What is Brand Equity?

Worksheet

Brand equity is the premium value customers assign to your brand, based on perception, loyalty and recognition. It enables higher pricing, customer retention and competitive advantage.

Questions

1. Apple charges $1,200 for a phone, competitors $800. The $400 difference is mostly

A) production cost increase
B) brand equity premium
C) patent royalties
D) marketing spend

2. Which factor MOST directly builds brand equity?

A) CEO salary
B) consistent quality and customer experience
C) office location
D) company age

3. Brand equity is highest when

A) product is cheapest
B) customers are loyal and willing to pay premium
C) company is largest
D) no competitors exist

4. A brand scandal can

A) never affect equity
B) erode brand equity and customer trust
C) increase loyalty
D) improve pricing power

5. Apple's brand equity allows it to charge $1,200 for a phone; competitors charge $800 for similar specs. What is the premium?

6. Coca-Cola's brand is valued at ~$42 billion. A no-name cola tastes similar but sells at 10% of the price. Why?

7. A startup cosmetics brand invests in influencer partnerships and quality storytelling. Over 5 years, brand equity grows, allowing 30% higher margins on direct sales. Calculate the equity premium.

8. Define: What is brand equity?

9. Define: Why does Apple charge more than competitors?

10. Define: How is brand equity measured?

Answer Key

1. B) brand equity premium - That premium comes from brand trust and customer perception.

2. B) consistent quality and customer experience - Customers build equity perception through their experiences with your product and brand.

3. B) customers are loyal and willing to pay premium - Loyalty and premium pricing are core to brand equity.

4. B) erode brand equity and customer trust - Trust loss = equity loss.

5. Difference = $1,200 $800 = $400 The $400 premium is brand equity - customer perception & loyalty.

6. Coca-Cola brand equity = ~$42B No-name cola = commodity price (no equity) Equity creates a ~10 price multiplier via customer perception.

7. If generic product = $20, premium brand = $20 1.30 = $26 Equity premium = $26 $20 = $6 per unit Over 1M units: $6M extra revenue from equity alone.

8. The premium value customers assign to a brand based on perception, loyalty and recognition.

9. Strong brand equity and customer loyalty allow premium pricing power.

10. By brand valuation ($), customer loyalty rates, brand awareness surveys and price premium willingness.