorability towards the brand and the level of confidence that the brand can meet needs. Negative publicity, such as airbag failures or scandals over emissions rigging, will diminish favorability, while positive cues, such as a previous satisfactory purchase or news about technology advancements, will enhance favorability. In the end, the consumer will mentally rank the brands they are familiar with, narrowing down the list to a reasonable set of alternatives. After shopping, the consumer may end up with a short list of models that fulfill their desires, and again, the better brands have the advantage – for example, the Lincoln model may be a better purchase than the Cadillac, but the consumer might have greater trust in Cadillac. In the end, brands with the highest mindshare, determined by awareness and overall attitudes in the market, will capture more market share.

A Roadmap for Measuring and Building High Equity Brands by Investing in Mindshare

How should a company measure its own mindshare? Standard brand tracking studies include a range of metrics that determine equity, including various measures of awareness (top-of-mind, unaided, aided), familiarity, favorability and trust. Taken alone, these metrics only go so far in predicting market share, the ultimate goal of brand-building. Figure 1 below illustrates the relationship between the mean favorability of brands and their market share for the banking industry.

Figure 1: Market Share by Favorability Score



There is clearly no relationship, and it even skews slightly negative. A standard measure of fit for relationships is the r-squared correlation, which ranges form 0 to 100 percent (for a perfect fit). The r-squared for the fit between favorability and share is only 3 percent. A key issue is that the favorability ratings fail to account for the relative position between brands. Referring to the example earlier of a hypothetical vehicle purchase, the consumer may rate all the brands in their evoked set highly, but they would rate some more highly than others. Depending on the industry, the top brands may tend to be held in generally high or generally low esteem, forcing a decision to choose the “cream of the crop” or “the least of all evils”, so to speak.

A Roadmap for Measuring and Building High Equity Brands by Investing in Mindshare

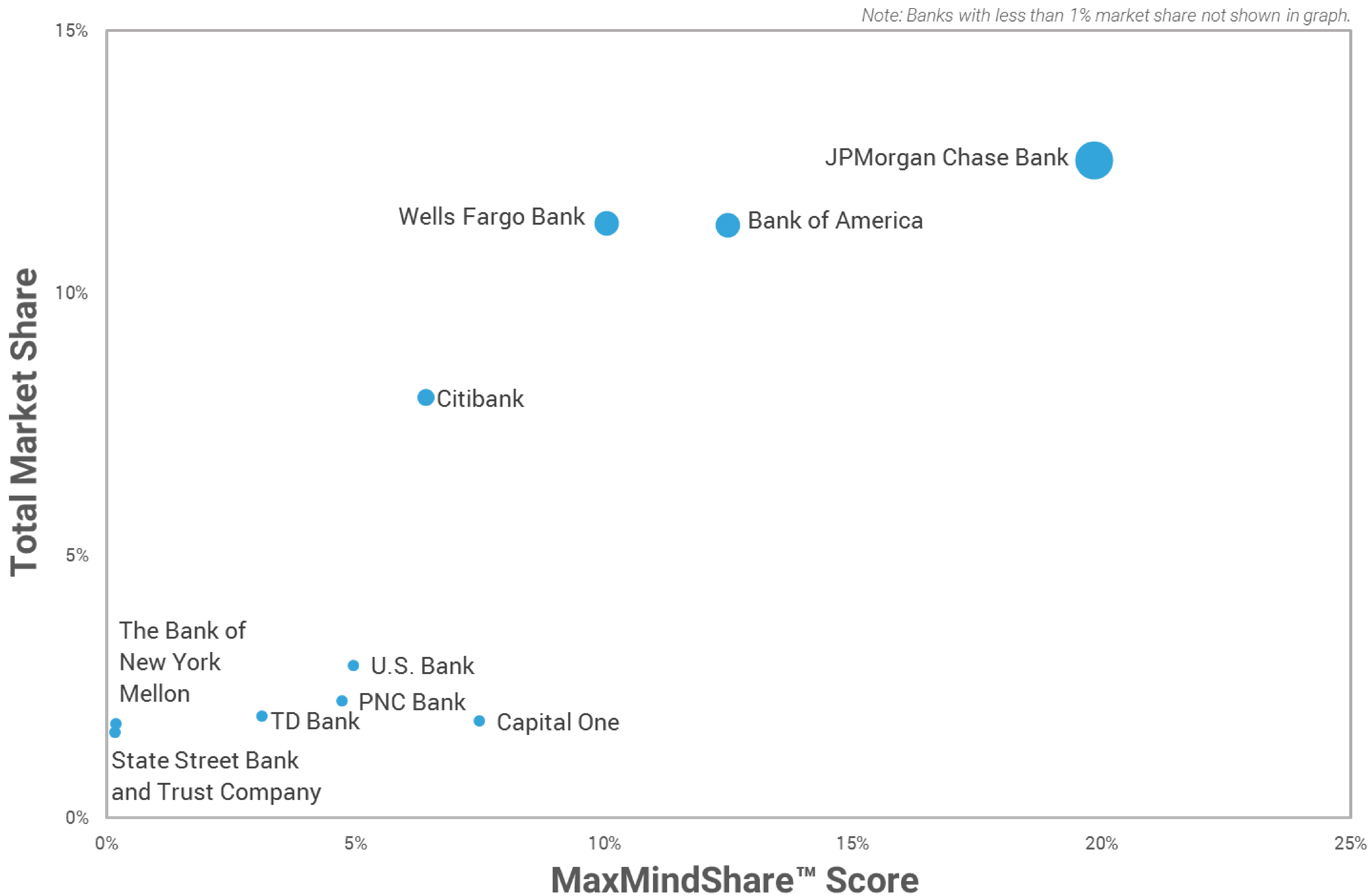
Mindshare is a relative rating that allocates a “fair share” to all brands in a market, and is the construct behind our proprietary MaxMindShare™ methodology. To compute a meaningful metric, we draw on science pioneered by our Chief Strategy and Client Officer, Dr. Tim Keiningham, along with colleagues from Fordham and Vanderbilt Universities. Their work is the subject of award-winning peer reviewed research and a best-selling book, the Wallet Allocation Rule. Their original work focused on customer research and involved calculating a Wallet Allocation Rule (WAR) score, based on the rankings among all brands used by customers, that proved to correlate extremely well with share-of-wallet. In their research (and subsequent client studies at Rockbridge), this metric dramatically outperformed traditional metrics like the Net Promoter Score™ in predicting share-of-wallet. We have papers and a video on the subject on our website, but the concept can be illustrated with some simple examples. Suppose a consumer used two brands – X and Y – and rated them equally on satisfaction. The research by these authors shows that the long range allocation of share-of-wallet would be roughly equal, or 50 percent each. This would hold true if satisfaction with both brands was 9 on a 10 point scale or 2 on a 10 point scale. Their research goes further and proves that the ranking between brands is highly predictive of share-of-wallet. If satisfaction with X was 9 and satisfaction with Y was 8, the predicted outcome would be that X would receive 67 percent of wallet share.

MaxMindShare™ extends the WAR approach to a broader set of brands of which the consumer is aware, regardless of whether the brands are currently consumed. Like the WAR Score, we allocate mindshare to multiple brands, but since some of the brands are not actually consumed, the score predicts potential for future purchasing. Instead of a WAR score, we create a Mindshare Allocation Rule Score (MARS) that foretells future behavior. One way of illustrating the value of MaxMindShare™ is to consider a service where a consumer may only choose one brand, say, a health insurance provider chosen from an exchange. If the consumer was aware of multiple carrier brands and rated some of them higher than the company they currently use, it is safe to say that the provider is at risk of losing business in the long run since the consumer perceives an advantage to switching. The MaxMindShare™ score predicts the likelihood of the brand being retained. For a category where multiple brands are used, the score predicts the future share-of-wallet, taking into account brands in the consumer mindset that currently do not get business.

A Roadmap for Measuring and Building High Equity Brands by Investing in Mindshare

The theory makes perfect sense, but can we prove the link between MaxMindShare™ and market share? Figure 2 repeats the analysis shown previously, but instead plots a mindshare score against market share. This time, the relationship is much stronger with an r-squared of 81 percent. This correlation matters in a practical sense because if management focuses on improving the MaxMindShare™ score, their efforts are likely to pay-off in the form of increased market share.

Figure 2: Market Share by MaxMindShare™ Score

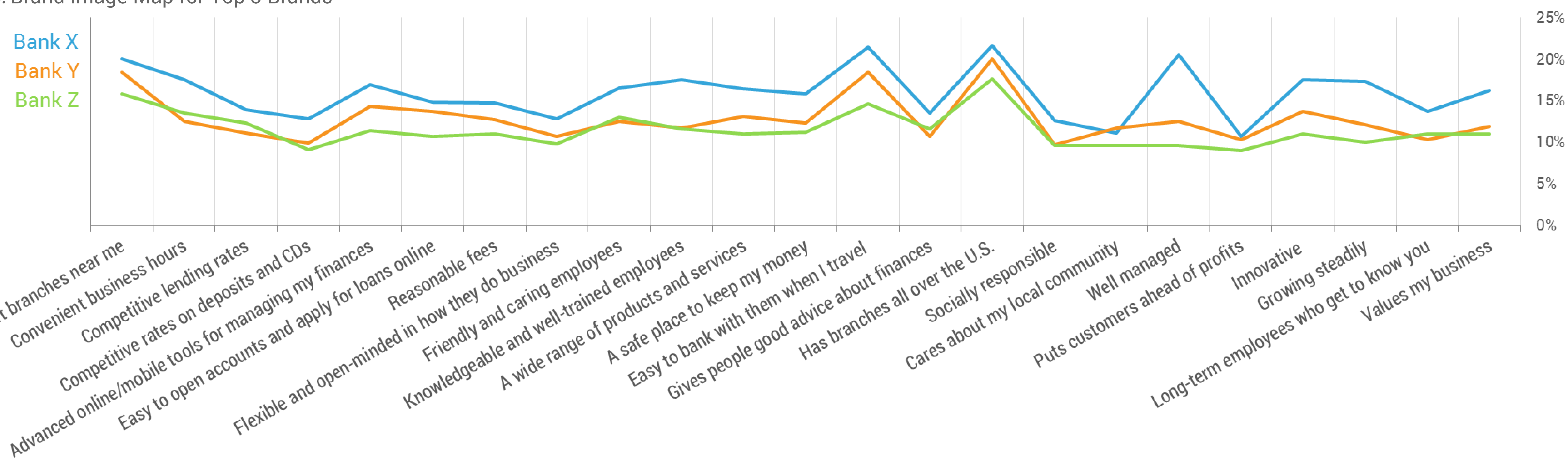


For a company interested in its brand, mindshare is only part of the story. Companies must also identify the key drivers of mindshare and the areas with the greatest opportunity for improvement. In assessing the image a brand, it is important to look at a range of factors including (1) functional attributes, consisting of tangible attributes that equate to value, and (2) emotional attributes, consisting of intangible attributes that define the personality of a brand. The emotional attributes are usually less predictive of mindshare than functional attributes, but nevertheless have influence and can be used to differentiate a brand in the marketplace. To illustrate, in a banking context, the most important drivers of mindshare may be value-driven qualities such as technology, branch locations, and favorable rates, but other things equal, customers may be influenced by factors such as the competency of the management or the integrity of the institution.

A Roadmap for Measuring and Building High Equity Brands by Investing in Mindshare

Brand image must be viewed in the context of a competitive set, which is why traditional brand tracking studies present consumers with a list of companies and ask them to rate each on a battery of attributes. This approach, aside from being time consuming and burdensome in surveys, ignores the fact that performance is always relative. We noted that with overall mindshare, what matters is being the best. The same applies to imagery – on key attributes, what matters is not rating highly but being the best in the category. For example, it may not matter if a bank or airline is perceived as dishonest if the perception is pervasive in the category. It does matter if a competitor is rated as more honest since it will benefit from a point of differentiation. In MaxMindShare™ surveys, we implement a proprietary best-brand scaling that has consumers choose from an evoked set of brands (which differs for each consumer). The underlying survey programming to select and present brands in an array is complicated, but well worth it. This method of classification is much less burdensome on consumers who need only check on the "best" for each attribute; the comparisons are easy to complete on a smartphone or a large screen, and are robust across cultures. Just as important, the best-scaling methodology proves to be highly predictive of best overall brand and mindshare. One key output of this part of a study is a brand image map that contrasts our client's brand and all competitors. An example is shown in Figure 3 for the major banks (identity not shown). Bank X achieves "best status" more often than competitors, but particularly differentiates itself on perceptions of being well managed and innovative.

Figure 3: Brand Image Map for Top 3 Brands



A Roadmap for Measuring and Building High Equity Brands by Investing in Mindshare

A MaxMindShare™ study advises clients on the key equities and opportunities for building a brand, based on a short list of the most discriminating attributes (see Figure 4 for an example). Equity consists of the degree to which important mindshare drivers contribute to the current strength of a brand. Opportunities consist of the best path forward for building a brand by focusing on key differentiating attributes that have the greatest room for improvement. Another context for this type of analysis is to assess equities and opportunities compared directly to one or more key competitors (see Figure 5). For example, for a hotel industry client where certain national brands are dominant, we may show how their brand compares to a top competitor in the market. For example, if our client was Hilton, they would be interested in contrasting their brand with Marriott, providing a roadmap for how to position against the competitor to ensure maximum mindshare advantage.

Market share is not determined solely by mindshare, even though there tends to be a high correlation. A MaxMindShare™ study also gathers information on barriers consisting of structural factors that constrain the market share for a company or its competitors. For example, in financial services markets, purchase may be constrained by a lack of branches or ATMs, strict credit criteria, or eligibility requirements. A business traveler may not be able to use a hotel brand because of employer policies, or may tend to favor a competitor where the traveler holds elite status in a loyalty program. These barriers often explain differences between the "fair share" due to brand equity, and the actual market share. It is often valuable to highlight real or perceived barriers in a report, since it may influence action. For example, a financial institution may not realize the extent to which strict credit criteria limits acquisition, opening an internal discussion about portfolio trade-offs. In addition to identifying barriers, MaxMindShare™ also examines gaps between brand favorability and confidence in the ability of the brand to meet needs. It is not uncommon for a brand to be highly respected, but suffer from a perception that it fails to offer the right products, services or pricing to be relevant to a segment of consumers.

A company interested in MaxMindShare™ may ask: how do we get started? The scope of studies varies by clients, but a typical project begins with a two-stage effort consisting of a qualitative phase to flesh out brand attributes, followed by a baseline survey that is used to develop strategy and set goals. Management will be interested in market information such as the MARS score for their brand, who top competitors are and their scores, the degree to which mindshare is driven by awareness versus favorability, key opportunities for improving mindshare, strategies for competing head to head with top competitors, and barriers that result in a company realizing less of its fair share. In the long run, a company will want to track the market over time, assessing success in brand strategy and identifying changes in the market dynamics.

To reiterate a point made earlier, brand matters. Brand equity should not be an accident driven by fate, but an asset that is built through methodical measurement, strategizing, communications and tracking. The ultimate goal should be to maximize mindshare, and MaxMindShare™ provides an innovative and scientifically proven solution for achieving this goal.

Footnotes

1. http://www.businessrevieweurope.eu/marketing/856/Top-20-companies-with-the-biggest-advertising-budget
2. Timothy Keiningham, Lerzan Aksoy, Luke Williams, Alexander Buoye, The Wallet Allocation Rule: Winning the Battle for Share, John Wiley & Sons, Hoboken, N.J., 2015.
3. The underlying math is similar to that used in the Wallet Allocation Rule, but adjustments are made to account for the differences in the dynamics of purchase set versus awareness set.

About The Wallet Allocation Rule®
The Wallet Allocation Rule® was created by Rockbridge Chief Strategy and Client Officer Timothy Keiningham, Ph.D. with academic colleagues from Fordham University and Vanderbilt University.

About MaxMindShare™
The Rockbridge MaxMindShare™ solution is the only Wallet Allocation Rule® Certified solution available on the market.

About Rockbridge Associates, Inc.
Since 1992, Rockbridge has connected insights to outcomes for clients – adapting to changing landscapes and implementing innovative, proven solutions to meet clients' changing needs.

Rockbridge serves a variety of industries, but focuses primarily on the services, information, and non-profit sectors, with particular expertise in digital services, financial services, technology, media, associations, and hospitality and travel.

Please visit www.rockresearch.com for more information.

Contact Us
If you would like to talk to us about anything you have read in this whitepaper, please contact Joe Taliuaga at jtaliuaga@rockresearch.com.