BRAND PREFERENCE BEING CHALLENGED

Published in The Journal of Brand Management, August 2014

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Abstract:

The past decade has witnessed significant shifts in both the macro and micro environments which have impacted all forms of marketing. The main objective of this study is to examine whether consumers' preference for manufacturer national brands today is as strong as it was, say a decade ago. Initial findings from a large-scale survey across multiple product categories indicate a decreasing preference amongst consumers for manufacturer-originated national brands. Interestingly, this is accompanied by a non-trivial increasing preference for the No Preference option in consumer questionnaires. Similar results were found when the authors delved deeper into three specific categories – cereals, cosmetics and OTC allergy medications. To validate and explain these results the study used two other data sources, the Customer Loyalty Engagement Index from Brand Keys and the brand value measures from BAV Consulting. Alternating measures and different methodologies only confirmed the initial findings. We found in both these data sources that consumers increasingly evaluate supposedly different brands in the category as being more and more similar. In other words, brands are operating in a smaller

competitive space and consumers are finding it increasingly difficult to differentiate brands. In short, most brands, and particularly those in the three categories which used data from three sources, face a high risk of 'commoditization'.

It has long been an article of faith that the development of brand preference was a mainstay in brand management and strongly contributed to overall brand success. First recognized in the 1940-1950s in the economics literature as "customer preference" (Modigliani and Brumberg, 1954 and Friedman, 1957), it evolved and emerged as brand preference in the advertising, marketing and branding literature in the 1960's (Lavidge and Steiner, 1961, Stafford, 1966; Dolich, 1969). While many attempts were made to mathematically demonstrate consumer preference (Arrow, Karlin and Scarf, 1957) it was not until the 1960s that a satisfactory consumer conceptual model was developed. That was provided by Lavidge and Steiner and was a primary component in their Hierarchy of Effects model. (Lavidge and Steiner, 1961) It has gained traction in brand management and measurement ever since, being perceived as a pre-cursor to consumer brand purchase (Aaker, 1999), brand loyalty (Oliver, 1999) and long-term brand success. (Cobb-Walgren, et al, 1995) Thus, brand preference has reached a status of being an academic and professional corner-stone in the development of most all brand strategies, applications and measurements ever since.

Over the years, many methods of determining and measuring consumer brand preference have been put forth both by both the professional and academic communities. (Zeithaml, 1988; Keller, 1993) Almost every major brand seems to have developed their own particular method of determining, measuring, tracking and evaluating the preference for their brand, brands or brand portfolio in the marketplace. (Keller, 1993; Aaker, 2009; Kapferer, 2012) Thus, brand preference measurement is seemingly a well-developed and well-accepted brand concept. (David, 1992; Hoeffler and Keller, 2003) Few brand managers or researchers even question the concept today. As the saying goes, "brand preference goes with the branding territory".

There have also been few challenges to the concept of consumer brand preference. Indeed, most of today's brand research and writing revolves around how to extend, expand or illustrate the basic concept. (Aaker, 2011; Keller, et al, 2011; Schultz and Block, 2011) Thus, brand preference seems a sacrosanct concept along with motherhood and apple pie, at least in the American academic literature. Certainly, there have been questions about how to best develop and deliver brand preference among customer groups, especially since brand preference appears to be somewhat volatile. (Aaker, 2009; Keller, et al, 2011; Kapferer, 2012) Brands and their preferences have gone up and down in the marketplace over time, with some losing their "preference" entirely and simply disappearing from the marketplace, i.e., Victrola, Woolworths, Rustler Steakhouses, White Rock, and others which once were household names but, are now seemingly gone forever. The concept of brand preference, however, lives on. (Kapferer, 2012)

All that seems to have changed, however. In 2012 Schultz and Block presented a paper at the ICORIA conference in Stockholm (Schultz and Block, 2012) which suggested that brand preference, as a measure of brand strength and value was declining, being replaced by the polar opposite concept of "No Brand Preference" in the specific manufacturer product categories they had studied. Using responses to a consumer online questionnaire in the U.S. on two consumer product brands, and using consumer-reported Net Promoter Scores (NPS) as a measurement approach, they demonstrated that overall manufacturer brand preference had declined in those two consumer product categories, i.e. ready-to-eat cereals and salty snacks. The preference for the individual product brands had been replaced by a consumer-choice response in those categories of No Brand Preference. (Schultz and Block, 2012) While brand preference in consumer product categories has been challenged by store brands and private labels over the years, this appears to be the first study that seriously questioned the value of all the brands in

specific product categories. (Schultz and Block, 2012) Following that study, Schultz and Block added to their database and constructed a U.S.-based consumer product brand preference study. That was based on 10 years of data which came from 1,100,000+ online responses, representing 74 product brand categories (all in categories sold in grocery/mass merchandise outlets) representing 1,500+ brands. In that study they found consumer No Brand Preference was growing in almost every brand and category they measured, i.e., No Brand Preference was replacing preference for almost all traditional consumer brands. That study was published in the Journal of Brand Strategy. (Schultz and Block, 2013)

Following the research and reporting of the increase in No Brand Preference from this major study, it was found that other brand research and tracking organizations were reporting the same findings. (Gerzema, 2013; Passikoff, 2013) While each of the other research groups, most of which are professional research organizations, i.e., BAV Research and Brand Keys CBLI, all report declines in overall brand preference among reporting consumers. (Gerzema, 2013; Passikoff, 2013) Thus, the authors of the original Schultz and Block studies, added an additional researcher, Viswanathan to the research team, and gained agreement from BAV and Brand Keys to include their findings in a longitudinal, triangulation study. This paper reports on that analysis. As will be seen, these findings all support the original Schultz and Block results: there has been a substantial increase in the consumer selection of "No Brand Preference" when asked for their brand preferences in a large number of consumer product categories.

Over the past few months, it has been found that other research organizations have also discovered the same issues in the area of consumer or customer No Brand Preference. Those have come from the published reports of their separate and independent studies. For example, in their report on their new brand measurement approach, called "Meaningful Brands"; Havas

Media found that among the consumers studied, the percent of respondents who reported they did not care "…….if over 73% of (the studied) brands ceased to exist". (Meaningful Brand Index, Havas Media, 2013) From personal correspondence, Integration Marketing and Communication, through their "Integration-IMC" studies have found that digital media has had a major impact on brands and brand preference, a finding similar to that of the Schultz and Block (Jamhouri. 2013) Finally, while their focus has been on corporate and B2B brands, Core Brands, another major brand measurement organization, found "….an unusual downward trend in (brand) Favorability ……overall market sentiment towards corporations is skeptical." (Core Brands, 2013) Thus, it appears that brand favorability and brand preference is declining for all levels of branding around the world. This is certainly a situation which should create concern among all brand managers, brand owners and brand researchers everywhere.

Given the importance of brand preference, it is important to provide an explanation for why that seems to be declining.   In order to do so, this study employs well tested frameworks such as brand value chain and consumer based brand equity concept, both of which explain how consumers' evaluation of different brands within a category and marketplace conditions together influence brand preference. For the analysis, the study not only uses data used in the earlier Schultz and Block studies but also new information obtained from brand tracking firms like BAV and Brand Keys. While we use different measures of brand equity (e.g., brand share, brand loyalty, brand value) and different methodologies (e.g., summary statistics, cluster analysis), we find remarkably similar results. The chief finding, as discussed later in this paper is that the "brand space is contracting", that is, the conceptual space occupied by brands in the consumer's mind is becoming smaller so that all brands are essentially perceived to be much the same…..thus, there is less and less reason to prefer one brand over another.

We hope to add other data sets going forward, i.e., finding methods of combining those other data sets into what is reported here. We believe if that can be successfully done, other studies such as the Havas data and others (assuming cooperation from the data owners can be gained) can be included in these results. Thus, we would hope to provide a global view of the status of brand preference among consumers around the world in the not too distant future.

We should note here, this research is entirely preliminary. There are major difficulties in combining the data sets since the information was gathered in different ways, using different assumptions and among different audiences. This paper does demonstrate, however, that a brand preference challenge does exist, at least among major U.S. consumer product brands. The next step is to determine why that has occurred and what is supporting that changing consumer and customer view about the overall value of the concept of brands and branding.

The rest of the study is laid out as follows. First, we report in detail on our observations and findings from the BIGinsight[TM] CIA data used in the original Schultz and Block studies. Specifically, we explain how our findings are consistent across a large number of product categories. We then delve deeper into three specific product categories, namely ready-to-eat cereals, cosmetics and OTC allergy medications. We then use two other data sources, the first being the Customer Brand Loyalty Index, used by Brand Keys and then brand value measures, used by BAV Consulting, for further analysis. The results from the analysis of these other data sources validate and explain our observations from the CIA data.

Theoretical Framework

Keller and Lehman (2003) provide a theoretical framework (Figure 1) to understand the important factors that determine the performance of a brand in the marketplace. According to them, interaction of how consumers' brand evaluations and marketplace conditions play a vital role in influencing brand performance. For instance, while the right consumer mindset towards a brand is a necessary factor, it is not sufficient to guarantee superior brand performance. The presence of appropriate marketplace conditions such as low threats from competition is necessary for the right consumer mindset to transform into superior brand performance. Below we conduct a brief review of prior work on these two factors and then explain their role with respect to the increasing trend of no brand preference.

[Insert Figure 1 here]

Consumer Evaluations and Brand Preference: According to Keller and Lehmann (2003, p.29), brand value is created when customers have a high level of awareness, positive brand attitudes and unique brand associations. Such associations should in turn influence attitudes that result in greater attachment and hence higher levels of brand activity. According to them, the right consumer mindset is crucial to realizing the benefits and value of brand equity. A brand is assumed to have greater brand equity when consumers respond more favorably to the firms' marketing activities. As Keller (1993 p.8) suggests, consumers' response to the firms' marketing activities can be measured in terms of their perceptions, preferences and behavior. More specifically, the favorability, strength and uniqueness of brand associations play a critical role in determining the differential response. In other words, when a brand has salient and unique associations, consumers should respond more favorably. Conversely, when consumers perceive a brand to be the same as the product category prototype, their response to that brand and any other hypothetical alternative would be similar.

From the point of view of this study, these frameworks are critical to understanding the increasing trend of no brand preference. The above studies suggest that strong and unique brand associations influence brand equity which in turn determines preference. And an increase in no brand preference is associated with decreasing levels of brand equity with consumers evaluating different brands within a category as being similar. Other studies too have shown that brand equity is closely linked to brand preference. Park and Srinivasan suggest that brand equity is in fact the difference between preference for a brand and preference for a product with objectively measured attribute levels. Cobb-Walgren et al. (1995) find that higher brand equity results in greater brand preference. Some studies (Agarwal and Rao 1996) even suggest that brand preference is an appropriate measure of brand equity.

To summarize, it seems that consumers have a strong and explicit preference for brands that have strong and unique brand associations. However, when consumers do not perceive a brand to be different from another brand that is the brand is 'typical' of the category, they are unable to explicitly state their preference for a particular brand. Such evaluations are reflected in their indifference between the options and consequently an increase in no brand preference. Based on these findings, we can therefore hypothesize that that an increase in no brand preference is associated with consumers increasingly evaluating different brands within a category similarly (H1).

Keller and Lehmann's framework also suggests that in addition to favorable consumer dispositions, marketplace conditions have to be suitable for a brand to perform. In the last few years, studies have noted that store brands have become increasingly popular and hence

powerful[1]. For instance, Batra and Sinha (2000) find that store brands succeed in categories that have more 'search' than 'experience' characteristics. As Batra and Sinha suggest, consumers perceive reduced consequences of making a mistake in such categories. Corjstens and Lal (2000) show that quality store brands can be effective in driving store loyalty. However, a surprising result from their empirical research is that quality store brands and national brands share a complementary role. While quality store brands help the store to differentiate itself and create loyalty, national brands enable the store to increase prices and profitability. In a more recent study, Hansen, Singh and Chintagunta (2013) find that certain households are loyal to store brands across a wide number of product categories.

In addition to the above studies, many others have studied the increasing popularity of store brands. Consequently, it then seems that the increasing trend of no brand preference is strongly associated with a rise in store brand preference. However, based on Keller's (1993) work stated earlier in this study, we know that consumers favorably respond to a brand due to its strong and unique associations. And consumers are indifferent between options i.e., do not have a preference, when brands share similar associations or are typical of the category. Based on this reasoning, the fact that consumers respond favorably to a store brand suggest that store brands have managed to build strong and unique associations for themselves in the minds of the consumer. Hence consumers who have a strong preference for store brands are perhaps distinct from those customers who are indifferent between different options in the category. We therefore posit that there exists a significant difference between increasing no brand preference and the rise in store brand preference (H2).

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[1] We are thankful to an anonymous reviewer for pointing this out.

To summarize, we make two important points. First, an increase in no brand preference is associated consumers increasingly evaluating different brands within a category similarly and second, marketplace conditions such as increasing competition from store brands are not associated with the increasing trend of no brand preference.

Data Analysis and Findings

BIGinsight^{TM} CIA Data:

Prosper Business Development (www.goProsper.com), based in Worthington, Ohio, has developed and provided business development services and market intelligence to a wide variety of U.S. based retailers, brand manufacturers, financial services and media organizations. Their focus has been on data gathering in the U.S. since 2001 and in China since 2006. They have conducted monthly, quarterly and semi-annual on-line consumer questionnaire studies in both markets. The results of these studies have been made available to various academic institutions through research grants and have been widely used in various types of academic research. (Bickle, 2012; Schultz and Block, 2010, 2011, 2013)

This study makes use of the BIGinsight™ CIA Monthly Consumer Studies, which consists of a monthly on-line consumer questionnaire distributed, and responded to, by approximately 8,000 U.S. respondents in each wave. The data set used in this study is based on the aggregated results of 130 months of those questionnaires (January, 2002 through October, 2012).Those questionnaires generated a total of 1,101,375 responses, an average of 8,472 respondents per questionnaire wave.

For this study, we identified consumer responses to questions in 16 broad consumer product departments found in retail food stores and mass merchandisers. They included such aisles and categories as household cleaning products, snack foods, frozen foods, breakfast cereal and the like. Although not all retail stores use the same categorization system, consumers seem to accept them in the same way as they shop the retail outlets. Therefore, we have organized our data in the same fashion.

Those 16 broad supermarket departments comprised a total of 131 product ranges and 73 specific product categories, each of which has further detail in terms of reported data for each of the individual brands. The file therefore consists of brand usage, brand preference, brand purchased last and a number of other factors for the 1,526 individual brands studied. (We should note here that the definition of a "brand" is based on a write-in response from consumers. Thus, to consumers, the product line identified is a brand whether technically it is or not). Since all captured data came directly from consumer responses in the questionnaire, we have not tried to interpret or re-categorize what those respondents reported.

The value of this level of data gathering enables us to drill down into specific brand data on products and categories if desired. That is, we can further investigate categories such as energy drinks, antacids, baby food, paper towels, shaving and accessories and other classifications as needed or wanted and into individual brands as well. Unfortunately, this mass of consumer reported data created some complications in how to describe and define our discussion of the data set used in the development of this paper. Given the amount of data available, it is difficult to provide specifics on each of the individual brands analyzed. Thus, we have simplified the data, as is described in Section IV which follows.

Developing Brand Measures: A key measure in the analysis which follows is the consumer's response to a number of questions on brands and branding, how they are viewed, how they are used, what influences their brand choice, usage and the like. A critical question related to whether or not the respondent would recommend the specific brand to friends, relatives, acquaintances and the like is also included. By knowing respondent product usage, and whether or not those experiences were shared with others, we were able to create a Net Promoter-type Score (NPS) for each brand and for each retailer as reported by each respondent. Further, we were able to then aggregate that data up into product line, product category and the like. In developing the NPS number, we used the format developed by Reichheld (Reichheld, 2003) and employed by Satmetrix (2012) for commercial purposes in creating and measuring NPS ratings. (The general calculation is based on a 10 point scale which brand users complete to record their level of satisfaction with the brand or store. Consumer rating scores of 10 and 9 are combined for all respondents to create a total "promoter" score. Those giving recommendation scores of 1to 6 are then totaled as "detractor" scores. Those are then deducted from the "promoter" total which provides the "One number you need to know" NPS score as advocated by Reichheld. (Reichheld, 2003) This NPS methodology, although it has been challenged by some (Owen and Brooks, 2009), is currently used by thousands of organizations around the world to determine their level of customer satisfaction and to forecast the future growth trends of their brands and the overall organization. (Reichheld, 2006) Thus, we believe it is sufficiently robust to provide the information required in this paper.

Using these approaches and calculations, we were able to calculate the NPS score for each of the individual brands in all of the 73 individual product categories, that is, for all the 1,526 brands included in this study. We were also able to calculate an NPS number for each of

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the retailers named in the questionnaire by respondents (identified as "Store" in the tables and discussion) as to where they shopped or purchased the brand in question. It should be noted that the questionnaire required respondents to identify the particular retail store where the individual brand was purchased and to provide information necessary to calculate an NPS score for each retailer as well.

This individual retailer NPS score was a key ingredient in the overall analysis. It allowed the indexing of the NPS retailer score against the NPS score for the individual brand. Thus, it was possible to identify which manufacturer brands are stronger than the store brand, and, of course, the alternative view. Again, this data and data matrix, when indexed and categorized, is so large and complex that only aggregated data can be provided in this paper.

Results from Analysis across Categories: In measuring the Net Promoter Scores for the 1,526 brands represented in the 73 individual product categories, it was found that many of them had lower NPS scores than the retail stores where the brand was reported as being purchased, i.e., the Store NPS. In other words, the retail store NPS score, indicating consumer preference, was commonly higher than the manufacturer brand score. Thus, it seems consumers are first selecting the retail store and then selecting from the array the retailer has assembled. An example of that finding is illustrated in Table 1 below.

Table 1 Goes About Here

Market Performance of Stores and Products

Table 1 provides an aggregated comparison of the reported shares of each individual brand in the product category for both the Store and the Brand. The calculation was simple: the

leading brand, in this analysis was determined by simply identifying the brand with the highest reported consumer preference score in each of the 73 product categories. The same was done for the calculation of the leading Retailer in those same categories, using the same approach, that is, i.e., the greatest preference for each retailer in each product category was determined. Those scores were then aggregated and averaged to provide the output shown. (The Share Leading Brand should be read as "the share of brand preference of the retailer in that category" and, the Products line should be read as "the share of brand preference for the leading brand in that category"). As can be seen, the Share of Preference score for the Leading Store is generally substantially higher than that of the score of the Product Brand in this aggregated total. More evidence of that difference is shown by the AGR (Average Growth Rate) for the Stores, all of which are positive (+0.54%) while the AGR for Product Brands is decreasing on average by -1.68% over the ten years.

What is more disturbing for the Product Brands, however, is the growth of the "No Brand Preference" classification. Again, recall, in the CIA Monthly Consumer Survey data, this is a consumer reported statement, that is, it is an active choice by the consumer of "No Brand Preference" in that particular product category and was selected by them. As can be seen, while the share of No Brand Preference is growing for both Stores and Product Brands, the percentage reporting this occurred in only about 25% of the sample base for the Stores, while it was just over one-half for the Product Brand. That simply means that over 50% of all consumer responses over the 10 year period reported they had "No Brand Preference" in the average Product category. Again, what is most disturbing for both Stores and Brands is that the AGR for both, when stated as "No Brand Preference", continued to increase in total during the ten year survey period.

A final data point is relevant here. The Average Net Promoter Score for the Stores was a +19.48, a very strong showing in the NPS system, while the aggregated Product Brand NPS score was a negative -9.07. This means the recommendations consumers gave to their Product Brands, in terms of "Detractors" values, was greater than that of "Promoters" for almost all the brands in all the categories, when averaged together for the ten year period. Thus the growth of "No Brand Preference" is broad scale and pervasive among all these food store stocked brands. This is, and should be, a very disturbing finding for all brand managers no matter what brand they represent or in what field.

In a majority of the 1,526 individual Product Brands, when compared to the scores of the retail Store Brands, the preference for the individual Product Brand was consistently lower than it was for the Store Brand. The aggregated data in Table 1 clearly points that out. Thus, it is clear that the responding consumers in these ongoing studies, place more faith in the Store Brand, and are more willing to recommend it to others, than they were for the Product Brands which are stocked in those same stores. This issue of store loyalty vs. brand loyalty has been a recurring theme in both academic and practitioner research for some time. (Keller, 1998; Kumar, 2008) This finding does clarify considerably the unresolved question in the literature about whether there has been, or whether there still is, a major shift among consumers in terms of Product Brand loyalty versus Store Brand loyalty. From this data, it appears consumers are placing more brand faith in the retailer, that is, letting the retailer make the first level brand decision for them, and then selecting from the product shelf array available when doing their actual shopping. Tables 2 and 3 support that view.

Table 2 Goes About Here

Top Leading Brand Categories

In Tables 2 and 3, all category and brand data in the analysis has been aggregated into quintiles for easier analysis and explanation. In Table 2, the quintile with the Product Brand category showing the highest share of brand preference (in this case, the share of brand preference was calculated by summing all consumer Brand Product mentions in each category and then ranking those findings to identify the brand with the most mentions, thus creating the share of brand preference used in this analysis). Thus, the brand shown in the chart is the one with the highest number of mentions in the brand category. Using the 73 product categories, the five deciles were created. Those came from the 14 Product categories in the highest and lowest quintiles and 15 Product categories in each of the other three, i.e., the middle deciles.

In Table 2 (above) this first decile consisted of 14 product categories. The leading brand, in terms of share of preference in each of the product categories, is shown in the Table. In this case, Clorox is the leading brand in the Bleach category with a "brand preference share" of 42.01%. (Note: this brand preference share is based on consumer responses to the CIA-MCS questionnaires, not on actual marketplace sales) The Clorox share of customer preference declined by -3.36% over the ten year study period. The Store Brand, where the Clorox product was purchased, had a much lower share of customer preference, on average 8.61%, but, the Store share of consumer preference by mention, increased by +4.95% during the decade. That, we believe, demonstrates a decline in Product Brand preference for Clorox, being replaced by a growth in customer Store brand preference. What is most interesting in this example; however is that the No Brand Preference rating was almost the same as that of the Clorox Brand, i.e., Clorox = 42.01%, No Brand Preference =40.21%. In other words, there were almost as many

respondents who said they had No Brand Preference in the Bleach category as said the preferred Clorox. More important, however, is the fact that No Brand Preference grew in customer choice over the period, while the Clorox brand preference was declining, i.e., Clorox AGR = -3.36%, No Brand Preference +4.15%.

Similar comparisons can be made with other Product Brands and Store Brands and the No Brand Preference ratings in Table 2. Only three of the 14 Brands in this quintile increased their share of brand preference over the ten year period…..Kleenex in Facial Tissues, Gatorade in Sports Drinks and Charmin in Toilet Tissues. In all three of those instances, No Brand Preference actually declined when compared to preference for the brand, i.e., -2.71% for the Kleenex category, -1.15% for the Gatorade category and -4.78% for the Charmin category. Thus, there is evidence that, while on average, all brands are declining in terms of share of brand preference in the CIA-MCS data, some brands have been able to maintain, and even increase, their consumer franchise. These anomaly brands are ones that should be further studied to determine how they were able to accomplish that feat.

Even in the Product Brands where growth occurred, not all the findings are positive. For example, in the Sports Drink category, 61.20 % of the respondents said they had No Brand Preference in that category. Thus, while Gatorade is the dominant brand, a majority of the consumers say they simply don't have a strong enough brand preference to encourage them to buy Gatorade or any other branded Sports Drink, opting instead for No Brand Preference. Overall, consumers seem to be increasingly ambivalent about brands in this and other product categories as well.

Table 3 shows the reverse side of the Product Brand Loyalty coin. This summary calculation shows those Brands in the quintile which have the lowest share of brand preference for the individual Brands by category across the entire study.

Table 3 Goes About Here

Lowest Leading Brand Categories

All the Product Brands shown in Table 3 have brand preference shares of less than 7% in the category. (Recall, in this study that means the brand was the one that received the most mentions in that category and the number is the percentage of all mentions.) Some of these low brand preference scores in various categories may be the result of the fact that there are multiple brands competing in that category and thus, no single brand stands out. Alternatively, it may well be that the Brands in these categories are more specialized, i.e., patent medicines, hair coloring and rinses, and baby products and thus appeal to a more limited number of customers since they are likely infrequently purchased. Whatever the reason, however, it is clear that, in spite of the substantial amounts of money that have and are still being spent promoting the brands in these categories, little brand preference has been developed. While the Brands are well known and easily recognized by the consumer, such as Gerber, Stouffers, Oil of Olay, Clairol and the like, they have not created sufficient consumer demand to overcome the consumer vote of "No Brand Preference" in their particular product category. In fact, in almost all No Brand Preference ratings, the scores are in the 70% to 80% range. And, for the most part, the AGR of No Brand Preference is continuing to grow.

What is interesting in this analysis, however, is the much lower Store Brand market share compared to that found in Table 2. In this quintile, many Store Brand categories fall in the single digits, and in almost all cases, they have been declining over the survey period. One of the reasons for these low Store Brand scores may well be that the food store is not the primary retail outlet for these particular Product Brands; for example, the consumers may well be using drug retailers or discount outlets as their primary purchasing locations for these categories and brands. That finding raises an interesting question: while Product Brand managers commonly value broad retail brand distribution, and see it as a marketplace advantage, the CIA-MCS data seems to say that the broader the distribution base, the lower the Brand preference at retail and the higher the No Brand Preference in the food/grocery stores where the brand is stocked. This is a most interesting finding and one that deserves future research attention.

When these findings are broadly extrapolated, it means that the methods and approaches historically used to define and measure brand value likely need to be re-thought. Several other researchers have raised these same issues so there seems to be convergence of this idea.

Store Brand Preference and No Brand Preference

While there is support for our premise that Product Brand preference is indeed declining, it is important to determine if that is on an individual brand basis or more widespread across all the 1,526 brands studied. Tables 2 and 3 clearly show the decline of Product Brand Preference in many categories but, the aggregated data is likely more relevant to support the proposition presented in this paper. Therefore, we aggregated all the 1,526 brands in the 73 individual product categories identified in the CIA-Monthly Consumer Study data and used that to construct our findings. We further aggregated all the NPS findings for individual retailers in a

separate file. We then merged the two. The result is the aggregated report shown as Table 4 below.

Table 4 Goes about Here

Leading Share Quintiles Categories

As shown, using quintile analysis, five basic product groups were created. As before, those were done by using the leading Product Brand share of brand preference for the top brand in each of the 73 product categories. The Product Brand Share of was then used to create an array of Product Brands with the highest product brand preference share in the top quintile (#5), with the others following in descending order. We thus created 15 product categories in each of the three middle groups and 14 product categories in the first and last quintiles, for a total of 73.

The quintiles were then arrayed based on the descending mean score of the Product Brand Preference score within each of the categories. As shown, quintile #5 (the top quintile) had an average mean Product Brand share of 31.22% while the lowest Product Brand quintile had a mean Product Brand share of only 5.25%. We further calculated the AGR (Average Growth Rate) for all the brands in the Product Brand quintile. In each case, over the ten year period, as shown, all declined. We did the same for the Store Brand during the reporting period. While the mean Store Brand preference score on average was much lower, in the top two quintiles, the Store Brand did indeed grow over the decade. What is most interesting about these calculations is that of the calculation of No Brand Preference. In all five quintiles, No Brand Preference was above 40% in overall share of preference with decile #1 registering 68% based on consumer rankings. That was higher in preference share than any Product Brand share of

preference. Most importantly, however, is that in all five quintiles, the No Brand Preference AGR increased over the ten year measurement period, in one case, that of the highest Product Brand quintile, by nearly +3%.

To confirm if there is an in fact a significant difference between the increase in no brand preference share and that of store brands, we conducted a paired comparison test. We found that across the five quintiles, increase in no brand preference (Mean = 1.35, SD = 1.08) was significantly different ($p < 0.00$) from that for store brand preference (Mean = -0.87, SD = 1.26). There results therefore support H2 and confirm that the increasing trend of no brand preference is not significantly associated with the rising popularity of store brands. It is also important to note here that the operationalization for no brand preference in this study is unique and consistent with its definition. Subjects were explicitly asked to state their preference for a brand that explicitly included store brands. No brand preference was an additional option provided to them. While studies using sales data could identify consumers who do not have a clear brand preference, it would be exceedingly difficult to do so. Such studies would either need a survey where consumers explained their purchase decisions or use quantitative techniques and measures with inherent assumptions on the definition of no brand preference (e.g., entropy).

Clearly, based on this longitudinal analysis, Product Brands seem to be in trouble. Their brand preference scores, as reported over time, are declining. Store preference, as indicated by the NPS scores seems to be growing but, most importantly, the overall surge in the customer's choice of No Brand Preferences does not augur well for Product Brands

Analysis of Specific Product Categories: To get a clearer sense of what is happening in individual categories, we chose three categories at random for further analysis. Specifically, we picked one category from each of the food, personal care and OTC pharmaceutical businesses.

Most consumer packaged goods companies compete in these three areas and, hence, it is important to determine if our cross-category findings hold at the individual category level too. We picked the ready-to-eat cereals category from the foods business, cosmetics category from the personal care business and OTC allergy medicines (syrups) from the OTC pharmaceutical business. We computed the brand preference share for product brands in these three categories as explained before. We did, however, simplify the data by only reporting the findings for 2011 and 2012 in the explanation. The results are shown in Tables 5, 6, and 7.

Tables 5, 6 and 7 go about here

Share of Brands and No Preference for Cereals, Cosmetics and OTC Allergy Medications

We can observe from Table 5 that the share of all the brands in the cereals category has seen little change. However, the share of No Brand Preference has gone up from 3.4% in 2011 to around 4.2% in 2012, an increase of nearly 25%. The market share for No Brand Preference in the cosmetics category is even more disturbing. (Table 6). While "Other" makes up 31.8% of category mentions, No Brand Preference is the most frequently mentioned option in this category with a mention share of 22.2% in 2012. This is indeed surprising in a category where all brands are well supported global brands such as Revlon, L'Oreal and Oil of Olay. The OTC allergy medication category reveals similar results. No Brand Preference has a preference score share of 13.7% in 2012, an increase of nearly 30% over its preference score share in 2011. And most brands in this category have either witnessed a drop in their preference score shares or registered only modest gain at best.

We should also note there that the responses to manufacturer brand preference generated a substantial number of "store brand" and "other brand" preference choices by consumers in addition to the "no brand preference". When these are combined, they commonly outdistance consumer preference for any of the individual brand preferences reported. That can be clearly seen in Tables 5, 6 and 7.

To summarize, it seems that the No Brand Preference option is already dominant in certain categories and gaining momentum in others. While a key objective of a branding strategy is to differentiate the brand in a meaningful way from competition, we find that consumers simply are quite dispassionate about current branding efforts and are increasingly choosing the No Brand Preference option. The findings of this study will likely meet with much opposition from branding advocates, particularly those who prefer verification of their views through attitudinal studies such as brand tracking studies. We therefore took another step to help validate our findings.

Brand Keys Data Analysis: In the consumer products field, Brand Keys, the brand consulting organization, has been conducting their Customer Loyalty Engagement Index for the past sixteen years. Their annual study covers 39,000 consumers in the U.S. They say: "Brand Keys identified 11 product categories, mostly CPG (fmcg) where the value of the brand or emotional brand value has decreased. It is the first time we have seen such consumer reaction." (Passikoff, 2013) We are grateful to Brand Keys for providing us the Engagement Index measures for brands in the three categories mentioned above from 2004 to 2013.

We use the engagement index for each brand in each of the 3 categories for the analysis. The findings from this data are straightforward yet insightful (Table 8). We find that the average engagement index for each category has not seen much change from 2004 to 2013. This is

perhaps due to the fact that the index for each brand is relative to an ideal or exemplar for the category and this has not seen much change. However, we find that in each category there is a significant reduction in the variance of the engagement index for different brands. For instance, the variance in the engagement index for the cereals category fell from 28.05 in 2004 to just 3.29 in 2013. Similarly, the variance in the engagement index for brands in the cosmetics category too has witnessed a sharp fall, from 41.24 in 2004 to just 2.81 in 2013. Finally, the OTC allergy medicines category has also witnessed a significant drop in the variance of the engagement index from 20.67 in 2004 to 9.60 in 2013. Other summary statistics also reveal similar results. For instance, the index range for each category, calculated as the difference between the highest and the lowest indices for that category, has shrunk over time as well. The range of the engagement index in 2013 compared to that in 2004 has decreased by nearly 68% for cereals, for cosmetics by 76% and for OTC allergy medications by 25%.

The steep decline in the variance and range of the engagement index across categories strongly suggests that brands are not as significantly differentiated from each other in 2013 as they were in 2004. It definitely seems that consumers are beginning to evaluate all brands in a category in a similar fashion. Categories now have fewer exemplars than before, and brands are now simply synonymous with the category with few or no differentiating features. These findings provide an interesting backdrop to results from the BAV Consulting data analysis which is described below.

Table 9 goes about here

Summary Statistics for Customer Loyalty Engagement Index

BAV Consulting Data Analysis: BAV Consulting has been conducting consumer studies of brand impact on business metrics such as pricing, loyalty and P/E ratios since the early 1990s. They collect 75 metrics on 40,000 brands in 50 countries each year. Thus, they have one of the largest and most complete brand databases in the world. Their most recent study findings confirm that brand value is indeed declining. (Gerzema, 2013) In this study we use two important metrics of brand value as conceptualized by BAV Consulting, namely 'Brand Strength', which is considered a measure of future growth value and 'Brand Stature' which is considered a measure of current operating value. While the BAV uses Pillars Differentiation and Relevance to drive Brand Strength, the Pillars Esteem and Knowledge drive Brand Stature. We are grateful to BAV Consulting for providing us data on Brand Strength and Brand Stature measures for brands in the three categories mentioned above for the period 2002 to 2012.

For each of the three categories, we tracked Brand Stature and Brand Strength scores for different brands over time. We used these measures as bases and plotted the various brands by year on a positioning map. Figure 1 provides information on how BAV Consulting classifies the four quadrants of a positioning map with Brand Stature and Brand Strength as the axes. In the interest of brevity, we include the plots for four of the eleven years that we have data for - 2002, 2006, 2010 and 2012. The plots for the ready-to-eat cereals category are in Figure 2, the cosmetics category in Figure 3 and the OTC allergy medicines category in Figure 4. The dots in each plot indicate the coordinates i.e., Brand Strength vs. Brand Stature, for different brands in the category. The plots reveal that the movement of brands in all the three categories is remarkably similar and provide two interesting insights.

Figures 1, 2, 3 and 4 go about here

First we observe in all three of the categories, the distance between brands on average was greater in 2002 than in 2012. Further, overall brands occupied a larger competitive space in 2002 than they did in 2012. The plots for the intermediate years 2006 and 2010 clearly reveal how consumers have changed their perception of these brands over time. Second, we observe that most brands in 2012 occupied those quadrants which would be termed 'unfocused' and 'fatigue' in 2002. This suggests that most brands are worse off in 2012 for both current operating value as measured by Brand Stature and future growth value as measured by Brand Strength as compared to 2002. To summarize, it seems that brands are not only less differentiated from each other in the eyes of the customer, but, are also generating less value to customers than they have in the past.

Table 9 goes about here

Coefficients obtained from Agglomeration using a Hierarchical Cluster Analysis

To conduct a more rigorous examination, we carried out a cluster analysis of these BAV studies in the three categories. The results from a hierarchical clustering process for ready-to-eat cereals, cosmetics and OTC allergy medicines are shown in Table 9. In this technique, a significant jump in the coefficients obtained from agglomeration of the brands suggests the presence of a cluster. The highlighted (bold) coefficients in Table 9 indicate that the number of clusters for ready-to-eat cereals has dropped from five in 2002 to two in 2012, for cosmetics from six clusters in 2002 to just one cluster in 2012, and for OTC allergy medicines from four clusters in 2002 to two clusters in 2012. The results support our argument that brands are now huddled much closer to each other than they were in earlier years, i.e., they are less and less different and more and more similar. In fact, the presence of only one cluster in the cosmetics category, which comprises of both mass market and premium brands in our data, is surprising to

say the least. In cosmetics, where it is assumed brand differentiation is the key goal of the marketer, whatever is being done seems to be failing.

Other clustering techniques produced similar results. We used a K-means clustering technique to forcibly split the brands in the cereals category into two clusters from 2002 to 2012. We then obtained the cluster centers and found that the distance between the clusters shows a decreasing trend over time (Figure5). We therefore again find support for H1 that brands today are positioned more closely to each other in the eyes of the customer than they were a decade ago.

Figure 5 goes about here

Decreasing Distance between Clusters in the Cereals Category over Time

Discussion and Implications: The past decade has witnessed significant shifts in the way business is conducted and how consumers make choices. Easier access to international markets and the rise of Web 2.0 technologies are just a few examples of such changes in the market place. Therefore, the main objective of this study was to examine whether consumers' preference for manufacturer national brands today is as strong as it was, say a decade ago. Interestingly, our initial findings from a large-scale survey indicated that there is a decreasing preference amongst consumers for manufacturer-generated national brands which are generally regarded as high equity brands. However, a more interesting finding was that there is an increasing preference among consumers for the No Preference option. This was found across a large number of product categories.

In order to validate and explain these results, we utilized prior work on brand value chains and consumer based brand equity. These frameworks have been rigorously tested by

many studies over the past two decades. In addition to the data used by the earlier Schultz and Block studies, for the analysis we used two other data sources namely the Customer Brand Loyalty Index from Brand Keys and also measures of current and future brand value from BAV Consulting. The use of alternate measures and the employment of different methodologies did not alter the result. We found in both these data sources that consumers increasingly evaluate different brands in the category as being more and more similar. In other words, brands are operating in a much smaller competitive space and thus, consumers are finding it increasingly difficult to differentiate one brand from another. The result? Commoditization seems to be developing in spite of the increased spending by some brands in traditional media and the increasing focus by others on new marketing and branding techniques such as the use of social media. In short, most brands, and particularly those in the three categories which used data from three sources, find that the risk of being appraised by consumers as commodities is very real, that is, it is high today and growing higher.

The short-term and long-term implications for marketers who face decreasing levels of brand preference are huge. In the short-term, brands have to spend more on tactical marketing efforts, say promotions, to incentivize customers to switch from other brands simply to maintain top line sales. However, it seems reasonable to assume that competition will also engage in such activities. Therefore, it appears such short-term marketing efforts would not only be inefficient, but, most likely also ineffective. From a long-term strategic point of view, the clustering of brands and consequent brand switching behavior makes it difficult for marketers to identify and separate out specific target markets. Without a clear understanding of customers, it would seem to be increasingly difficult for brand managers and their agencies to craft effective, much less efficient, long-term brand strategies. As is evident from this study, it already seems that

investments in brand building efforts have failed to effectively influence the consumer and have paid little dividends to this point. Such failures in turn are bound to affect long-term performance measures. In an era where accountability for marketing efforts is paramount, the increasing trend of No Brand Preference in multiple categories would appear to pose serious risks to marketing's and branding's credibility.

While the aim of this study was to provide concrete evidence of consumers increasingly choosing the No Brand Preference option, more work needs to be done to understand why consumers evaluate all brands in a category similarly. Presumably, several factors could lead to this outcome. For instance, future work can look at whether an increasing number of firms, products and line extensions in the market place have led to a downfall for the category as a whole. Future work can also examine whether shorted reaction times by competitors and introduction of incremental innovations have led to similar and perhaps lower evaluations for brands in the category. An important line of future research should likely focus on the changes, not only in the marketer's media mix but also on the radical changes in consumer use of various media forms, i.e. the decline in the use of traditional media and the growth digital and social media forms. Consumers today have easier access to brands and their network of friends and acquaintances through digital media. Sharing information is much easier today than it was a decade ago, and it's possible that consumers, who are now better informed, evaluate all the brands in a category in similar ways. Or, it may be with the ease of social media; those evaluations have taken on radically different approaches and models. Futures studies can also conduct similar large scale analysis for other product categories such as technology, luxury brands and services. The results from these types of studies would definitely further our understanding of how consumers evaluate firms' marketing efforts and their branding strategies.

One thing does seem clear from this analysis of brand preferences…..they are declining and they are radically changing. Thus, the traditional methods of understanding and measuring brands may no longer be adequate or even relevant. If the brand is one of the major assets of an organization, as many of the brand valuation groups suggest (see Brand Finance (brandfinance.com), Interbrand (Interbrand.com), Millward Brown (millwardbrown.com) then, what is being done with brands and branding is simply not working with customers and consumers. That in and of itself would seem to demand greater attention to how brands are built and maintained.

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Figure 1

The Influence of Consumer Mindset and Marketplace Conditions on Brand Performance

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┌──────────────┐                              ┌──────────────┐
│   Consumer   │ ──────────────────────────▶  │    Brand     │
│   Mindset    │              ▲               │ Performance  │
└──────────────┘              │               └──────────────┘
                              │
                       ┌──────────────┐
                       │ Marketplace  │
                       │  Conditions  │
                       └──────────────┘
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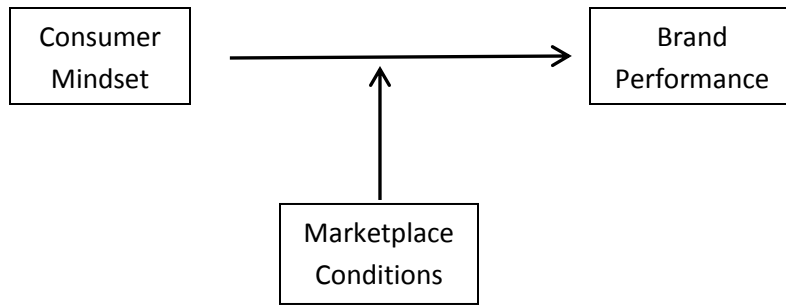
Table 1
Market Performance of Stores and Products

	Stores*	Products**
Share Leading Brand	26.52	15.89
AGR Leading Brand	0.54	-1.68
Share No Preference	25.66	50.22
AGR No Preference	1.21	1.38
Net Promoter Score	19.48	-9.07

*Preferred store where product purchased
**73 product categories averaged over 10 years

Table 2
Top Leading Brand Categories

Category	Leading Brand	Leading Share %	AGR Leading Brand %	Store Brand Share %	AGR Store Brand %	No Preference Share %	AGR No Pref. %
Bleach	Clorox	42	-3.36	8.6	4.95	40.2	4.15
Glass Cleaners	Windex	40.9	-4.39	5.2	-2.81	43.4	6.3
Razors	Gillette	35.8	-1.76	3.5	5.65	33.9	1.79
Aluminum Foils	Reynolds	35.8	-2.24	11	-3.33	42.2	3.13
Facial Tissue	Kleenex	35	1.14	5.8	4.41	34.4	-2.71
Dish Detergents	Dawn	30.9	-2.21	2.5	-3.06	41.8	6.45
Toothpaste	Crest	29	-2.69	0.7	4.5	24.2	6.64
Baby Shampoo	J & J	28.9	-3.36	2.1	-4.77	50.4	2.43
Insect Repellent	OFF!	27.6	-3.16	--	--	56.6	1.47
Tooth Brushes	Oral B	27.5	-1.21	2.7	1.74	32.6	2.25
Sports Drink	Gatorade	26.5	0.34	--	--	61.2	-1.15
Laundry Detergent	Tide	26.5	-3.4	2.1	2.03	32.9	12.06
Food Storage Bags	Ziploc	25.8	-2.38	9.1	-0.9	40.6	3.34
Toilet Tissue	Charmin	24.8	3.46	5	4.66	26.9	-4.78

Category	Leading Brand	Leading Brand Share %	AGR Leading Brand %	Store Brand Share %	AGR Store %	No Preference Share %	AGR No Preference %
Cough Medicine - Child	Robitussin	3.14	-8.29	1.69	-4.92	82.79	0.39
Fiber Supplements	Metamucil	3.64	-3.17	2.29	-1.83	80.25	-0.21
Pain Relievers - Creams	Icy/Hot	3.71	6.24	2.94	-2.90	76.94	0.31
Cold & Flu - Children	Tylenol	3.88	-4.7	1.51	-4.89	85.30	0.30
Sinus or Allergy	Benadryl	4.74	-1.28	5.24	-2.74	65.11	1.51
Mousse/Styling Gel	Suave	5.15	-4.44	0.75	-2.66	65.08	0.32
Baby Bottles	Gerber	5.26	9.15	1.26	-12.81	70.63	-2.41
Non-Disposable Containers	Rubbermaid	5.58	-6.17	4.59	-0.80	68.57	1.30
Dinner Entrees	Stouffers	6.19	-7.67	1.57	4.59	50.95	1.95
Facial Cleansers	Oil of Olay	6.28	-3.95	0.32		54.54	-0.42
Coloring/Rinses	Clairol	6.29	-6.58			74.32	-0.02
Breakfast Bars	Quaker	6.30		1.37		62.38	
Napkins	Bounty	6.40	12.49	14.85	-0.25	55.71	-0.39
Hair Spray	Suave	6.92	-3.56	0.51	1.21	63.11	0.51

Table 3
Lowest Leading Brand Categories

Table 4
Leading Share of Preference Quintiles Categories

Quintile	Leading Brand Share %	AGR Leading Brand %	Store Brand Share %	AGR Store Brand %	No Preference Share %	AGR No Pref. %
5 (Top)	31.22	-1.8	4.15	0.93	40.09	2.96
4	20.05	-1.91	3.05	0.27	46.77	1
3	13.61	-2.51	3.51	-1.3	42.95	2.23
2	9.64	-0.41	3.82	-2.24	53.55	0.32
1	5.25	-1.57	2.78	-2	68.26	0.22
Total	15.89	-1.64	3.46	-0.88	50.22	1.34

Table 5			
Share of Brand Preference Including No Brand Preference in the Cereals Category			
Brand	**2012 Share**	**2011 Share**	**Difference in Share**
Kelloggs	24.5	23.4	1.1
Cheerios	20.2	21	-0.8
General Mills	4.8	5	-0.2
Special K	3.7	4.9	-1.2
Post	3.3	3.6	-0.3
Kashi	3.1	3.7	-0.6
Frosted Flakes	3	2.5	0.5
Quaker	2.6	1.3	1.3
Raisin Bran	1.9	2.2	-0.3
Store Brand	18.9	17.5	-0.3
Other	14	14.8	-0.9
No Preference	4.2	3.4	0.8

Table 6			
Share of Brand Preference Including No Brand Preference in the Cosmetics Category			
Brand	**2012 Share**	**2011 Share**	**Difference in Share**
CoverGirl	19.2	20.8	-1.6
Maybelline	13.1	12.8	0.3
Revlon	7.6	7	0.5
L'Oreal	6.7	6.2	0.5
Avon	5.5	7	-1.5
Clinique	4.1	4.2	-0.1
Mary Kay	3.5	3.9	-0.4
MAC	3.1	3.3	-0.2
Oil of Olay	2	1.4	0.7
Almay	1.8	2.1	-0.2
Estee Lauder	1.7	2.1	-0.4
Other	31.8	29.3	2.5
No Preference	22.2	22.7	-0.5

Table 7
Share of Brand Preference Including No Brand Preference in the OTC Allergy Medications Category

Brand	2012 Share	2011 Share	Difference in Share
Benadryl	14.10	14.80	-0.70
Claritin	11.30	10.40	0.90
Zyrtec	7.40	7.60	-1.00
Sudafed	6.30	8.70	-1.30
Tylenol	5.80	7.70	-1.40
Allegra	5.00	5.90	-0.80
Advil	4.80	4.70	0.10
Store Brand	26.20	24.80	3.70
Others	19.10	15.40	3.70
No Preference	13.70	10.30	3.40

Table 8
Mean and Variance of the Customer Loyalty Engagement Index

Category	Year	Mean	Variance	Range (max-min)
Cereals	2004	123.36	28.05	19.00
	2013	118.09	3.29	6.00
Cosmetics	2004	128.17	41.24	17.00
	2013	128.58	2.81	4.00
OTC Allergy Medications	2004	111.33	20.67	12.00
	2013	110.00	9.60	9.00

	Cereals		Cosmetics		OTC Allergy Meds	
Stage	2002	2012	2002	2012	2002	2012
1	0.01	0.00	0.00	0.00	0.03	0.00
2	0.08	0.02	0.00	0.01	0.05	0.01
3	0.09	0.02	0.02	0.02	0.06	0.02
4	0.09	0.02	0.02	0.02	0.12	0.02
5	0.11	0.02	0.06	0.03	0.15	0.04
6	0.14	0.03	0.09	0.03	0.31	0.12
7	0.15	0.03	0.22	0.03	0.36	0.13
8	0.39	0.06	0.24	0.04	0.46	0.14
9	0.48	0.07	0.39	0.07	0.67	0.26
10	0.51	0.07	0.40	0.08	**1.65**	0.37
11	0.68	0.07	0.46	0.14	**2.20**	0.74
12	0.75	0.17	0.66	0.17	**3.55**	**1.17**
13	0.77	0.26	0.90	0.19	**10.15**	**4.18**
14	**1.01**	0.30	**1.07**	0.32		
15	**2.31**	0.62	**2.17**	0.42		
16	**2.78**	0.74	**2.20**	0.78		
17	**6.50**	**1.08**	**5.19**	**2.09**		
18	**19.95**	**6.97**				

Table 9
Coefficients obtained from Agglomeration using a Hierarchical Cluster Analysis

Figure 1

Positioning Map using BAV Measures of Brand Stature and Brand Strength

Figure 2

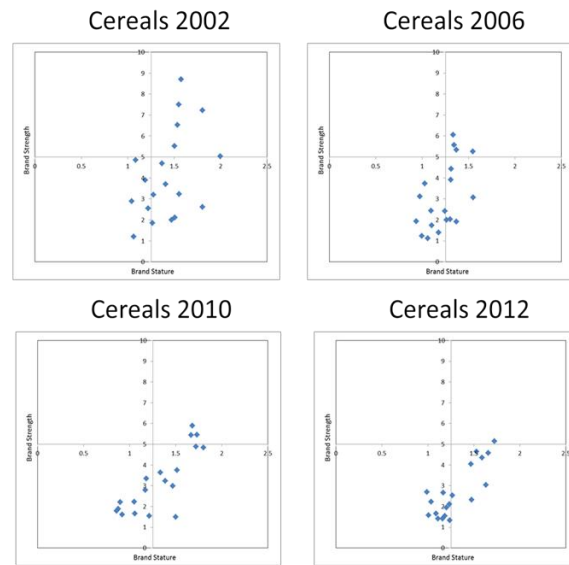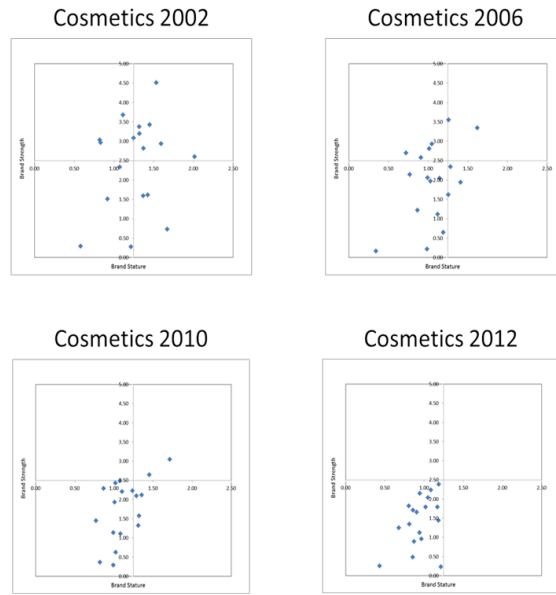**Positioning Map for Cereal Brands using BAV Measures of Brand Stature and Brand Strength**

Cereals 2002

Cereals 2006

Cereals 2010

Cereals 2012

Figure 3

Positioning Map for Cosmetics Brands using BAV Measures of Brand Stature and Brand Strength

Cosmetics 2002

Cosmetics 2006

Cosmetics 2010

Cosmetics 2012

Figure 4

Positioning Map for OTC Allergy Brands using BAV Measures of Brand Stature and Brand Strength

Allergy Meds 2002

Allergy Meds 2006

Allergy Meds 2010
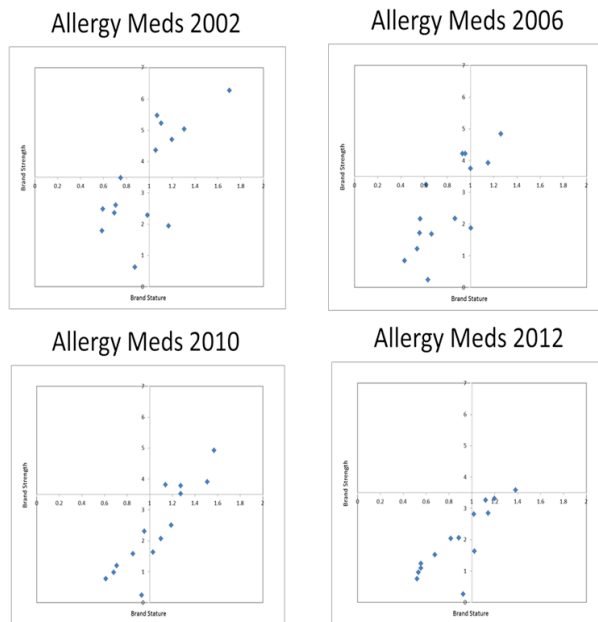

Allergy Meds 2012

Figure 5

Decreasing Distance between Clusters in the Cereals Category over Time