

# The marketing advantages of strong brands

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## Abstract

*Building strong brands has become a marketing priority for many organisations. The presumption is that building a strong brand yields a number of marketing advantages. In this paper, a comprehensive summary of empirical findings is provided from some of the major marketing journals that reveal how brand strength, operationalised in various ways, can create differential responses by consumers to various marketing activities — a well-accepted view of brand equity. Additionally, some underlying theoretical mechanisms on which these findings are based are identified and organised. Lastly, some current gaps in the literature are identified, and an agenda put forth for future research on the marketing advantages of strong brands.*

## INTRODUCTION

Brand equity has been defined in a number of different ways for many different purposes.<sup>1–3</sup> No matter how it is used or measured, however, the value of a brand — and thus its equity — must ultimately be derived in the marketplace from the words and actions of consumers. That is, consumers decide with their purchases, based on whatever factors they deem important, which brands have more equity than other brands. Thus, although the details of the approaches to brand equity may sometimes differ, they tend to share a common core: all definitions either implicitly or explicitly rely on brand knowledge structures in the

minds of consumers — individuals or organisations — as the source or foundation of brand equity. For example, one view of brand equity is 'the differential effect that brand knowledge has on consumer response to marketing activity'.<sup>4,5</sup> According to this view, a brand is thought to have positive equity to the extent that consumers respond more favourably to marketing activities when the brand is identified, compared to when it is not. Differential response may be reflected in differences in consumer perceptions, preferences or behaviour, and may be manifested in response to any type of marketing activity for the brand.

Understanding how brand

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knowledge structures are created and how they influence consumer behaviour is thus a research priority. Along those lines, there has recently been a call in the marketing literature for more comprehensive approaches to understanding the underlying mechanisms associated with the formation and consequences of brand equity.<sup>6</sup> Related to this there have been doubts and questions expressed by senior management in many organisations about the value of brand-building activities.

Accordingly, there are three purposes to this paper. First, the different dimensions of brand knowledge and different forms of consumer responses to marketing activities are briefly outlined. Secondly, some of the major academic marketing journals in the USA and elsewhere are surveyed to catalogue empirical findings from prior research that reveal how greater brand knowledge can:

- lead to fundamental differences in consumer behaviour
- produce differential responses to specific marketing activities (ie related to product, extension, price, communications and channels) by consumers depending on the nature of the brand involved.

To the authors' knowledge this is the first attempt to catalogue some of the underlying theoretical mechanisms that have been shown to lead to advantages for strong brands. In addition, findings are also identified that provide marketing advantages for lesser-known brands and identify instances where differential responses are *not* found for strong brands. Thirdly, as a result of these reviews, some conclusions are provided

and observations made about the prevalence of the marketing advantages of strong brands, current gaps in the marketing literature concerning the formation and use of brand knowledge are identified, and an agenda put forth for future research.

## **CONSUMER BRAND KNOWLEDGE**

The chief research objective is to document the authors' current understanding of how brand knowledge affects consumer response to marketing activity. Accordingly, in this section, a brief outline is given of some relevant dimensions of brand knowledge and the authors discuss the different ways in which brand equity has been operationalised or addressed in the marketing literature.

In terms of brand knowledge, one widely adopted conceptualisation involves the associative network memory model. According to this model, a brand will have a node in memory that may be associated with a variety of other nodes. All types of brand nodes may be linked to the brand to make up its brand associations in memory. Moreover, there are a number of dimensions by which these different kinds of associations may be characterised.

For example, brand associations may vary according to content and whether they are related to the product or not. Non-product associations may relate to user or usage imagery, brand personality, and so on. Brand associations may also vary in their level of abstraction, ranging from concrete and specific (for example, product attributes) to more abstract and general (for example, overall brand attitudes). Brand associations can vary in how strongly they are

linked to the brand and its other associations, how unique or common they are, how favourably consumers regard them, and so on.

The customer-based brand equity framework<sup>7,8</sup> is used as a means of identifying the existence of marketing advantages for strong brands. In that framework, brand equity is defined in terms of the differential response to marketing activity that results from the existence of strong, favourable and unique brand associations. Researchers studying the effects of different types of brands, however, have used a number of proxies for 'strong' or 'high equity' brands. In general, high equity brands have perhaps been most often conceptualised via familiarity (for example, prior knowledge, ownership or exposure to the brand) or through outcome-oriented measures (for example, market share leader, dominant brand or high-quality brand). Low equity brands have been operationalised as either the polar opposites of high equity brands or via fictitious brands.

Regardless of the exact means of designating a brand as strong, this paper uses the concept of 'differential response to marketing activity' as the key selection criteria when deciding which papers suggest an advantage for strong brands. Thus, some papers that are geared towards understanding brand equity are not cited because they do not reveal any clear differential response according to the nature of the brand involved. With some other papers, it was necessary to infer brand equity effects because although the type of brand was not the main focus of inquiry, it was still manipulated or measured in some way and showed up as significant in the analysis. For example, many of the early papers on

asymmetric promotion effects revealed differential responses to marketing activity according to type of brand, but these findings were a by-product of the analysis and not its central thrust.

## **DIFFERENCES IN CONSUMER BEHAVIOUR**

In examining relevant past studies to understand the marketing advantages of strong brands, researchers have identified a number of different theoretical mechanisms to explain why brands for which consumers have greater brand knowledge receive a differential response. In this section, an attempt is made to organise some of the main proposed theoretical mechanisms into a simple conceptual framework of how brand knowledge is created and put to use by consumers.

As an organising framework, a modified form of the simple AIDA hierarchy-of-effects model (Attention, Interest, Desire and Action) was used. This has been widely used to model consumer behaviour in advertising settings and elsewhere. First this paper will focus on the attention and learning stage, ie the building of brand knowledge structures. Next, this paper will look at mechanisms associated with the interpretation and evaluation of marketing information or brand alternatives, ie the use of brand knowledge. Finally, this paper examines the mechanisms that are thought to impact the actual choice process, ie the application of brand knowledge.

### **Attention and learning**

Strong brands are thought to have a memory encoding and storage advantage over unknown brands in

building brand awareness and image. Johnson and Russo<sup>9</sup> assert that consumers familiar with a brand have better encoding ability and better-developed procedural knowledge. Alba and Hutchinson<sup>10</sup> also provide evidence consistent with the notion that more elaborate memory structures will facilitate the formation of linkages of new associations. Kent and Allen<sup>11</sup> use information organisation models and schema research as a basis for inferring that consumers will develop a greater number of stronger links for familiar brands. Moreover, because strong brands have better developed consumer knowledge structures, there is a greater likelihood that the links that make up this knowledge will be uniquely associated with the brand. When consumers have less developed knowledge structures, on the other hand, associations may end up being stored under the product category and not the specific brand. In fact, Bowman and Gatignon<sup>12</sup> contend that learning decreases for brands that are late to enter into a market, because they are seen as having less novel features.

### *Consideration*

Another advantage related to brand strength is differential inclusion of brands that are more accessible into consumers' consideration sets. The accessibility advantage for brands with a greater number of associations in a wide variety of contexts implies familiar brands are more likely to be in consumers' consideration sets.<sup>13–15</sup> More attractive brands also receive an advantage when consumers begin their search with well-known and regarded brands that are seen as being more likely to satisfy their needs.<sup>16</sup>

### *Selective attention*

Strong brands may find the strength of their brand affected at an involuntary level by consumers automatically encoding frequency information (Hasher and Zacks<sup>17</sup>) as they are exposed to brand names, symbols, slogans and logos through various marketing activities. Non-verbal information about the brand such as symbols, slogans and logos may be more potent or meaningful than verbal cues.<sup>18</sup> Strong brands can also benefit from increased selective attention. Tellis<sup>19</sup> contends that familiar brands are selectively given more exposure, attention, comprehension and retention by consumers. Similarly, Kent and Allen<sup>20</sup> propose that consumers will selectively pay more attention to advertising for well-known brands.

In short, it appears that information about strong brands is more easily noticed and the frequency of advertising of strong brands may create favourable associations even in the absence of voluntary processing of the brand information. In addition, consumers may give more selective attention to strong brands.

### **Interpretation and evaluation**

There is evidence for both direct and indirect mechanisms operating to create differences in how consumers interpret and evaluate brands and related marketing information.

### *Direct effects*

Direct effects occur when brand-related information is input directly into the decision process. For instance, one conceptual mechanism that is moderated by differences in brand

knowledge is loss aversion.<sup>21</sup> With loss aversion, the losses of switching away from a known brand loom larger than the potential gains from using another, lesser-known brand (for example, as the result of a price reduction). Thus, the possibility of a potential loss leads to an advantage for leading brands.

Consumers may rely on the affect associated with a familiar brand to aid in their decision-making. Sullivan<sup>22</sup> found that the quality reputation of the parent brand affected the relative resale prices of twin automobiles. Brown and Stayman<sup>23</sup> maintain that 'halo effects' related to the positive feelings towards a brand can positively bias the evaluation of advertising of the brand.

Similarly, consumer confidence is another potential diagnostic cue that is derived from a well-developed knowledge structure. Consumer confidence is increased when consumers get more familiar in a domain.<sup>24</sup> In addition, consumer confidence may lead to greater use of favourable associations to facilitate decision making.<sup>25</sup>

In summary, consumers are likely to *directly* use both the confidence associated with familiarity as well as affect transfer when evaluating and selecting strong brands.

#### *Indirect effects*

Indirect effects are perhaps more common and are evoked when there is uncertainty or ambiguity in the decision environment. After brand information has been acquired, consumers may interpret and/or evaluate the information. This evaluation and enhancement may be especially critical if there are ambiguities associated with brand-related information. In

general, ambiguity in the decision-making process should favour the incumbent or stronger brand.<sup>26</sup>

Hoch and Deighton<sup>27</sup> propose that confirmation biases can lead to favourable evaluations in the presence of ambiguous information (for example, as a result of advertising). When evaluating ambiguous stimuli, the primary determinant of evaluative directionality is prior attitudes.<sup>28</sup> With prior positive evaluations, cognitive evaluations should be more receptive and less critical<sup>29</sup> and richer for brands with which people have more experience in more contexts.<sup>30</sup> Finally, consumers may use brand names as a signal of the credibility of product claims.<sup>31</sup>

Thus, evaluation advantages — through more elaboration — may help strong brands to *indirectly* create even stronger and more favourable associations.

#### **Choice**

Perhaps the most frequently cited advantage for strong brands at the choice stage is the notion of brand recognition or familiarity as a choice heuristic.<sup>32-35</sup> Essentially, when consumers have limited prior knowledge of a product category, brand name may be the most accessible and diagnostic cue available.<sup>36</sup> Dodds *et al.*<sup>37</sup> further propose that brand name familiarity, in conjunction with a high price and availability in a store with a quality image, may act as independent, yet related, diagnostic cues for consumers. In addition, using a familiar brand name as a diagnostic cue is thought to be a consumer strategy for dealing with risk and uncertainty especially when consumers have

limited prior experience.<sup>38–41</sup> Hoyer and Brown<sup>42</sup> found that the presence of a known brand limited subjects' ability to detect differences in product quality across brands, even when subjects sampled other brands. Clearly, one of the most effective mechanisms that provides advantages to strong brands is their inherent familiarity and the corresponding impact of familiarity on consumer choice.

### **Summary**

Through these three different stages of consumer behaviour — attention and learning, interpretation and evaluation, and choice — advantages have been documented for strong brands. Many of the mechanisms cited above are drawn from the research findings that follow and are reported in Tables 1–6. One way to think about how a strong brand could have an impact on different aspects of consumer behaviour is to think about a consumer who is entering a new product category for the first time. In the information-gathering stage, a new consumer may pay more attention to, and learn more about, a brand with which they are familiar. While interpreting and evaluating information, brand knowledge in many cases could have both 'direct' and 'indirect' effects — brand-related information could be input directly into the decision process or may influence impressions of other information that is input into the decision process in various ways. A brand's strength will be completely employed during the choice process if a new consumer skips a thorough examination and simply relies on brand name familiarity as a choice heuristic. Lastly, having finally purchased the

product consumers may be more loyal to the brand and have higher evaluations for future brand extensions.

Following on from this consideration of underlying theoretical mechanisms, the consequences of strong brands as manifested by differential consumer response to marketing activity will now be focused on.

### **DIFFERENTIAL RESPONSE TO MARKETING ACTIVITY**

The previous section documented the different ways in which a strong brand can have an impact on aspects of consumer behaviour and consumer decision-making processes. In this section, this paper delves into more detail about how differences in consumer brand knowledge affect the response of consumers to marketing activity. First the advantages of strong brands are outlined in five areas of marketing activity (ie product, extensions, price, communications and channels). This paper then looks at situations where there are advantages for lesser-known brands, and highlights some of the limitations of strong brands.

### **Product-related marketing activities**

A product or service is made up of a bundle of tangible and intangible attributes and benefits designed to satisfy consumer needs and wants. Consumer response could differ according to perceptions of attributes and benefits as well as overall preferences and attitudes towards the product or service. Consumer response could also differ in terms of product-related considerations such as brand loyalty, commitment, satisfaction, etc.

**Table I** Differential response to product-related marketing activity

<b>Consumer response</b>	<b>Brand knowledge</b>	<b>Reference</b>	<b>Differential response</b>
New product evaluation	Corporate image	Dacin and Brown <sup>a</sup>	Subjects' knowledge structures influence their beliefs about and attitudes towards new products manufactured by that company.
Brand purchase rate	Full-line national brands	Day and Deutscher <sup>b</sup>	Subjects who mentioned a full-line national brand of appliance during an initial interview were more likely to actually purchase the mentioned brand than subjects who mentioned a specialist brand.
Market share	Brand image and dominance	Smith and Basu <sup>c</sup>	Higher market share observed for a dominant brand, eg Thailand's imported Scotch whisky market.
Brand quality perceptions	Brand name reputation	Dodds <i>et al.</i> <sup>d</sup>	Brand name had a positive influence on subjects' perceptions of quality in all conditions.
Product evaluation	Brand pronunciation	Leclerc <i>et al.</i> <sup>e</sup>	Subjects rated yoghurt better on hedonic qualities when it was pronounced with French highlights.
Brand quality perceptions	Brand name reputation	Rao and Monroe <sup>f</sup>	Reviewed 34 studies and found a significant effect for the relationship between brand name and quality. In addition, the effect of brand name as a quality cue was greater than the effect of size or price as a quality cue.
Brand quality perceptions	Brand experience	Wernerfelt <sup>g</sup>	If consumers use the experienced quality of a known brand as an indicator of the quality of a new 'experience' good, then known brands have an advantage over new brands.
Brand preference and market share	Unique features	Feinberg <i>et al.</i> <sup>h</sup>	Results from a computer simulation based on a conceptual model show that increasing the unique features of a brand increases preference and market share for the brand.
Consumer confidence and purchase intention	Brand familiarity	Laroche <i>et al.</i> <sup>i</sup>	Familiarity with a brand increases consumers' confidence with the brand and affects intention to buy. In addition, attitude towards the brand is affected by familiarity.
Product evaluation	Prior exposure to advertising	Smith <sup>j</sup>	Advertising was able to mitigate the effects of subjects' negative trial experiences.
Product evaluation	Brand name reputation	Tse and Lee <sup>k</sup>	A strong positive brand image can overcome unfavourable country-of-component-origin effects.

<sup>a</sup>Dacin and Brown, ref. 43; <sup>b</sup>Day and Deutscher, ref. 44; <sup>c</sup>Smith and Basu, ref. 48; <sup>d</sup>Dodds *et al.*, ref. 32; <sup>e</sup>Leclerc *et al.*, ref. 46; <sup>f</sup>Rao and Monroe, ref. 47; <sup>g</sup>Wernerfelt, ref. 49; <sup>h</sup>Feinberg *et al.*, ref. 50; <sup>i</sup>Laroche *et al.*, ref. 24; <sup>j</sup>Smith, ref. 53; <sup>k</sup>Tse and Lee, ref. 54.

Table 1 summarises the findings of previous research with respect to the differential response to product-related marketing activity. As this Table shows, research has demonstrated that different types of brand associations — if seen as favourable — can affect consumer product evaluations, perceptions of quality, purchase rates and market share.<sup>43–48</sup> This tendency may be especially apparent with difficult-to-assess ‘experience’ goods<sup>49</sup> and as the uniqueness of brand associations increases.<sup>50</sup> In addition, familiarity with a brand has been shown to increase consumer confidence, positive attitudes towards the brand and purchase intention,<sup>51,52</sup> and mitigate the potential negative impact of a negative trial experience<sup>53</sup> or unfavourably evaluated country of origin.<sup>54</sup>

### **Extension-related marketing activities**

Additions to existing product lines are often branded and positioned under an existing brand name as brand extensions. Consumer response could differ according to how favourably consumers evaluate such extensions and the amount of marketing support necessary to achieve a satisfactory level of extension acceptance with consumers.

Table 2 summarises the findings of previous research with respect to the differential response to extension-related marketing activity. Because of the emerging interest in brand equity, much research has been conducted to understand how consumers’ knowledge of a parent brand can affect evaluations of a proposed extension. These studies have shown how well-known and well-regarded brands can extend more successfully<sup>55,56</sup> and into more diverse

categories.<sup>57,58</sup> In addition, the amount of brand equity has been shown to be correlated with the highest or lowest quality member in the product line for vertical product extensions.<sup>59</sup> Research has also shown that positively evaluated symbolic associations may be the basis of these evaluations,<sup>60,61</sup> even if overall brand attitude itself is not necessarily high.<sup>62</sup>

Brands with varied product category associations through past extensions have been shown to be especially extendible.<sup>63–65</sup> As a result, introductory marketing programmes for extensions from an established brand may be more efficient.<sup>66–68</sup> Several studies have indicated that extension activity has aided (or at least did not dilute) brand equity for the parent brand. For instance, brand extensions strengthened parent brand associations<sup>69</sup> and ‘flagship brands’ were highly resistant to dilution or other potential negative effects due to negative experiences with an extension.<sup>70,71</sup>

Kirmani *et al.*<sup>72</sup> found evidence of an ownership effect whereby current owners generally had more favourable responses to brand line extensions. Finally, extensions of brands that have both high familiarity and positive attitudes have been shown to receive higher initial stock market reactions.<sup>73</sup>

### **Price-related marketing activities**

Consumers may differ in terms of the price they are willing to pay and the premium that can be supported versus competitive brands. Consumers may also differ in terms of how they respond to price increases and decreases on either a permanent or temporary basis.

**Table 2** Differential response to extension-related marketing activity

Consumer response	Brand knowledge	Reference	Differential response
Extension acceptance	Quality perceptions	Aaker and Keller <sup>a</sup>	Subjects gave a brand extension a higher evaluation when the original brand was high in quality and the relationship or 'fit' between the original brand and the extension was high.
Extension acceptance	Quality perceptions	Bottomley and Doyle <sup>b</sup>	Replicated Aaker and Keller (1990) <sup>a</sup> cross-culturally.
Extension acceptance	Parent brand reputation	Gronhaug et al. <sup>c</sup>	Parent brand evaluations positively correlated with brand extension evaluations.
Breadth of brand extension	High-quality brand	Keller and Aaker <sup>d</sup>	Subjects indicated that a high-quality brand can be stretched farther (more diverse product categories) than an average-quality brand.
Extension capabilities	Highly valued brands	Rangaswamy et al. <sup>e</sup>	Higher valued brand names had higher purchase intentions when extended to a distant brand.
Vertical product line extension	Price premium of the brand	Taylor et al. <sup>f</sup>	Showed a positive correlation for the amount of brand equity in different segments of the market. High-quality segment brand equity correlated with highest quality member of line and low-quality segment correlated with lowest quality member.
Brand extension evaluation	Symbolic value	Reddy et al. <sup>g</sup>	Measure of the symbolic value of the brand had positive effects on extensions.
Breadth of brand extension	Symbolic association	Park et al. <sup>h</sup>	Symbolic brands can be extended into a wider variety of contexts.
Brand specific associations	Brand knowledge	Broniarczyk and Alba <sup>i</sup>	For high-knowledge subjects, brand-specific associations moderated the effect of brand affect when consumers were evaluating a brand extension.
Positive associations and consumer confidence	Breadth of brand extension	Dacin and Smith <sup>j</sup>	Subjects had more positive associations and greater confidence in those associations when a brand had more successful products in different categories.
Favourable evaluations	Positive affect and brand breadth	Sheinin and Schmitt <sup>k</sup>	Subjects favoured brands with positive affect when the concept was moderately or extremely incongruous. In addition, subjects gave expansive brands greater latitude to extend into different concepts than high-affect brands.
Pioneering advantage or market share	Existing brand	Kerin et al. <sup>l</sup>	Order of entry effects were larger for brand extensions for scanner panel members. In addition, when a new product class is established, the order-of-entry effects for brand extensions are larger for each of the marketing mix variables than the effects for new brands.

**Table 2** (Continued)

<b>Consumer response</b>	<b>Brand knowledge</b>	<b>Reference</b>	<b>Differential response</b>
Strength of parent brand associations	Dominant brands	Morrin <sup>m</sup>	Exposing consumers to brand extension information strengthened rather than weakened parent brand associations in memory, especially for dominant brands.
Resistance to dilution	Flagship product	Roedder et al. <sup>n</sup>	Showed that consumer beliefs about flagship products (product most closely associated with brand name, eg Johnson & Johnson baby shampoo) were highly resistant to dilution.
Resistance to a negative experience	Brand familiarity	Sheinin <sup>o</sup>	Brand beliefs and attitudes were unchanged following a negative (or positive) experience with a brand extension.
Brand line extensions	Ownership of the brand	Kirmani et al. <sup>p</sup>	Found evidence of an ownership effect whereby owners' attitude towards the parent brand led to more favourable responses to brand line extensions (except for downward stretches of prestige brands).
Stock market response	Brand familiarity and brand attitude	Lane and Jacobson <sup>q</sup>	Stock market responds most favourably to extensions of brands that have both high familiarity and positive attitudes.

<sup>a</sup>Aaker and Keller, ref. 55; <sup>b</sup>Bottomley and Doyle, ref. 56; <sup>c</sup>Gronhaug et al., ref. 133; <sup>d</sup>Keller and Aaker, ref. 57; <sup>e</sup>Rangaswamy et al., ref. 58; <sup>f</sup>Tayloret al., ref. 134; <sup>g</sup>Reddy et al., ref. 18; <sup>h</sup>Park et al., ref. 61; <sup>i</sup>Broniarczyk and Alba, ref. 62; <sup>j</sup>Dacin and Smith, ref. 25; <sup>k</sup>Sheinin and Schmitt, ref. 65; <sup>l</sup>Kerin et al., ref. 35; <sup>m</sup>Morrin, ref. 69; <sup>n</sup>Roedder et al., ref. 70; <sup>o</sup>Sheinin, ref. 71; <sup>p</sup>Kirmani et al., ref. 72; <sup>q</sup>Lane and Jacobson, ref. 14.

Table 3 summarises the findings of previous research with respect to the differential response to price-related marketing activity. Although this only constitutes indirect evidence, as this table shows, several studies have demonstrated that brand leaders can command greater price differences<sup>74–77</sup> and are more immune to price increases.<sup>78</sup> In a competitive sense, brand leaders draw a disproportionate amount of share from smaller share competitors.<sup>79–81</sup> At the same time, prior research has demonstrated that market leaders are relatively immune to price competition from these small share brands.<sup>82–85</sup> In addition, lower levels of price sensitivity have been

found for households that are more loyal.<sup>86</sup>

Advertising may play a role in the decreases in price sensitivity.<sup>87</sup> Boulding et al.<sup>88</sup> claim that unique advertising messages (for example, product differentiation for high-quality products and low-price messages for low-price leaders) lead to a reduction in the susceptibility to future price competition. Erdem et al.<sup>89</sup> show that brand credibility decreases price sensitivity. Lastly, Sullivan<sup>90</sup> used the resale prices of twin automobiles (the same physical automobile with two different brand names) to show how consumers could use information about the parent brand when making inferences about the

**Table 3** Differential response to price-related marketing activity

Consumer response	Brand knowledge	Reference	Differential response
Price sensitivity	Equity over time	Simon <sup>a</sup>	Looked at changes in price elasticities over time and found that consumers had more inelastic responses to price increases and elastic responses to price decreases with leading brands over time.
Lower price sensitivity (loyalty)	Strong brand	Agrawal <sup>b</sup>	Customers loyal to a strong brand require a larger price differential in favour of the rival brand before they will switch away from their favourite brand.
Market share and price premium	Familiar brand name	Park and Srinivasan <sup>c</sup>	Brand name products command both a market share and price premium, in addition to equity associated with brand extensions.
Response to price cut	High market share brand	Sethuraman <sup>d</sup>	Store-level supermarket scanner data indicated that the leading brand gets the majority of a boost from discounting when the discounted price is still above the price of other brands.
Category choice and brand choice	National brands	Sivakumar and Raj <sup>e</sup>	Scanner panel data indicates that higher-quality brands are less vulnerable to losses when prices are increased.
Market share and price sensitivity	High-quality brand	Allenby and Rossi <sup>f</sup>	Rotating indifference curves were used to show that if switching up to high-quality brands is more likely than switching down, then there will be asymmetric responses to price promotions.
Market share and loyalty	High market share brand	Grover and Srinivasan <sup>g</sup>	Scanner panel data indicated that when the leading brand promoted its products, it drew a significant share from the two follower brand's brand loyal segments. Follower brands could not attract the leading brand's loyal segment with promotions.
Market share	High market share brand	Russell and Kamakura <sup>h</sup>	Scanner panel data indicated that the largest market share brand had a greater influence on competitors when discounted.
Market share	High priced brand	Bemmaor and Mouchoux <sup>i</sup>	In a psuedo experiment with store data, higher-priced brands were less affected by reductions in the price of lower-priced brands.
Market share	High-quality and high priced-brand	Blatberg and Wisniewski <sup>j</sup>	Store-level scanner data indicated that when higher-price, higher-quality brands were promoted, they stole share from other brands in the same price-quality tier and from brands in the tier below. Lower-price, lower-quality brands did not steal significant share from the tiers above.
Market share	High market share brand	Bucklin et al. <sup>k</sup>	Scanner panel data indicated that the leading brand could be better insulated against price cuts of competition.

**Table 3** (Continued)

<b>Consumer response</b>	<b>Brand knowledge</b>	<b>Reference</b>	<b>Differential response</b>
Lower price sensitivity	Loyal customers of brand	Krishnamurthi and Raj <sup>j</sup>	Diary panel data were used to show that loyal panel members were less price sensitive in the choice decision than non-loyal members.
Lower price sensitivity	High levels of advertising	Kanetkar et al. <sup>m</sup>	Scanner panel data indicated that, under high levels of advertising exposure, it is possible for a household's brand choice price sensitivity to decrease.
Consumer price sensitivity	Brands with unique messages	Boulding et al. <sup>n</sup>	Unique messages (product differentiation for high-quality products and low-price messages for low-price leaders) led to a reduction in the susceptibility to future price competition.
Consumer price sensitivity	Brand credibility	Erdem et al. <sup>o</sup>	Brand credibility decreases price sensitivity.
Price premium for used autos	Parent brand quality reputation	Sullivan <sup>p</sup>	Analysed the used car sales trends of used 'twin' automobiles and found that brands with a higher quality reputation had higher resale prices.

<sup>a</sup>Simon, ref. 74; <sup>b</sup>Agrawal, ref. 75; <sup>c</sup>Park and Srinivasan, ref. 76; <sup>d</sup>Sethuraman, ref. 77; <sup>e</sup>Sivakumar and Raj, ref. 78; <sup>f</sup>Allenby and Rossi, ref. 79; <sup>g</sup>Grover and Srinivasan, ref. 80; <sup>h</sup>Russell and Kamakura, ref. 81; <sup>i</sup>Bemmaor and Mouchoux, ref. 82; <sup>j</sup>Blattberg and Wisniewski, ref. 83; <sup>k</sup>Bucklin et al., ref. 84; <sup>l</sup>Krishnamurthi and Raj, ref. 86; <sup>m</sup>Kanetkar et al., ref. 87; <sup>n</sup>Boulding et al., ref. 88; <sup>o</sup>Erdem et al., ref. 89; <sup>p</sup>Sullivan, ref. 22.

used car quality. She found that parent brand quality reputation affected the relative resale prices of twin automobiles.

### Communications-related marketing activities

Marketing communications activities take all forms — advertising, consumer and trade promotions, public relations and event sponsorship, personal selling etc. Broadly, consumers may differ in their willingness to attend to a communication, the manner by which they process a communication, and their later ability to recall the content of or their reactions to a communication.

Table 4 summarises the findings of prior research with respect to the

differential response to communications-related marketing activity. A number of effects have been attributed to well-known and liked brands.<sup>91</sup> For example, consumers are more likely to have a negative reaction to repetition of advertisements with unknown as opposed to strong brands.<sup>92,93</sup> Familiar brands appear to better withstand interference from competitive advertisements.<sup>94</sup> Similarly, consumers appear to have a more negative reaction to advertising tactics such as comparative advertisements,<sup>95</sup> depending on the nature of the brand involved. Humour in advertisements seems to be more effective for familiar or already favourably evaluated brands than for unfamiliar or less-favourably evaluated brands.<sup>96-98</sup>

**Table 4** Differential response to communications-related marketing activity

<b>Consumer response</b>	<b>Brand knowledge</b>	<b>Reference</b>	<b>Differential response</b>
Advertising response	Brand familiarity	Sawyer <sup>a</sup>	Response to advertising is stronger, exposure is non-linear and stronger for subjects who are familiar with the message or brand.
Product evaluation	Familiar brands	Calder and Sternthal <sup>b</sup>	Subjects' response to ad repetition differed for familiar and unfamiliar brands. Subjects had more positive evaluation for familiar brands and a more negative evaluation for an unfamiliar brand in response to ad repetition.
Advertising repetition effects	Known versus fictitious brands	Campbell and Keller <sup>c</sup>	Established brands were more resistant to wear-out effects than fictitious brands under high ad repetition conditions.
Advertising claim recall	Brand familiarity	Kent and Allen <sup>d</sup>	Exposure to competitive advertising had little effect on claim recall from ads for well-known brands. In addition, subjects had better memory for new product information for familiar brands.
Consumer attitude and product choice	Positive prior brand attitude	Chattopadhyay and Basu <sup>e</sup>	When the prior brand attitude was positive, a humorous ad was more effective than a non-humorous ad in changing subjects' attitudes and choice behaviour.
Advertising effectiveness	Familiar brand	Stewart and Furse <sup>f</sup>	Brand-differentiating messages were more effective for more extensively used or familiar brands.
Advertising evaluation Competitor ad evaluation	Existing brands Favourable brand attitude	Weinberger and Gulas <sup>g</sup> Belch <sup>h</sup>	Humour was more successful with existing products. With comparative advertising, the more favourable the attitude for the existing brand, the less tolerant subjects were for repetition of the new brand.
Frequency of purchase	Brand loyalty	Raj <sup>i</sup>	In a frequently purchased product class, panel diary members of high loyalty increased brand purchase when advertising for that brand increased.
Advertising response	Brand familiarity	Hsu and Liu <sup>j</sup>	Consumers with higher perceptions of fluid milk advertising tended to prefer well-known brands.
Increased attention	Brand awareness and brand feature recall	Dhar and Simonson <sup>k</sup>	Attractiveness and choice probabilities are enhanced if an option is the focus of comparison. Brands with greater awareness and recall of features are more likely to be the focus of attention.
Increased attention	Most attractive brand	Simonson et al. <sup>l</sup>	Information about the most attractive brand was acquired earlier when making a choice.

**Table 4** (Continued)

Consumer response	Brand knowledge	Reference	Differential response
Attention to ad	Mature brands	Machleit et al. <sup>m</sup>	Brand interest is created for mature brands. Brand interest means the consumer now sees the brand in a new light (eg a consumer would think twice about the brand or maybe would think of 're-trial' of the brand).
Acceptance of negative information	High commitment consumers	Ahluwalia et al. <sup>n</sup>	Consumers who have a high level of commitment to a brand are more likely to counter-argue with negative information.
Loss of brand equity	Strong and weak expectation brands	Dawar and Pillutla <sup>o</sup>	Consumer interpretations of firm response to a product-harm crisis are moderated by prior expectations. Strong brands with positive expectations are more resilient to a product harm crisis.

<sup>a</sup>Sawyer, ref. 91; <sup>b</sup>Calder and Sternthal, ref. 92; <sup>c</sup>Campbell and Keller, ref. 93; <sup>d</sup>Kent and Allen, ref. 11; <sup>e</sup>Chattopadhyay and Basu, ref. 28; <sup>f</sup>Stewart and Furse, ref. 97; <sup>g</sup>Weinberger and Gulas, ref. 98; <sup>h</sup>Belch, ref. 95; <sup>i</sup>Raj, ref. 99; <sup>j</sup>Hsu and Liu, ref. 100; <sup>k</sup>Dhar and Simonson, ref. 21; <sup>l</sup>Simonson et al., ref. 13; <sup>m</sup>Machleit et al., ref. 103; <sup>n</sup>Ahluwalia et al., ref. 104; <sup>o</sup>Dawar and Pillutla, ref. 105.

In addition, consumers who are highly loyal to a brand have been shown to increase purchases when advertising for the brand increased.<sup>99,100</sup> Other advantages associated with more advertising include increased likelihood of being the focus of attention<sup>101,102</sup> and increased 'brand interest'.<sup>103</sup> Ahluwalia et al.<sup>104</sup> demonstrated that consumers who have a high level of commitment to a brand are more likely to counter-argue with negative information. This may be the reason why strong brands were shown to be better able to weather a product-harm crisis.<sup>105</sup>

### Channels-related marketing activity

Distribution activities are those designed to manage the channel structure. The response of consumers may differ in terms of their willingness to seek the brand within a store, across stores, or by any other means by which the brand can be acquired.

As Table 5 reveals, comparatively little research has addressed the question of channels-related marketing activity and brand equity. Montgomery<sup>106</sup> found that products that were from the top firms in an industry had a much higher chance of being accepted in the channel and gaining shelf space in supermarkets. Fader and Schmittlein<sup>107</sup> proposed that differences in retail availability may be a key component of higher repeat purchase rates for higher-share brands. Also, research suggests that stores are more likely to feature well-known brands if they are trying to convey a high-quality image.<sup>108</sup>

### The marketing advantages of lesser-known brands

There are several studies that provide evidence about areas where non-leading or even new brands have advantages over established brands (see Table 6). As would perhaps be ex-

**Table 5** Differential response to channels-related marketing activity

Consumer response	Brand knowledge	Reference	Differential response
Retail availability	High market share brand	Fader and Schmittlein <sup>a</sup>	Part of the explanation of 'double jeopardy' for low-share brands is the existence of an extremely brand-loyal segment for high-share brands. Another aspect of the advantage to high-share brands is in the increased availability at retail locations (smaller stores that carry fewer brands are likely to carry the high-share brand).
Store advertising	Familiar brands	Lal and Narasimhan <sup>b</sup>	Consumers use highly familiar brands to help them gauge the pricing levels of stores. Thus stores are more likely to advertise these brands to convey a favourable image to consumers.
Product acceptance in channel	Top four or five companies	Montgomery <sup>c</sup>	Products that were from the top four or five firms had a much higher acceptance rate within supermarkets.

<sup>a</sup>Fader and Schmittlein, ref. 107; <sup>b</sup>Lal and Narasimhan, ref. 108; <sup>c</sup>Montgomery, ref. 106.

pected, several studies show a greater impact for unknown brands in response to advertising, brand extensions and consumer learning.

- Derbaix<sup>109</sup> showed how unfamiliar brands are more easily influenced by the affective reactions generated by their advertisements.
- With comparative advertising, less familiar brands were later seen as more similar to brand leaders and advertisements were more effective after a delay.<sup>110,111</sup>
- For brand extensions, Morrin<sup>112</sup> found that recall of non-dominant parent brands was improved through extension activity. In addition, Broniarczyk and Alba<sup>113</sup> showed how second-tier brands may have unique extension opportunities based on the specific benefits that are associated with the brand.
- Bucklin *et al.*<sup>114</sup> showed that smaller brands may have a targeting ad-

vantage as their segments hold together better, thus allowing for more accurate targeting.

- Blair and Innis<sup>115</sup> demonstrated that consumers deemed a warranty an important signal of product quality for unfamiliar brands, but not familiar brands.
- New product features improved the relative value more for lesser-known brands than top-tier brands.<sup>116</sup>
- With consumer learning, classical conditioning effects were strongest for unknown and moderately known brands.<sup>117</sup>

Finally, there are some differential effects associated with known brands that could adversely affect their performance. For example, some studies indicate that once a brand is established in memory it is difficult to change how consumers think of the brand.<sup>118–120</sup> Meyers-Levy<sup>121</sup> found that large

**Table 6** Marketing advantages of lesser-known brands

Consumer response	Brand knowledge	Reference	Differential response
Advertising reaction	Brand familiarity	Derbaix <sup>a</sup>	Unfamiliar brands are more easily influenced by the affective reaction generated by the advertisement.
Brand similarity	Category leader	Gorn and Weinberg <sup>b</sup>	Comparative advertising by a challenger (eg a brand not the category leader) resulted in increased brand similarity between the challenger and leader. The results held whether an ad for the leader was present or not.
Brand attitudes	Brand familiarity	Chattopadhyay <sup>c</sup>	Showed that comparative ads do have an advantage over non-comparative ads when looking at the effects on brand attitudes after a delay. The increased effectiveness of comparative ads was limited to less-familiar brands.
Brand-name accessibility	Dominant brands	Morrin <sup>d</sup>	Non-dominant parent brands may benefit more from extension activity than dominant parent brands.
Brand-specific associations	Brand knowledge	Broniarczyk and Alba <sup>e</sup>	A less favourable brand may still be able to extend to some categories that the leader could not (eg Close-up toothpaste). Close-up breath mints were evaluated more favourably than Crest breath mints.
Price sensitivity	High market share brand	Bucklin et al. <sup>f</sup>	Smaller brands may have a targeting advantage as their segments hold together better.
Relative value	Top of line models	Nowlis and Simonson <sup>g</sup>	New product features improved the relative value more for lesser-known brands.
Product quality perceptions	Known brands	Blair and Innis <sup>h</sup>	Consumers evaluated warranty as an important signal of product quality for unfamiliar brands, but not familiar brands.
Advertising classical conditioning effects	Familiar brands	Shimp et al. <sup>i</sup>	Classical conditioning effects were strongest for unknown and moderately known brands and were also stronger when the conditioning was embedded with familiar brands.
Recall and recognition of brand associations	High frequency words as brand names	Meyers-Levy <sup>j</sup>	A large number of associations was not necessarily advantageous and could produce interference effects and lower memory performance.
Specific associations	Market leaders	Farquhar and Herr <sup>k</sup>	If a brand is seen as representing or exemplifying a category too much, it may be difficult for consumers to think of the brand in any other way. Thus market leaders may have strong concrete associations that may not transfer as broadly to extension categories as more abstract associations.
Perceived quality, value and fair price	High equity brand	Buchanan et al. <sup>l</sup>	Evaluations of a 'high-equity' brand could be diminished by an unfamiliar competitive brand when: 1) a mixed display structure led consumers to believe that the competitive brand was diagnostic for judging the high-equity brand 2) the precedence given to one brand over another in the display made expectations about brand differences or similarities accessible 3) the unfamiliar competitive brand disconfirmed these expectations.

<sup>a</sup>Derbaix, ref. 109; <sup>b</sup>Gorn and Weinberg, ref. 110; <sup>c</sup>Chattopadhyay, ref. 111; <sup>d</sup>Morrin, ref. 69; <sup>e</sup>Broniarczyk and Alba, ref. 62; <sup>f</sup>Bucklin et al., ref. 84; <sup>g</sup>Nowlis and Simonson, ref. 116; <sup>h</sup>Blair and Innis, ref. 115; <sup>i</sup>Shimp et al., ref. 117; <sup>j</sup>Meyers-Levy, ref. 118; <sup>k</sup>Farquhar and Herr, ref. 119; <sup>l</sup>Buchanan et al., ref. 135.

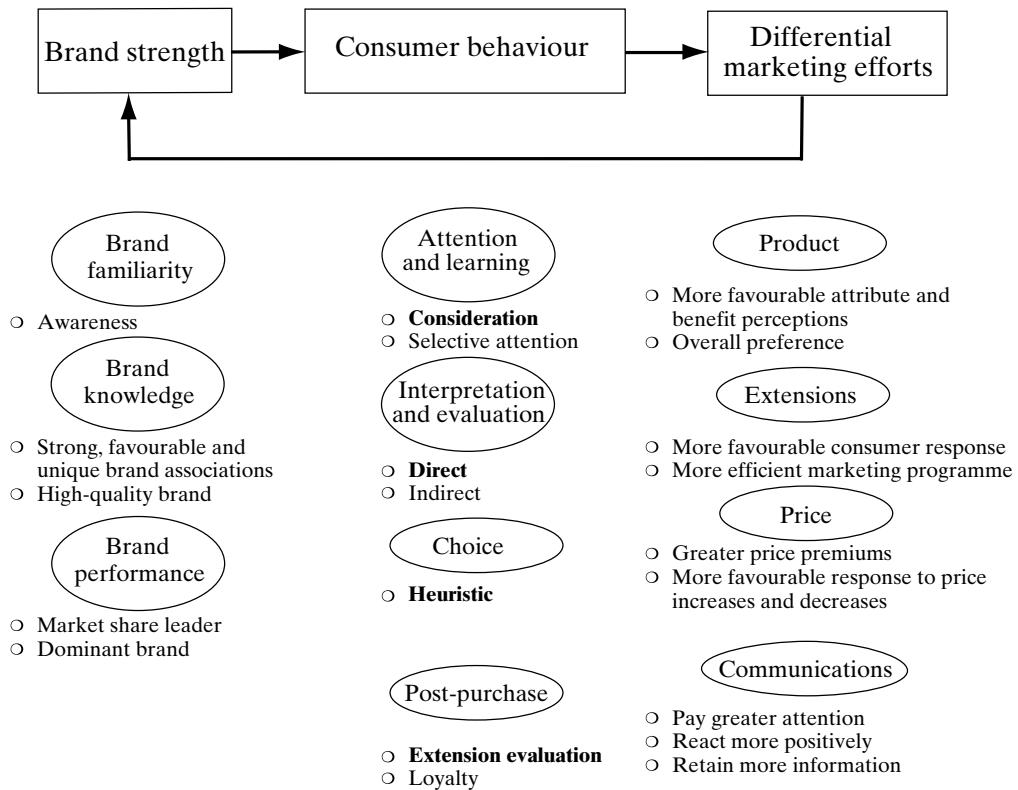


Figure 1 Brand strength summary

numbers of brand associations could lead to interference effects and lower memory performance. Farquhar and Herr<sup>122</sup> contend that market leaders may have concrete associations that may not transfer as easily as abstract associations for brand extensions.

## SUMMARY

### Discussion and implications

This paper documented academic research from some of the major marketing journals that sheds light onto the marketing advantages of strong brands. A comprehensive literature review was performed and research summarised that either supported or refuted the customer-based view of brand equity

by identifying studies where differential response to marketing activity of a brand was shown. The theoretical mechanisms that were hypothesised to support the findings of differential responses accorded to strong brands were then extracted and catalogued. This section focuses on insights gained and makes several summary comments on the findings from this literature review.

### Broad scope of effects

First, the broad scope and sheer pervasiveness of the findings are noteworthy (see Figure 1). Differences in consumer response due to differences in brand knowledge were found:

- *With different operationalisations of brand strength:* The most frequent operationalisations of brand strength were either simple familiarity with the brand (in pure experimental settings) or the leading market share brand (mostly for quantitative papers). In addition, specific types of brand knowledge were used as indicators of brand strength. These strong, favourable and unique associations included image, reputation, high-quality brands, highly valued brands, positive prior attitudes and prior ownership.
- *Across different aspects of consumer behaviour:* One reason why these brand knowledge effects are so widespread is due to the many different means by which knowledge effects can emerge. Knowledge can affect seemingly all stages and aspects of consumer behaviour. Consequently, there are multiple routes by which brand equity effects can be manifested.
- *Across different types of marketing activities:* Nearly every type of marketing activity is affected by a strong brand. On the product side, strong brands get preferential evaluations of attribute and benefit information (higher perceived quality) as well as generally higher overall preference. Brand extensions of strong brands are shown to have higher preference levels and more efficient utilisation of resources in all aspects of the marketing programme. The pricing advantages include greater premiums as well as more favourable responses to both price increases and decreases. Lastly, strong brands garner more attention, have more positive reactions

and ultimately have greater retention of messages when communicating brand information.

### **Theoretical mechanisms**

Several mechanisms are cited as possible theoretical mechanisms underlining the development of brand equity. Again, this is the first known attempt to catalogue the *mechanisms* from which brand equity advantages are derived. Yet very few studies actually test the mechanisms directly. Often, the mechanisms are put forth as potential precursors to brand equity, but the manifestation of brand equity is what is tested in the study. For instance, the transfer of affect or ‘halo effect’ is thought to drive many of the advantages associated with brand extensions. So far, the amount of research directly investigating or manipulating how affect is transferred during the evaluation of brand extensions is sparse.

### **Consumer uncertainty**

The findings also suggest that these effects are especially likely to occur in those circumstances where consumers feel uncertain,<sup>123</sup> for example, when ambiguity prevails in the choice or decision setting, or where there is not enough information available.<sup>124</sup> In those situations where consumers lack confidence, a strong brand can provide many direct and indirect benefits. For instance, in low involvement settings where consumers lack either the motivation or ability to arrive at a deliberate, well-reasoned decision, they may rely on brand knowledge as a heuristic or allow it to colour their impressions in various ways.

### *Consumer brand development*

Brands may play a critical role when young consumers are making their 'initial' choices in a variety of new domains. As most people with young children (who may prefer 'happy meals' at an early age) can attest, brands affect consumers at an early age. When examining the consumer socialisation of children, Roedder<sup>125</sup> catalogued how the use of brands changes in young consumers as they grow older. Young consumers move from pure familiarity to more sophisticated symbolic representations. Specifically, Achenreiner and Roedder<sup>126</sup> show that, for younger children, brand familiarity may provide the most advantages for products while, for older children, the specific associations attached to the brand become more important (see also Nguyen and Roedder<sup>127</sup> and Zhang and Sood<sup>128</sup>). If existing strong brands play a critical role in the crucial preference-development phase then these brands should have long-term advantages as new consumers enter the marketplace. In fact, brand loyalty has been shown to be more stable for brands that are market leaders (Dekimpe *et al.*<sup>129</sup>).

### *Summary*

In short, brand advantages can be manifested in many different ways. Moreover, the more 'difficult' the situation that consumers face, the more likely it is that these brand advantages will be evident. At the same time, lesser-known brands do have several of their own advantages, although primarily these reflect the fact that these types of brand have much 'room for improvement.'

### **Future research priorities**

The literature review also suggests several areas where additional research is needed. In a broad sense, there needs to be a more detailed understanding of how specific dimensions of brand knowledge affect different aspects of consumer response. This deeper level of analysis will not be easy, however, because different dimensions of brand knowledge are often correlated. For example, high-equity brands often are both well known *and* well liked. Distinguishing which aspect of brand knowledge — familiarity or affect — is creating the differential response in a particular setting could, therefore, be quite difficult.

### *New brands*

Firms need better information while making brand-building decisions. Research should explore the optimal strategies for new and lesser-known brands to break into the marketplace and better compete with brands that have amassed more brand equity. What are the best options available for them? The early decisions firms make when positioning brands will have a lasting impact on the associations consumers hold for the brand. A better understanding of consequences associated with the trade-offs firms launching new brands face is needed. The advantages, for instance, of building familiarity versus the advantages of creating a strong, favourable or unique association when developing a new brand need to be clearly spelled out. For example, many of the now defunct dot com companies chased familiarity without paying enough attention to what associations were being built. Brand

managers at these companies may have held the incorrect belief that all the advantages of brands are built by being well known.<sup>130</sup> In addition, a more thorough understanding is needed of the differences between abstract and concrete associations and the limitations of each type of association. In general, more information is needed about how best to build strong brands whose advantages will be the most resistant to changes brought on by the introduction of new products or changes in the preferences of consumers.

### *Theoretical mechanisms*

As the discussion of the mechanisms indicated, many of the potential causal mechanisms have not been tested directly. For instance, one area that needs to be carefully investigated is brand affect. The popular press is rife with examples of companies that are changing their advertising in an attempt to create an emotional bond with their customers. In just the last six months, firms in industries as varied as motor vehicles, insurance and pharmaceuticals have publicly stated their goal of increasing the emotional tie with consumers. Without fully understanding the antecedents and consequences of potential emotional bonds, these firms have little research to guide them. A good start towards understanding the antecedents of brand affect is provided by Chaudhuri and Holbrook.<sup>131</sup> More knowledge is needed of how affect is generated and how it influences consumer behaviour and response to marketing activity. In particular, such research should more closely examine the affect-transfer process in consumer

decision making, consider the use of emotions in processing brand-related information, and so on.

### *Effects on attention and learning*

There appears to be less emphasis in the literature on understanding the brand knowledge advantages in attention and learning. How do strong brands benefit from more developed knowledge structures in marketing activities designed to build brand equity? Almost every paper in this review focused on the consequences of brand equity once it was either established in the market (known brands) or developed in the context of an experiment (fictitious brands). While there has been a fair amount of work on topics around the building of brand equity, it would be worthwhile to better understand which brand-building techniques lead to the largest differential responses once brand equity is established. The answer may depend on whether the brand is an entirely new brand or an existing brand that is trying to reposition to better fit the needs in the market.

### *Channels*

From the perspective of a marketing programme, the most neglected research area appears to be how different levels of brand equity affect the effects of various channel strategies and tactics. A number of different issues are relevant here — channel acceptance of new products depending on brand strategy and the equity involved, how national brands affect the equity of retailer brands and vice versa, and so on. Along those lines, one useful research study would be to update

Montgomery's<sup>132</sup> classic paper and explore the decision processes of retailers from a branding perspective. How does the equity of brands affect the various stages involved?

### **Brand equity development**

Lastly, as mentioned earlier in this summary, it is necessary to better understand the role of brands during the critical preference-development stage for young consumers as well as improve the understanding of the role of brands as consumers' tastes change and mature. Although brand preferences persist in many categories, one can think of many categories where brand preferences may be more labile as consumers acquire more sophisticated tastes. For instance, many people who drink wine migrate from the sweeter entry-level wines they initially consume when entering the wine category. It would be interesting and useful to have a better understanding of the role of brands in the maturation of tastes.

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