Measurement and tracking of brand equity in the global marketplace

The PepsiCo experience

Paulette Kish and Dwight R. Riskey
Innovation and Consumer Insights, Frito-Lay, Inc., Dallas, Texas, USA, and
Roger A. Kerin
Edwin L. Cox School of Business, Southern Methodist University, Dallas, Texas, USA

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Abstract The conceptualization and measurement of brand equity, including its sources and outcomes, are a challenging task, particularly in a global marketplace. This paper briefly describes how PepsiCo, Inc. conceptualizes and measures brand equity across brands, countries, and over time. Special attention is given to the Equitrak™ brand equity model developed by PepsiCo, Inc. and the global brand equity tracking methodology employed by the company in 14 countries. The paper concludes with managerial insights obtained from this effort.

Marketing practitioners and academics alike regard brand equity as a platform upon which to build a competitive advantage, future earnings streams, and shareholder wealth (Keller, 1998; Kerin and Sethuraman, 1998). Nevertheless, the conceptualization and measurement of brand equity, including its sources and outcomes, remain a challenge. Two key managerial questions must be answered with respect to conceptualization and measurement:

1. What contributes to my brand’s equity?; and
2. How can these contributors be used effectively to build or nurture my brand? (Davidson, 1998).

Numerous conceptualizations of brand equity have been proposed (e.g. Grapentine, 1996) and a variety of measurement approaches have been developed (e.g. Agarwal and Rao, 1996). Each has its strengths and weaknesses and, in the final analysis, must be evaluated in light of brand management’s purpose. Regardless of a particular conceptualization, measurement and tracking over time and across international boundaries are essential to manage and control brand equity effectively (Shocker et al., 1994).

This paper provides a synoptic overview of the global brand equity model and measurement system at PepsiCo, Inc. For the sake of brevity, three topics are addressed. First, the origin, purpose, and structure of the PepsiCo brand equity model are described. Second, the company’s global brand equity measurement and global tracking methodology is outlined. Finally, selected
managerial insights from brand equity modeling and measurement at PepsiCo are summarized.

**Brand equity model development**

Brand equity model development initiatives at PepsiCo originated at Frito-Lay in the early 1990s. After an exhaustive review of the then existing conceptualizations of brand equity and measurement procedures, an executive decision was made to create a proprietary model applicable to all major PepsiCo brands, both domestically and globally, that could be used to track brands over time. Model development focused on PepsiCo’s three primary businesses in the early 1990s, namely, soft drinks (Pepsi-Cola), snack foods (Frito-Lay), and quick service restaurants (KFC, Pizza Hut, and Taco Bell).

It was decided early on that model development should focus more on cross-category generalizability at the brand level than on product specificity. This decision supported the goal of having a single definition of brand equity to enable benchmarking against so-called “icon-stature” brands. Specifically, this permitted comparisons within PepsiCo’s product/brand portfolio (e.g. Pepsi-Cola and Doritos), against key competitors (e.g. Coca-Cola for soft drinks, McDonald’s for quick service restaurants) and relative to high-profile brands marketed by other consumer goods companies (e.g. Gillette and Nike).

A second, important goal of the model was to strike a balance between sensitivity (the ability to detect real equity changes) and stability (the absence of spurious or short-term fluctuations). Relatedly, other tools in place were designed to understand short-term peaks and valleys in awareness related to marketing support timing, marketing mix variables, and seasonality. The brand equity model was designed to detect only those changes that are truly “absorbed” by a brand – i.e. changes that translate to a sustainable impact and influence brand equity over a longer (annual) period of time.

An extensive examination of prior company quantitative and qualitative brand and consumer research studies, published literature (e.g. Aaker, 1991; Winters, 1991; Keller, 1993), and interviews with PepsiCo product, brand, and marketing research management personnel followed. The intent was to uncover those attributes that contributed to a favorable brand-consumer relationship across product categories – a key managerial question. Twenty-five attributes were developed and pre-tested in a full-scale pilot study conducted in 1993. Correlation analysis eliminated redundant measures. Factor analysis was used to collapse the remaining attributes into the key factors defining the model.

Two general factors emerged that contributed to a favorable brand-consumer relationship across product categories:

1. **Recognition** – How broad and deep is a brand’s awareness?; and
2. **Regard** – How do people feel about the brand? Both factors exhibited face validity and had been independently identified by others (Owen 1993). Further refinement of the model yielded four regard components –
Figure 1 displays the structure of PepsiCo’s Equitrak™ brand equity model. The four components of regard (each measured by several rated “attributes”) are weighted, and the resulting regard score is then adjusted for a brand’s recognition by multiplying the two measures. Subsequent diagnostics performed on the model yielded satisfactory results. Product usage and demographics were included in the final instrument, and the Equitrak™ brand equity model was used from 1993 through the present to track PepsiCo brands in the USA.

Global brand equity expansion and application

PepsiCo deployed the Equitrak™ brand equity model to track its major brands on a global scale in 1997, following its success in the USA. Approximately 1,500 consumers in each of 14 countries is surveyed twice annually via telephone interviews, or door-to-door when necessary.

In addition to PepsiCo brands, including the recently introduced Pepsi Max brand outside the USA, some 40-plus global brands in 12 product categories are tracked with the Equitrak™ brand equity model. Up to 30 local brands per country are regularly tracked as well. By late 1999, PepsiCo had created a brand × country × time period database consisting of over 6,000 Equitrak™ brand equity “scores,” in addition to Equitrak™ brand equity component data.

Results from each tracking wave are distilled and formally presented to senior PepsiCo executives and country managers. Comparisons are made between PepsiCo brands, competitive brands, and other global brands by
country over time. This presentation, supplemented with other competitive data, is used to focus managerial attention on how PepsiCo brands and marketing programs are performing.

Although important for goal-setting by brand, and tracking overall progress and liabilities in brand equity development, the model’s most important feature for management guidance is its diagnostic capabilities. Detailed analyses can be conducted to determine the specific nature of a brand’s rise or fall in overall equity relative to competitors. A sample of such a diagnostic analysis is shown in Figure 2.

A simple plot of a brand’s regard and recognition scores across time demonstrates the nature of a brand’s progress (or lack of it) in a given market. Figure 2 shows the development of brand equity for a snack brand over a two-year period in four countries. This type of analysis provides not only a snapshot of the rate of equity change, but also the components of that change. In the case of Spain, for example, the brand has grown in overall regard (among those aware), as recognition has simultaneously increased. Managers view this balanced picture of brand equity development as healthy. Progress against key competitors would be the next item for assessment.

In contrast, this brand’s progress in Australia has been strong in building regard, but relatively weaker in establishing recognition. Specifically, unaided awareness (i.e. top-of-mind awareness) was found to be lagging in this market. Marketing plans focusing on the communication program to drive broader brand awareness were initiated.

In a third market, Poland, progress against regard was slow, while recognition growth was strong. Here further analysis of attribute ratings that
comprise the overall regard score showed that the brand was viewed by consumers as not highly differentiated from those of competitors. Marketing programs focused on brand quality, value and uniqueness were developed to address these issues. Finally, the brand’s stable and favorable recognition and regard position in the UK indicated that prior and continuing marketing investments were achieving their intended effect. No remedial action was deemed necessary.

Managerial insights from global brand equity tracking
Development and applications of the Equitrak™ brand equity model have yielded several managerial insights for global brand management at PepsiCo and Frito-Lay. First, brand management personnel recognized that equity changes can be validly measured and reliably tracked over time. Furthermore, brand equity changes can be observed among sub-segments of consumers. An initial insight from the longitudinal results based on Equitrak™ tracking studies was that most mature brands, and notably “icon-stature” brands, are not subject to random volatility on a year-to-year basis.

Second, brand management recognized that the manner by which brand equity is built and nurtured often differs from country to country. In fact, the actual sources of brand equity may vary across countries in terms of specific attribute importance. This insight is consistent with views expressed by Keller (1998).

Third, by benchmarking PepsiCo brands against “icon-stature” brands further insights about and basic principles for effective brand building and brand management are made possible. For example, a brand whose perceived quality is falling while its awareness and differentiation remain high can look to see how other brands, and particularly “icon-stature” brands, in the same or similar situations addressed the issue.

Finally, brand management recognized that the amount and quality of marketing investments in a brand affect its equity position. Findings from Equitrak™ tracking studies, both domestic and global, indicate that:

- The impact of effective equity investments over time can be observed in the resilience of strong equity brands. These brands are able to weather periods of low or no marketing investment for a time with no measurable damage to equity. Eventually, however, equity does decline even for strong brands with no or low marketing investment.
- When brand equity does increase (decline), the change can be dramatic and cumulative over time if continuity of marketing investments is present (absent).
- Equity increases (decreases) are not solely a function of the dollar amount of marketing investment in a given year. The quality of the investment influences the dollar investment-brand equity relationship.
Excessive promotion and price discounting produce sales volume increases, but these same actions can result in a measurable decrease in brand equity in the short run.

In summary, the global brand equity model and measurement system at PepsiCo, Inc. represents a marriage of theory and practice in marketing. The scholarly literature on brand equity provided a valuable theoretical basis and a meaningful framework for conceptualizing brand equity in a manner that is applicable to all major PepsiCo brands. The description of the PepsiCo experience amplifies this literature by demonstrating its practical use in a global setting.

References