The Concept of Brand Equity - A Comparative Approach

Moisescu, Ovidiu Ioan

2005

THE CONCEPT OF BRAND EQUITY - A COMPARATIVE APPROACH

Ovidiu Moisescu, Teaching Assistant, PhD Student
Babeş-Bolyai University of Cluj-Napoca
Faculty of Economics and Business Administration

In the last years, the concept of brand equity has received a great deal of attention and still there is no general accepted point of view concerning the subject. This paper tries to emphasize, in a comparative manner, two of the most popular perspectives and approaches regarding the concept, extracting the main ideas and dimensions of each.

Much of the marketing specialists' attention has been devoted recently to the concept of brand equity. It is widely recognized that the brand has developed into one of a company's most important assets, which makes effective management of the brand a key factor in corporate success. The development and long term enhancement of brand strength has been identified as a target function of any company that wishes to maintain a competitive position in the market, being it local, national, regional or international, allowing brand equity and hence the company's enterprise value to be increased.

To pursue this objective efficiently, the first step that needs to be taken is to gain a clear picture of the status of the company's brand/brands. Then it will be possible to identify where the greatest leverage can be obtained in developing the brand. This can only be achieved with a clearly defined and conceptualized term of brand equity.

During the last two decades, brand equity has been viewed from a variety of perspectives. The concept of brand equity began to be used widely in the 1980s by advertising practitioners and was then popularized by David A. Aaker through his bestselling book on the subject – "Managing Brand Equity" (1991). Other important academic contributions have been developed throughout the following years, advertising agencies also continuing to expand the cause and developed their own definitions and measurement systems.

The motivations for studying brand equity were primarily financially based in order to estimate the value of a brand more precisely for accounting purposes or for merger, acquisition, or divestiture purposes. The dynamic environment made it later obvious that brand equity was important especially from a strategy based motivation to improve marketing activity, given higher costs, greater competition, and flattening demand in many markets.

The focus of this paper will be the strategy based motivation to understand the constructs that create the brand equity, not the exact financial measurement usually needed when mergers, acquisitions or divestitures take place. The paper will try to emphasize, in a comparative manner, the two most popular perspectives and approaches regarding the concept of brand equity (Aaker's and Keller's) extracting the main issues of each: brand equity dimensions, the benefits of brand equity and the brand building process implications.

David A. Aaker considers that brand equity is "a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm/or to that firm's customers"[1].

Although the assets and liabilities on which brand equity is based will differ from context to context, they can be usefully grouped into five categories: brand loyalty, brand name awareness, perceived brand quality, brand associations, and other proprietary brand assets. Aaker's concept is summarized in Figure 1, the figure illustrating how each brand equity asset/liability generates value for the customer or the firm in a variety of ways.

Brand loyalty generates value by reducing marketing costs and leveraging trade. Loyal customers expect the brand to be always available and entice others advising them to use it. Retaining existing customers is much less costly than attracting new ones and even if there are low switching costs there is a significant inertia among customers. It is also difficult for competitors to communicate to satisfied brand users because they have little motivation to learn about alternatives. Therefore competitors may be discouraged from spending resources to attract satisfied and loyal customers and even if they do so, there is plenty of time to respond accordingly to that action.

Brand awareness, even at the recognition level, can provide the brand with a sense of the familiar and a signal of substance and

---

[1]David A. Aaker, *Managing Brand Equity*, The Free Press, NY, 1991, pg.15

commitment. A brand that is familiar is probably reliable and of reasonable quality. Awareness at the recall level further affects choice by influencing what brands get considered and selected as the brand must first enter the consideration set before being on the purchase list.
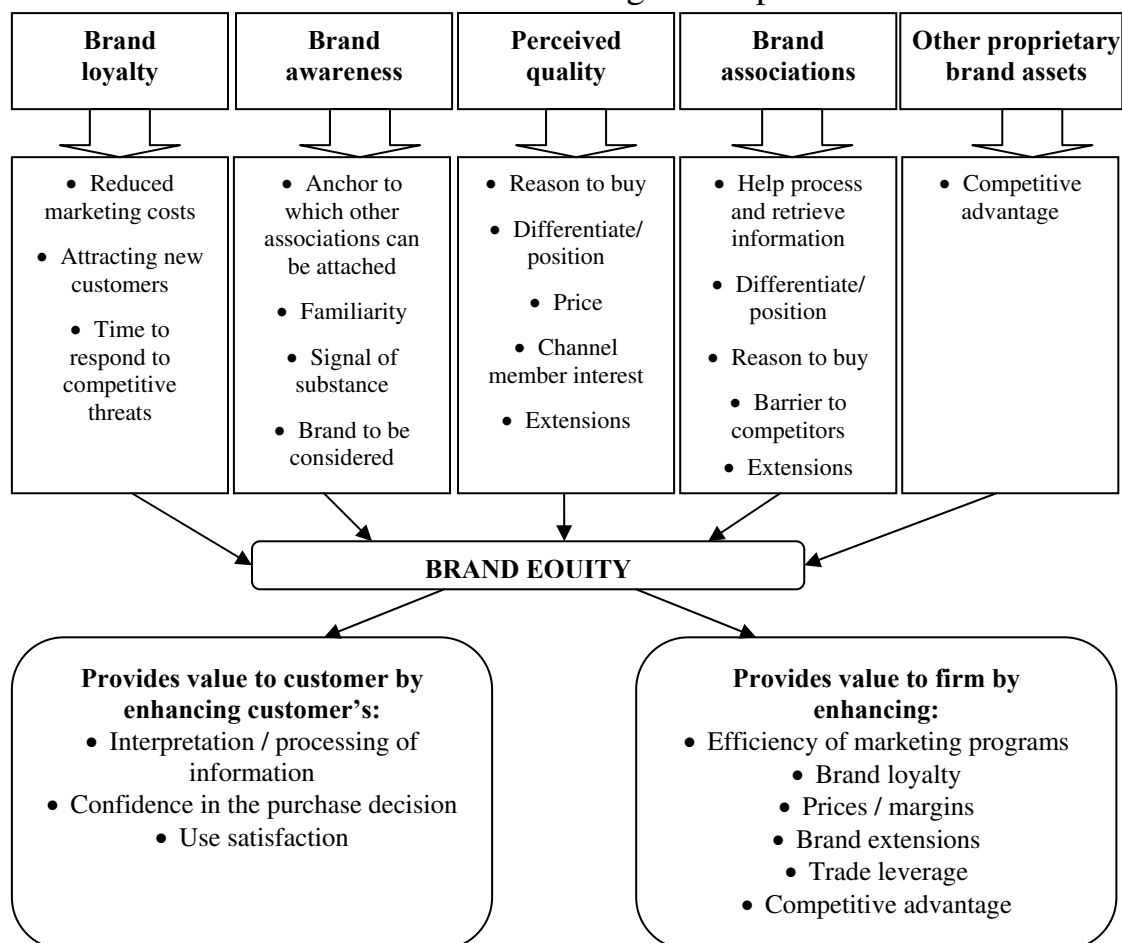
Brand loyalty	Brand awareness	Perceived quality	Brand associations	Other proprietary brand assets
• Reduced marketing costs • Attracting new customers • Time to respond to competitive threats	• Anchor to which other associations can be attached • Familiarity • Signal of substance • Brand to be considered	• Reason to buy • Differentiate/ position • Price • Channel member interest • Extensions	• Help process and retrieve information • Differentiate/ position • Reason to buy • Barrier to competitors • Extensions	• Competitive advantage

BRAND EQUITY

Provides value to customer by enhancing customer's:
• Interpretation / processing of information
• Confidence in the purchase decision
• Use satisfaction

Provides value to firm by enhancing:
• Efficiency of marketing programs
• Brand loyalty
• Prices / margins
• Brand extensions
• Trade leverage
• Competitive advantage

Figure 1: Aaker's Brand Equity Model[2]

Perceived quality provides a reason to buy. A brand will have associated with it a perception of overall quality not necessarily based on a knowledge of detailed specifications. The quality associated with a brand can also be a strong factor of differentiation and positioning. Building a strong durable brand implies nevertheless an above average quality positioning or at least a minimum perceived quality when considering brands positioned as low market competitors. Perceived quality can also attract channel member interest, allow extensions and support a higher price that provides resources to reinvest in the brand.

---

[2] David A. Aaker, *op quoted* , pg.17, adapted

Brand associations may refer to persons, a "use context", a life style or a personality. All of these may change the use experience and help process and retrieve information in a specific manner. Two identical products may create a different effect in using only because their brand's associations differ. Associations can be critical factors in differentiating and positioning, creating a reason to buy to those potential customers who are looking for specific associated physical or emotional features. If a brand is well positioned upon a key product attribute the attempt of a frontal assault by claiming superiority via that dimension will be a credibility failure, thus an association being a barrier to competitors. A strong association may be also the basis of a brand extension providing significant competitive advantage in the targeted area.

Other proprietary brand assets refer to patents, trademarks and channel relationships which can provide strong competitive advantage. A trademark will protect brand equity from competitors who might want to confuse customers by using a similar name, symbol or package. A patent can prevent direct competition if strong and relevant to the purchase decision process. Finally, a distribution channel can be indirectly controlled by a brand as customers expect the brand to be available.

Considering Aaker's model, strong *interrelationships* occur among the dimensions of brand equity. The last four brand equity dimensions can enhance brand loyalty, providing reason to buy and affecting use satisfaction. Even when they are not pivotal to brand choice, they can reassure, reducing the incentive to try others. Therefore, brand loyalty is both one of the dimensions of brand equity and is affected by brand equity and the other assets that generate equity. In the same way, perceived quality could be influenced by awareness (a visible name is likely to be well made), by associations (a visible spokesperson would only endorse a quality product) and by loyalty (a loyal customer would not like a poor product). In some circumstances it might be useful to explicitly include brand equity dimensions as outputs of brand equity as well as inputs.

Aaker's brand equity model lists three ways of how brand assets create *value for the customer*. Firstly, brand equity can help a customer interpret, process, store, and retrieve a huge quantity of information about products and brands. Secondly, it can affect the customer's confidence in the purchase decision; a customer will usually be more comfortable with the brand that was last used, is considered to have high quality, or is familiar. Finally, perceived quality and brand associations provide value to the customer by enhancing the customer's satisfaction.

The model also assumes six ways that brand assets create *value for the firm.* Firstly, brand equity can enhance the efficiency and effectiveness of marketing programs. A promotion, for example, will be more effective if the brand is familiar and if the promotion does not have to influence a skeptical consumer of brand quality. Secondly, brand awareness, perceived quality and brand associations can all strengthen brand loyalty by increasing customer satisfaction and providing reasons to buy the product. Thirdly, brand equity will usually provide higher margins for products, permitting premium pricing and reducing reliance on promotions. Brand equity can also provide a platform for growth by brand extensions and can provide leverage in the distribution channel as well. Channel members have less uncertainty dealing with a proven brand name that has already achieved recognition and has established strong associations. Finally, a strong brand represents a barrier that prevents customers from switching to a competitor.

Considering the above mentioned aspects, Aaker suggests that the *brand building* process should follow the dimensions of brand equity:
- *maintaining and enhancing loyalty:* managing interaction with the customer, encouraging customer direct contact, continuously and systematically measuring customer satisfaction, creating switching costs, providing extra unexpected service
- *achieving awareness:* being different and memorable, involving a slogan or jingle, exposing symbols, considering brand extensions, using cues (package, endorsing persons), developing recognition, recall, salience and top of mind awareness through repetition
- *managing perceived quality:* delivering high quality, creating a quality culture, setting measurement and standards, allowing employee initiative, meeting customer expectation, setting price as a quality cue, communicating high quality, making perceptions match actual quality
- *managing associations:* selecting associations by self, competitor's, and target market's associations analysis that provide difference, creating associations using promotions, advertising, publicity etc., involving the customer and, finally, updating/maintaining associations so as to be consistent over time and over elements of the marketing program

Kevin Lane Keller considers brand equity from a customer based view as being "the differential effect of brand knowledge on consumer response to the marketing of the brand"[3].

Customer-based brand equity involves customers' reactions to an element of the marketing mix for the brand in comparison with their reactions to the same marketing mix element attributed to a fictitiously named or unnamed version of the product or service. Three key elements of Keller's definition must be outlined: the "differential effect" (brand equity arises from differences in consumer response), the "brand knowledge" (the difference in consumer response is generated by consumers' knowledge of the brand and the "consumer response to marketing" (the differential response is reflected in perceptions, preferences and behavior related the marketing of a brand).
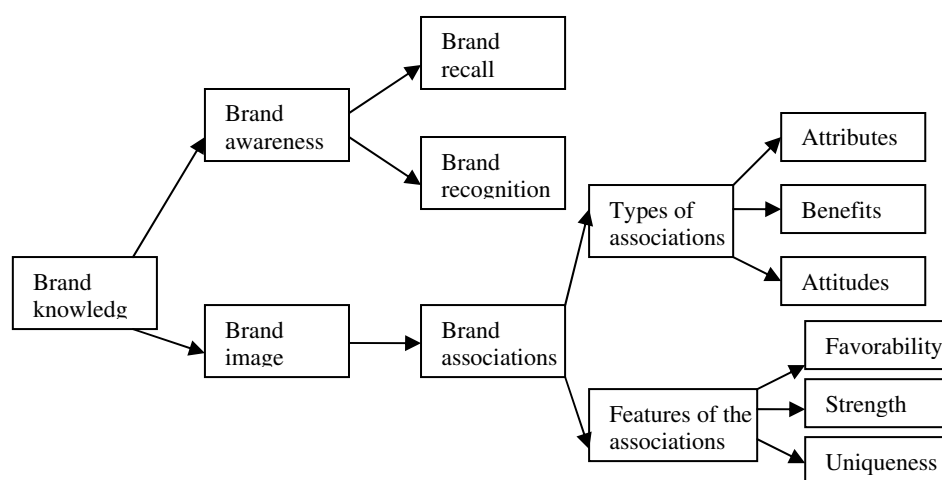
Figure 2: Dimensions of Brand Knowledge[4]

To understand how customer-based brand equity can be built, measured, and managed, Keller described a detailed conceptualization of brand knowledge (fig. 2). According to Keller, *brand knowledge* is defined in terms of two components, brand awareness and brand image. *Brand awareness* is the consumers' ability to identify the brand under different conditions and consists of brand recognition and brand recall. *Brand image* is defined as perceptions about a brand as reflected by the brand associations held in consumer's memory. Keller classified associations into three major categories: attributes, benefits, and

[3]Kevin Lane Keller, *Strategic Brand Management: Building, Measuring and Managing Brand Equity*, Prentice Hall, New Jersey, , 1998, pg.45
[4] Kevin Lane Keller, *op quoted* , pg.94, adapted

attitudes. These associations can vary according to their favorability, strength, and uniqueness. Considering these aspects, a brand may have a *positive customer based brand equity*, when consumers are more accepting of a new brand extension, less sensitive to price increases and withdrawal of advertising support or more willing to seek the brand in a new distribution channel etc., which means they react favorably to marketing activity of the brand as compared to an unnamed or fictitiously named version of the product, or a *negative customer based brand equity* when consumers react less favorably to marketing activity for the brand in the same comparison context.

Keller states that positive customer-based brand equity can lead to enhanced revenue, lower costs, and greater profits. Positive costumer-based brand equity should increase the probability of brand choice, produce greater consumer loyalty, decrease vulnerability to competitive marketing actions, enable the brand to command higher prices and larger margins, generate inelastic/elastic response to price increases/decreases, greater trade cooperation and support from distribution channels, increase marketing communication effectiveness, yield licensing or brand extension opportunities and bring additional brand extension opportunities.

Keller considers that building a strong brand implies a series of four steps, where each step is contingent on successfully achieving the previous one: establish the proper *brand identity*, create the appropriate *brand meaning*, elicit the right *brand responses*, and forge appropriate *brand relationships* with customers. Keller divides these four steps in six brand-building blocks[5]: *salience, performance, imagery, judgments, feelings, and resonance.*

Brand identity requires creating *brand salience* with customers. Brand salience relates to aspects of brand awareness. Brand awareness refers to the customers' ability to recall and recognize the brand. Building brand awareness means ensuring that customers understand the product or service category where the brand competes and creating clear links to products and services sold under the brand name.

Brand meaning is important to create a brand image and establish what the brand is characterized by and should stand for in customers' minds. Keller divided brand meaning in *brand performance and brand imagery*. Brand performance is the way the product or service attempts

---

[5] Kevin Lane Keller, *Building customer-based brand equity*, "Marketing Management", Vol. 10, Issue 2, Jul/Aug 2001, pg.17

to meet customers' more functional needs. It refers to the intrinsic properties of the brand, including inherent product or service characteristics. Brand imagery deals with the extrinsic properties of the product or service, including the ways the brand attempts to meet customers' more abstract psychological or social needs.

Brand responses refer to how customers respond to the brand, its marketing activity, and sources of information. Keller distinguished brand responses into *brand judgments and brand feelings*. Brand judgments focus on customers' personal opinions about the brand based on how they put together different brand performance and brand imagery associations. Brand feelings describe the customers' emotional reactions to the brand relate to the social currency the brand evokes.

Brand relationships focuses on the relationship and level of personal identification the customer has with the brand and requires creating *brand resonance* characterized by the depth of the psychological bond customers have with the brands as well as how much activity this loyalty engenders.

The strongest brands excel in all six of the brand-building blocks. The most valuable building block, brand resonance, occurs when all the other brand building blocks are completely.

Considering the *dimensions of brand equity* described above, both Aaker's and Keller's views are very customer oriented and emphasize the importance of brand awareness and associations. Despite this commonality, some important differences exist. The primary difference is that the customer-based brand equity framework of Keller is based on a more detailed conceptual foundation. A much stronger focus on consumers and their brand knowledge structures can be seen in customer-based brand equity model when compared to Aaker's model. In spite of the differences Aaker's model seems to complement customer-based brand equity quite well, because it takes the perceived quality aspect into account.

When considering the *benefits of brand equity*, the opinions of Aaker and Keller concerning this topic are very similar. The difference is the accuracy of details. Aaker is the one who classified customer's and firm's benefits of brand equity.

Both Aaker and Keller give advices to *build brand equity*. Aaker outlines general guidance for each dimension of brand equity, while Keller suggests a four step process of building strong equity. Both authors suggest clear advices for building brand equity, but the concept of Keller is more detailed and therefore perhaps more useful.

Nevertheless, both outlined the need to understand how customers respond to the brands and its marketing activity so as brand building strategies can develop into the desired direction.

References:

1. **Aaker, David A.,** *Managing Brand Equity*, The Free Press, NY, 1991
2. **Aaker, David A.** , *The value of brand equity*, "Journal of Business Strategy", Vol. 13, Issue 4, Jul/Aug 1992
3. **Aaker, David A.,** *Measuring brand equity across products and markets*, "California Management Review", Vol. 38, Issue 3, Spring 1996
4. **Keller, Kevin Lane**, *Conceptualizing, measuring, and managing customer-based brand equity*, "Journal of Marketing", Vol. 57, Issue 1, Jan. 1993
5. **Keller, Kevin Lane**, *Strategic Brand Management: Building, Measuring and Managing Brand Equity*, Prentice Hall, New Jersey, 1998
6. **Keller, Kevin Lane**, *Building customer-based brand equity*, "Marketing Management", Vol. 10, Issue 2, Jul/Aug 2001