A THEORETICAL OVERVIEW ON UNDERSTANDING CUSTOMER-BASED BRAND EQUITY

Vlad I. ROȘCA¹  
Cristina Veronica PARTENIE²

Abstract: This research takes the form of an essay with two-folded goals: to bring further clarifications on the concept of brand equity, as it was discussed in the branding literature, while at the same time presenting the frameworks that could help both practitioners and researchers to measure the power of a brand. For this purpose, the authors have reviewed the existing literature, and discussed the most important perspectives on the topic: the financial-based and consumer-based brand equity, while at the same time debating the limitations of each one. The findings have implications for future research into a holistic approach to brand equity, that should see an increase of the customer’s perceived brand equity.

Keywords: brand value; customer-based brand equity; branding; marketing

Introduction

Creating brand value can lead to a higher marketing productivity (Kapferer, 1994). For many businesses, the brand is the most important asset of the organization (Keller, Lehmann, 2006; Kim, Kim, 2005). Brands are recognized for their powerful differential effect (Ind, 1997; Kapferer, 1997), shaping the output of a business and its competitiveness (Kim, Hyun, 2011; King, 1991). Therefore, over the last couple of decades, organizations have raised their investments in the creation of strong brands insofar that brands have become integral components of the corporate marketing strategies (Del Rio et al., 2001; Lim, O’Cass, 2001).

Like other assets of an organization, brands can be managed (deChernatony et al., 2009; Lee et al., 2008; Westberg et al., 2011). The process is commonly known as branding,

¹ Lecturer, The Bucharest University of Economic Studies, Romania; e-mail: vlad_rsc@yahoo.com  
² PhD Candidate, The Bucharest University of Economic Studies, Doctoral School of Marketing, Romania, e-mail: parteniecristina@gmail.com
Brand Equity

The power of a brand lies in its equity, a concept which has drawn increasingly more attention over the last couple of decades (Barwise, 1993; Krishnan, 1996; Van Osselaer, Alba, 2000). Although a central construct in the marketing management of brands (Aaker, 1996; del Rio et al., 2001), neither theoretical (Keller, 1993; Shocker et al., 1994), nor real case studies (Biel, 1992; Owen, 1993) have been able to agree on a definition of equity. Keller’s (1993, p.1) attempt of defining brand equity as „the marketing effects uniquely attributable to the brand” seems to have had the most impact in literature. Despite the lack of consensus on how equity can be defined and measured (Yoo, Donthu, 2001), Keller's (1993) definition suggests that each brand is unique and, therefore, marketing operations of different brands will have different outcomes.

Equity is the added value a brand brings to a product (Farquhar, 1989). To facilitate the understanding of the concept, Keller (2008) suggests a comparison with non-branded products. Equity is an added benefit only available for products with a brand (del Rio et al., 2001). Products that lack a brand thus cannot gain any added value. Hence, equity is an intangible asset, which organizations strive to create, build and maintain (Lee, Griffith, 2012), with the aim of improving marketing activities. A fruitful (high) equity positions the brand in such a way that it will become more appealing to customers (Ghosh, John, 1999), safeguarding the marketing success of the organization. Therefore, Pappu et al. (2006) consider equity to be a key indicator of the potential performance of a brand.

Measuring equity involves finding out the value that a brand yields to a product. There are divergent opinions on how brand equity can be calculated (Yoo, Donthu, 2001). Due to the high complexity associated with the brand equity concept, Keller (2003) and Aaker (1991) considered that in order to obtain a precise perception of what a brand
stands for, several measurements/assessments are required. As a matter of fact, Keller (1993) finds out that two purposes have motivated researchers and practitioners to study brand equity. The financial purpose aims to identify the book value of the brand, with the aim of knowing how much money the brand is worth in the case of business mergers or acquisitions (Ratnatunga, Ewing, 2009). In most cases, this requires a financial evaluation of brand assets (Bambauer-Sachse, Mangold, 2011), like blueprints, product designs, or employment contracts. The results of the equity measurement are represented as the cash flows a product is able to attract thanks only to its brand (Simon, Sullivan, 1993). Financial valuation helps setting a price that can be used for selling the brand if interested buyers made a bid (Anghel et al., 2010).

The other purpose Keller (1993) discusses about is motivated by the desire to increase marketing productivity. Although financial estimates are useful for accounting purposes, they serve less to the fulfillment of marketing objectives, which are rather to be met by using costumer-based measurement methods. For reducing marketing costs and tailoring the offer so that it fits the needs and desires of costumers, Keller (1993) believes, managers should first understand what costumers think about the brands they use or could use. Costumer-based models therefore try to find out how costumers relate to a brand (Kapferer, 1992), while searching into their own cognitive and sensorial processes (Ford, 2005), looking for their attitudes, beliefs, and purchase intentions towards the brand (Ailawadi et al., 2003).

A heated debate exists in literature as to which equity measurement method suits best. While financial-based, costumer-based, or mixed financial-costumer-based perspectives all depict the value of a brand (Biel, 1992; Cobb-Walgren, 1995), researchers couldn’t decide whether one was more exact than another. Given that measurement contexts differ, various models have been developed, each of them fit for particular purposes. Some studies (Biedenbach, Marell, 2010; Gordon et al., 1993) have pursued exactly the same four-dimensional construct of Aaker (1991; 1996), based on brand awareness, brand loyalty, perceived quality, and brand associations, but, as Biedenbach et al. (2011) observe, have collided with the problem of the robustness of the model. In order to avoid the risk of inconsistent research results encountered later also by Kim and Hyun (2011), researchers have decided to create own models from the ground up (e.g.: Prasad, Dev, 2000; Kamakura, Russell, 1993; Srivastava, Shocker, 1991). These new models either dealt exclusively with costumer-based equity or combined it with financial valuations. Amongst the authors who opted for combined models, Srivastava and Shocker (1991) tried to calculate brand strength by adding costumer perceptions with brand fit, and, then, deducting the financial value of the brand. A similar model was used by Kamakura and Russell (1993), who computed both the tangible and the intangible values of a brand.

Nevertheless, the difficulty in using mixed methods lies in transforming the subjective, costumer value, into an objective value, so as to obtain the total worth of a brand. This may explain why most of the studies have abandoned the combined method and have focused on using either the costumer or the financial valuation. While acknowledged as important tools for branding purposes (Pappu et al., 2005), costumer-based models were ignored by some authors who pointed out that there were no measurement strategies (Boo et al., 2009), neither any instruments for measuring costumer-based
equity (DeChernatony, McDonald, 2003). However, there are also authors who lean towards the use of the latter method. Rego et al. (2009) observe that the financial-based evaluation can be a complicated process, as it requires internal information from businesses, which is difficult to obtain, or is unpublishable at all. The confidentiality of information makes researchers choose the costumer-based equity analysis, which is easier to carry out thanks to the public availability of data. Adding to this, Rust et al. (2000) believe that, for marketing purposes, costumer-based equity reaches further than financial-based equity. The marketing literature ordinarily agrees that the value given to a brand by its costumers is more important than the monetary value (Bendixen et al., 2004). The rationale behind this approach is that, as brands belong to costumers, the subjective assessment a buyer makes about a brand can provide more insights into the brand than the objective figures provided by a financial analysis. Hence, costumer knowledge about the brand is perceived as one of the most valuable organizational assets in the development of marketing strategies. In this respect, Beristain and Zorilla (2011) have defined brand equity as the set of subjective associations costumers make with a brand. The meanings that costumers give to a brand confer individuality to that brand, while also shaping its identity and helping the costumer differentiate it from rival brands (Pop, Ciurea, 2009). Therefore, both literature and business consultancies have started inquiring more about the associations made by costumers with certain brands, and, based on the answers received, to design the personality of those brands.

The literature on branding reveals that several conceptual models with different constructs have been employed to measure costumer-based equity (Kimpakorn, Tocquer, 2010). However, two models have dominated the marketing research over the last decades (Alexandris et al., 2008). Both try to portray brands from a costumer’s perspective (O’Cass, Grace, 2003), introducing variables that could be used in equity measurement. The first model was developed by Aaker (1991), who believes equity is the result of the interaction of four dimensions through which consumers respond to the marketing of the brand: awareness, loyalty, perceived quality, and brand associations. To Aaker (1991), the four dimensions are intangible assets that convey value to a brand. As such, Aaker (1991) defines equity as the value that consumers add to a brand, based on how aware they are of that brand, what concepts they associate with the brand, how they perceive the quality of the brand, and how loyal they are to the brand. Value results from higher awareness, positive associations, good perceived quality and high degree of loyalty.

**Awareness:** Aaker defines brand awareness as „the ability for a buyer to recognize or recall that a brand is a member of a certain product category” (1991, p. 61). According to Ross, brand awareness is „the strength of a brand’s presence in the mind of the consumer” (2006, p. 30)

**Loyalty:** Loyalty is believed to be the most important constituent in the decision to buy and/or consume a branded product (Bubb, van Reast, 1973), representing how attached a costumer is to a given brand (Aaker, 1991). Brand loyalty manifests through the repurchase of the same brand again and again, even when the costumer has alternative choices. Repurchase decisions help the provider increase market share.
**Perceived quality:** The perceived quality is the result of customers’ judgement on the utility of a brand/product and on the satisfactions which they can earn through consuming the brand, in comparison with other offers on the market. As this dimension of Aaker’s (1991) model is highly subjective, each customer may differently perceive the same brand, depending on the personal values and preferences he or she associates with the brand (Zeithaml, 1988).

**Associations:** Associations are based on mental nodes. The connection of two or more nodes creates an association. In the case of brand equity, one of the nodes is represented by the brand. The other node belongs to the customer and can take a variety of forms, from pieces of information, sensations, or feelings a customer possesses, to experiences he lives. According to del Rio et al. (2001), an association occurs when a personal node is linked to a brand node. Aaker (1991) defines an association as “anything ‘linked’ in memory to a brand” (p. 109). Hence, associations are linkages of a brand in the mind of a customer (Aaker, 1991; Keller, 1993). Therefore, the result of the association is a mental representation of the brand, which Keller (1999) also calls ‘brand meaning’, thus, the meaning that the consumer attributes to the brand. The map of associations shapes the aspect of a brand (Caldwell, Cosshall, 2002).

Consciously or not, the customer starts the process of evaluating the brand, by asking if the brand matches his own characteristics. The assessment will lead to the customer spending more time on interacting with the brand. This will help the customer gain more insights about the brand. Repeated use of the brand will let customers even build a network of associations and gain additional insights, which will create a better brand knowledge. Building on Aaker’s (1991) idea, Keller (1993) prefers to employ the concept of ‘brand knowledge’ instead of ‘brand equity’. While brand equity is a more complex construct, consisting of several, interconnected variables, brand knowledge is simply defined by Keller as anything that someone can understand when assessing a brand. Keller’s brand meaning strongly relies on the ‘implied message’ (Vlăduţescu, 2018a), thus the idea that the customer understands from the message that the brand sends. The ‘implied message’ ultimately helps customers to create a ‘dominant image’ (Vlăduţescu, 2018b): a prevailing representation of the brand, a chief and foremost picture of how the customers perceive and understand the brand, which does not necessarily have to match the identity that the brand owner strives to convey.

While assessing a brand, consumers create mental representations which they associate with that brand (Peter, Olson, 2001). The associations will let the consumers assign a particular meaning to the brand (Lee, Back, 2008). The sum of meanings a brand receives from its customers creates the brand personality and adds value to the brand equity. Hence, customer-based equity measurement deals with the knowledge customers have about a brand and the meanings they associate to that brand (Lee, Back, 2008). Therefore, Keller (1993) believes that brand knowledge explains how well a customer understands the identity of a brand and the value deriving from it. If the identity is correctly understood, the customer will identify himself with the brand, as the customer’s perceived identity of the brand will match the real identity.
Conclusions

This essay has tried to show that brands are more than mere names of a product: they are a mosaic of values, beliefs, attitudes or feelings that consumers associate with that product (name). When planning their marketing strategies, organizations should be aware of the power of their brands, which belong to the non-material heritage of their owners. This manuscript has discussed, to a certain extent, the very concept of brand ‘owner’, showing that the owner is not only the organization that possesses the legal rights over the brand, but also the people who interact with the brand and ‘own’ it through the mental connections created with the brand. This mental ownership was the starting point for Aaker’s (1991) customer-based equity model: once aware of a brand, customers will associate it with certain values which will help them make an appraisal of the brand’s quality. The quality has to be understood subjectively as ‘that’ what a brand can do for a customer, or, in other words, the value that a customer identifies in a brand. If the value is high, then chances are also high that the customer will remain loyal to the brand, guaranteeing the success of the business.

The dispute between the ‘financial’ and the ‘emotional’ value of brands is nothing new to business, which is accustomed to contests between ‘tangibility’ and ‘intangibility’ (Iacob et al., 2012; Jora et al., 2018). In their quest to increase profits and shareholder value, businesses ought to ask themselves if there is not as well a humanistic, more customer-oriented approach to marketing and brand-building, an orientation which has been suggested by some authors as being a more sustainable approach for the global economy (Crisu et al., 2015). This research has claimed that brands belong to customers, not (only) to businesses. It is what a customer thinks about a brand that actually defines the value of that brand on the market, not how the business wants the brand to be perceived by its customers. This idea also relies on psychological research, which has indicated direct experimentation as a construct for building value and personality (Drămnescu, Enăchescu, 2018), a fact that is also true in the case of customers who interact with brands and derive mental representations of the latter ones from their experience.

Several limitations of this essay need to be acknowledged. The purpose of this paper was to bring further clarifications on the concepts of financial-based and customer-based brand equity, by further analyzing the existent literature on brand equity. Thus, one of the limitations of the current study is the rather restricted novelty on the topic. The authors have, however, considered the most important contributions to brand equity when drawing on their conclusions. Lastly, as the inquire did not employ any case study to assist with a better understanding of the discussed concepts, the authors recommend further research that could use the example of existing brands, and existing digital big data, to better outline the ideas presented.

References

A theoretical overview on understanding customer-based brand equity


