# How much of brand equity is explained by trust?

**Tim Ambler**
London Business School, London, UK

**Brand equity, key to the evaluation of marketing performance, exists in the hearts and minds of consumers, and other marketplace players, but is largely assessed on the basis of observed behaviours. Such measures are typically relative (to other brands) – e.g. market share and relative price – whereas direct measures of brand equity – e.g. awareness and attitudes – are conventionally expressed in absolute terms. The correlation between the two sets has been poor. Expressing brand equity in relational terms opens a new line of research which may provide better performance prediction and assessment. Trust is the most popular measure for relationship assessment and may similarly prove to be the leading indicator for brand equity. Some research proposals are made.**

**Thanks are due to David Ballantyne, Kent Grayson, Devon Johnson and Chris Styles for their helpful comments on an earlier draft.**

Management Decision
35/4 [1997] 283–292

[ISSN 0021-1747]

Marketers, and their senior and accounting colleagues, need to assess, annually at least, whether expenditure is meeting the objectives the corporate plan established. Short-term profit contribution or other measures are, as will be shown, misleading without adjustment for the asset widely known as brand equity which may be expressed as a function of brand-customer relationships. Relationships are hard to measure and still harder to value financially. They can be expressed in both behavioural and attitudinal components, one of the most important of which may be "trust". Definitions of brand equity, trust, neoclassical and relational paradigms are attached as an appendix.

This paper develops theory towards more relevant and predictive measures of brand equity. We may learn from comparing measures from a relational perspective with those from more traditional marketing analysis.

Brand equity is an asset which needs to be distinguished from the measurement of that asset. With those considerations as background, brand equity is presented as a function, largely, of brand-consumer relationships. Depending on the characteristics of the particular market, other brand relationships may be even more crucial. If so, that customer group should be substituted but the argument, *mutatis mutandis*, would be unchanged. Introducing trust as a key relational variable brings together three perhaps diverse areas of scholarship (brands, relationship marketing and trust) but that synthesis forms the central thrust of this paper.

Marketing theory is, perhaps, fissioning when it should be fashioning. As Webster (1992), in particular, has advocated, marketing needs to supply cross-corporate cohesion, which is difficult if marketing thinking is itself splitting into separated paradigms. Paradigms determine measures: four specialists examining the same patient will each measure, and then diagnose, according to their own specialism. The patient, however, wants a single synthesized report taking the best knowledge from all quarters. This paper brings two ways of seeing marketing together: the neoclassical and the relational.

Grönroos (1994) discusses "the nature and sometimes damaging consequences of the dominant marketing paradigm of today, marketing mix management". He is referring to what others, e.g. Arndt (1983), call the "neoclassical paradigm", namely the micro-economics-based, analytic perspective where sales growth or share is seen primarily as a function of product, price, place and promotion (4 Ps) (McCarthy, 1960). This school of thinking supplies the basic MBA marketing course the world over. Good information, analysis and calculation can, by inference, optimize marketing performance, i.e. profits, over time.

Grönroos suggests (1994, p. 22) that relationship marketing is one of a number of paradigms that will increasingly supplement the marketing mix perspective, but the literature (see the special issue of *The Journal of the Academy of Marketing Science*, Autumn 1995) is confused by two meanings. The narrower one is the sub-branch of marketing dealing with personal business connections, especially in channels. The larger meaning is seeing the marketplace, and perhaps all business, as "a network of value-laden relationships" (Kotler, 1991). To distinguish between the two, I use "relationship marketing" for the former and "relational paradigm" for the latter. Brands are, in the relational paradigm, anthropomorphized to the extent that people have "relationships" with them.

Thus the underlying discipline of the marketing mix or neoclassical paradigm is micro-economics, whereas the relational paradigm is about people and draws its substance from the other social sciences. Rather than leave them in separate pens, we should compare brand equity measures from both neoclassical and relational paradigms and establish how predictive they are of future profit performance. In particular, how much future profit performance variation can be explained by trust?

## What is brand equity?

Marketing "success" can only be determined in the light of the objectives the organization sets itself. In this sense success is subjective. Nevertheless, for most commercial organizations profit is an important goal and this aspect of success can be expressed as the combination of:

- short-term financial results, being the excess of profits, or cash flow, over the resources employed; and
- the increase in brand equity, which is an asset equivalent to the store of future profits, or cash flow, represented by customer habits and attitudes towards the brand and those of other influencers in the value-laden network that forms the "market". For convenience, this paper will term all members of the buyers/suppliers network "customers" whether they are distribution channel members, end users or "influencers", i.e. those that do not buy or sell but whose brand attitudes affect those that do.

Thus, symbolically, Success = $\pi + \Delta BE$, where $\pi$ is profit and $BE$ is brand equity (1)

Until recently, companies were vaguely aware of an intangible asset comprising the uncashed results of their marketing efforts to date, but measures were informal. Aaker (1996) proposes 12[1] brand equity measures most of which have long been used by marketers but which are only now being brought together as a single intangible asset which, in accounting terms, is brought forward at the start of the period and carried forward to the next. To assess marketing performance solely on short-term profit makes as much sense as assessing sales using production volume without allowing for inventories at the start and end of the period.

If the asset, in either case, is high at the start of the period, no marketing/production activity may be needed at all to produce high sales. The business would be living off the past. Conversely, brilliant marketing activity may achieve a poor profit response in the same period but produce a leap in brand equity which will pay back in future periods.

The importance of the concept of brand equity becomes apparent in assessing how (well) advertising works. The world spends US $243bn on advertising (Zenith, 1995), about $130bn of which is wasted (Abraham and Lodish, 1990; Jones, 1995). Direct response advertising aside, where does advertising go between the time the consumer sees/hears it and the next purchasing opportunity? Either advertising has some mental effect or it does nothing. This simple storage property of brand equity is often overlooked when managers look for sales responses. Sales responses may happen but they will take place *later*. For some categories, the main advertising effect may be price support but this too will be delayed at least until the customer next purchases. Advertising must affect our hearts (figuratively) and minds *before* it can affect the marketing variables.

Direct response advertising may be effective without permanent memory effects since the consumer response can be almost contemporary with the advertising. Thus, the immediate objective of all other consumer brand advertising is to increase brand equity. Direct response advertising may well have a longer lasting, brand equity, effect as well. Effective advertising does not just grow sales, indeed it may not grow sales at all. It may protect existing sales (maintenance) through reinforcing habits or it may allow the brand to charge more or it may gain the respect of non-users. Advertising, like any other form of communication, can do many different things but all of them, for commercial consumer brands, increase the store of future profits. Measuring brand equity is thus necessary for assessing advertising effectiveness.

Symbolically and where advertising is the only variable being manipulated, $AdFX = \Delta BE$

($AdFX$ are advertising effects which are the change in brand equity) and therefore

$$\text{Success} = \pi + \Delta BE \qquad (1)$$

$$= AdFX - \text{Cost}\,(AdFX). \qquad (2)$$

Clearly, there are other ways of increasing brand equity – public relations, for example – but for the purposes of this analysis they are being held constant. Since the accounting period end cuts arbitrarily into the time when advertising is having its effect, we have to distinguish short-term gains in profit from residual brand equity carried forward – previously termed "adstock" (Broadbent, 1984). In equation (2), the effects of advertising are likely to cross into a new accounting period whereas the costs all fall into the old one. This, and the difficulty of measuring $AdFX$, or $\Delta BE$, lies at the root of short-termist cutting of advertising budgets.

Brand equity is made up of memories of different kinds. Procedural, or reflexive, memory (Rose, 1993) records *how* we do things. It includes programmed behaviour patterns (habits) and is largely unconscious leading to the alarms, which proved unfounded, about the possibility of subliminal advertising. Declarative memory takes two forms: semantic, which records meanings and associations, and episodic, which records facts and events. Declarative memory can be cognitive (thinking-related) and affective (feeling-related). Awareness is cognitive, as is our knowledge of a brand's functional performance characteristics and price. Attitudes towards the brand are primarily affective[2]. Most importantly, our use of frequently purchased brands is likely to be merely reinforced by advertising (Ehrenberg, 1974; O'Shaughnessy, 1992, p. 217). The perceived quality of the brand will be a mix of actual quality facts we may know, e.g. from consumer reports, image characteristics from advertising, packaging, word of mouth and usage experience. All these, technically, reside in memory but, figuratively, we can say that brand equity exists in the hearts and minds of those in the marketplace. Hereafter, I will just consider the end-user or consumer. Consumer brand equity is only part of the whole: there are other customers along the chain, the sellers have brand equity and so do outside influencers. As it is cumbersome to use the full term, I will just use "brand equity" on the understanding that the measures should be scaled up from end-users to all marketplace players.

In any case, it is important to recognize that brand equity is the intangible *asset* created by marketing endeavour. The asset is not the same as the financial valuation, or any other *measurement,* of that asset, any more than a house is the same as the value of the house. One cannot live in the valuation.

## Brand equity measurement

Parsimony requires measurers of brand equity to use the fewest necessary constructs. In other words, if brand equity can be measured at all, then most of it should be explained by an $n$-dimensional vector where $n$ is a small number. For example, some believe that market share is a reasonably good proxy for brand equity ($n$ = 1) (Ehrenberg, 1993). Others believe that relative price needs to be taken into account ($n$ = 2). Others again would require that brand penetration, perceived quality/esteem, familiarity/awareness … ($n$ = 3, 4, 5....) should be included. Marketers, and their market research budgets, would be helped by $n$ being as small as possible. How many constructs do we need?

The neoclassical paradigm sanctions, in principle, the reduction of short-term results and brand equity each to a single financial valuation, or number, which may then be added together, e.g. shareholder economic value. That is because the neoclassical paradigm itself is a micro-economics framework. In the relational paradigm, such compression is not possible. The assessment of both short-term results and brand equity needs multiple measures which cannot yet feasibly, for the purpose of assessing brand performance, be translated into a financial value – see Ambler (1995) for coverage of these issues.

The behavioural aspects of brand equity can be observed as purchasing patterns and, since they are largely habits, the best estimate of tomorrow's behaviour is today's. Whether due to competitive tension and balance, or customer resistance to change, or both, market share has been shown to be remarkably stable. The brand leaders in the 1920s were mostly the leaders 60 years on (Wurster, 1987). Market share is also a good indicator of profit or cash flow. Brand leaders generally make more money per unit than the others, as well as selling more units. Market share also correlates closely with awareness, loyalty, penetration, and distribution (Ehrenberg, 1993; Stern, 1994). Many marketers are content to describe brand equity purely in behavioural terms because:

- they can be objectively observed (EPoS tills, panels, etc.);
- they can be accurately measured;
- attitudinal measures have been shown to correlate poorly (0-0.3) with behaviour (Vakratsas and Ambler, 1996). What people say they will pay, which brands they claim to be loyal to, do not closely match what they actually do.

Wilson *et al.* (1989) provide insights on why researched attitudes are such poor predictors. Their research indicates that cognitive analysis of attitudes *disrupt* their reliability. For example, attitudes towards makes of strawberry jam (perceived qualities) closely matched objective quality measures (consumer reports) *until the respondents were asked to explain their reasons*. The cognitive effect on consumers' feelings, however, did not change subsequent behaviour.

In the steady-state market, researchers, e.g. Ehrenberg (1993), can justifiably ignore brand equity, because the brought and carried forward brand equities are the same for all parties. In these circumstances, the short-term results are the results; behaviours are not changed by attitudes because behaviours do not change. Ehrenberg's data show that markets are more stable than marketers care to admit. As noted above (Wurster, 1987), established brand leaders remain brand leaders unless their marketers do something dreadful. Lower ranked brands retain their places.

If one limits the measurement of brand equity to consumer behaviours only, then market share and relative price together provide a reasonable proxy. However, we cannot ignore customer mental states as the marketer is concerned with what *changes* behaviour. If behaviours and market shares are stable, managers will want to pay attention to the improvements they can make, however small. They are only incidentally bothered with the status quo: their preoccupation is to improve it from their brand's point of view. Difficult as it is, they want to know what customer mental state causes what behaviour change and how the marketing mix, e.g. advertising, can be deployed to precipitate that mental state. In relational language, the manager wants to know how to improve the brand/customer relationship in such a way that the customer will buy more product and/or pay more for it, while building customer satisfaction.

Thus, we turn now to brand equity expressed as a function of relationships. If the customer wishes a greater association with the brand, it would seem reasonable that he/she should want to be associated with it more often (greater purchase and usage) and/or be prepared to pay more for it. In contrast to the neoclassical paradigm which assumes a rational analysis of information, the perspective here focuses on human feelings. How many people care for the brand (market share) and how much they care (relative price) are still key measures but the perspective has switched from the cognitive (rational) to the affective.

## Brand equity as brand-consumer relationships

Anthropomorphizing brands has a long history (see Fournier, 1995; King, 1973). Thus, we define the customer's relationship with the brand as $R_{xbt}$, being an *n*-space column vector made up of the key measures of customer *x*'s brand memories, both procedural and declarative (Rose, 1993), at time *t*. As we are treating, for the purposes of this paper, all players in the market as a single, composite consumer, *x* is temporarily redundant, i.e. we can write $R_{bt}$ for $R_{xbt}$.

$$\text{Thus, } AdFX_t = \Delta BE = R_{bt+1} - R_{bt}. \quad (3)$$

The composite consumer is a complex animal. It is not everyone, nor just existing users, but the target segment; in other words, those consumers we care about. Relationships work both ways. In a US presidential election, the candidates are concerned with voters and, to a minor extent, those who may influence them (teenagers). The voters fall into five categories: hard core for and against, those who have allegiance each way but might switch, and the don't knows. Only the last three groups can change the outcome of the election and they form the target segment which, in turn, is sub-segmented by the issues with which they are concerned. Older age groups, for example, are more concerned with health issues.

In most other markets, consumers are not equal but are valuable according to their lifetime profit potential. One of the key contributions of the relational paradigm is the recognition that a sale may just be the beginning. The target consumer segment is the aggregate of sub-segments each weighted by its probable lifetime value. One can be more or less sophisticated about how this is done but the probability has to assume the marketing is successful which introduces some degree of circularity.

Market research should focus on this target consumer segment. For example, brand awareness may be declining for the population as a whole while increasing for the target segment.

We want to know how an individual's memory change precipitates behaviour change (classical conditioning (Pavlov, 1927)) or, as some think more likely in many marketing categories, random experience is reinforced by the marketing mix (operant or instrumental conditioning (Skinner, 1938)). Classical or operant conditioning makes a difference to the marketer. Efforts should be directed either to persuasion (classical) or positive experience (operant). In the case of classical conditioning,

$$B_{bt+1} - B_{bt} = f\{R_{bt}\} \quad (4)$$

$$\text{or } B_{bt+1} - B_{bt} = f\{R_{bt} - R_{bt-1}\} \quad (5)$$

where $B_{bt}$ is the purchasing behaviour by the consumer to brand *b* at time *t*; depending on whether it is the absolute level of attitudes that matter or the *change* in attitudes.

Since the steady state implies no change in behaviour, the second equation might seem correct, but it has a problem. Relationships build continuously but behaviour changes discontinuously. In the aggregate of fast-moving consumer goods, where consumers are choosing probabilistically, aggregate demand may appear as a smooth (continuous) function of changing brand equity (brand/consumer relationships) but that is the effect of aggregation. At the individual level, I will continue to own, say, a Saab car, until the accumulated weight of relative (see below) brand equity tips me into new behaviour. It is not the shift of brand equity in one period that matters but the shift since my behaviour last changed, i.e. since I started owning Saabs.

We can therefore write the model as

$$B_{bt+1} - B_{bt} = f\{R_{bt} - R_{bt-dh}\} \quad (6)$$

where *dh* is the date the purchasing behaviour last changed; and therefore $B_{bt+1} = B_{bt}$ most of the time. Note that, in the case of durables, such as the Saab, $B_{bt}$ has to refer to *ownership* as distinct from *purchase.* For routine purchasing of fast-moving consumer goods, on which this thinking is largely based, the distinctions between purchase, owning and using are not material.

Equation (6) is consistent with Ehrenberg's findings, while allowing us to focus on change. Mathematically, $f\{R_{bt} - R_{bt-dh}\}$ is rather sophisticated but it can be visualized as the way a river dams up until the pressure of water releases a torrent (the change) but also brings fresh logs which dam it up again.

In the case of operant conditioning, the change in attitudes and the change in behaviours will happen, roughly, in the same period *t*. This may explain why predictive measures of sales or market share change have been so difficult to find. In our model, the build up of relationships is over a longer period and consistent with either classical or operant conditioning. It would seem likely that behaviour change contains elements of both.

Using mathematical notation focuses attention on issues that common parlance glides past. Relative versus absolute measures is an example. Marketers usually, but not always, use relative (to other brands/the market) measures (market share, relative price) for $B_{bt}$ and, by proxy/extension, to the procedural memory component of brand equity. We measure mental habits by observing behaviour or asking questions, not by direct brain scanning. Since habits are largely non-conscious, conventional market research (asking people questions) has to be suspect. As noted above, Wilson *et al.* (1989) have shown that rationalizing disrupts affective memory (attitudes) which leaves only episodic memory as secure territory for consumer market research, e.g. awareness or what they purchased.

On the other hand, marketers mostly use absolute measures (awareness, perceived quality, the brand for me, customer satisfaction) for measuring declarative memory. As we are not attempting to add numbers across dimensions, this is not a problem until we start to use $R_{bt}$ to predict $B_{bt+1}$.

So far, we have not considered the competition, which is not standing idly by. If the other brands are also improving their customer relationships at the same rate, change in customer behaviour is unlikely. Competitive tension provides stability. Assuming, for simplicity, that all habit measures are relative to the market and all other mental state measures are absolute, then, using $\beta$ to represent all other brands, the model above should be rewritten as:

$$B_{bt+1} - B_{bt} = f\{R_{bt} - R_{bt\text{-}dh},\ R_{\beta t} - R_{\beta t\text{-}dh}\}; \quad (7)$$

$$R_{bt} = g\{MFX_{bt},\ B_{bt},\ \ldots,\ B_{bt\text{-}dh}\};\ \text{and} \quad (8)$$

$$R_{\beta t} = h\ \{MFX_{\beta t},\ B_{\beta t},\ \ldots,\ B_{\beta t\text{-}dh}\}. \quad (9)$$

where *MFX* are the marketing effects, including advertising, and *B* includes not just purchase behaviour but product experience. The function is, in effect, the combination of memories of marketing inputs and brand experience, consistent with the above.

A key implication of this model is that behaviour changes should be predictable but not pinpointed. In other words, if $R_{bt}$ and $R_{\beta t}$ are trending in opposite directions, a behaviour change will happen if the trends continue, even if the exact date may not be certain. If $R_{bt}$ and $R_{\beta t}$ are trending in the same direction or not changing significantly, behaviour will not change.

This model is closer to reality than the view that an increase in advertising will necessarily increase sales.

## Trust is dynamic

If $\text{Trust}_{bt}$ turned out to be not only important, but the most important attitudinal construct, as market share is for behaviour, then we could proxy $R_{bt}$ by $\text{Trust}_{bt}$. Perceived quality has been identified as a key, perhaps *the* key, indicator of future performance (Gale, 1994) but we do not know the connection, which would seem likely, between perceived quality and trust. Young and Wilkinson (1989), in the context of Australian firms, found trust to correlate with the size and power of firms: the larger being more trusted and trusting. This is consistent with the use of trust as a proxy for brand equity.

Two examples may help us with this abstraction. The conventional demand curve runs concavely from top left to bottom right. This is based on commodity trading. The brand establishes a mini-monopoly for itself which allows it to increase price, up to a point, before losing sales. Brand equity, in effect, shifts the demand curve up and to the right. For some luxury goods the demand curve is orthogonal to the conventional shape because consumers are using price as a proxy for desirability. Brand equity appears, principally, in the form of higher price and/or higher sales. To begin with, the price increase may actually increase sales due to the immediate perception of increased quality. Thus, the price/quantity curve is, initially, orthogonal to that for the commodity. It depends on the fact that the customer trusts the brand.

At some level of price increase, however, the consumer will recognize that the brand no longer provides value for money. The brand is perceived as taking advantage of the consumer. Sales volume will abruptly plummet, stabilizing at, or even below, commodity levels for that price. Thus, the price/quantity curve for a brand looks quite different to that for a commodity. Brand equity accounts for the difference, by definition. To what extent does trust also explain it?

In essence, if a brand raises price excessively relative to value, trust will be violated. One can see this effect in categories where quality is ambiguous, such as whisky or perfume. High volumes and credibly high pricing can be sustained, up to a point, by advertising but once trust goes, so do the volumes. Trust is not only violated by overpricing. Impurities in Perrier permanently damaged brand equity, partly because the company's reaction was inadequate. Conversely, Tylenol's rapid reaction to product tampering retained, even built, brand equity. Intel's just-in-time response to Pentium performance complaints salvaged a perilous situation.

*"…Trust does not have a linear, symmetric relationship with volume sales. Trust builds slowly with sales if customers are fully satisfied…"*

The second example is drawn from the 1996 US presidential election (Edsall and Morin, 1996) in which 54 per cent of voters said that they did not think Clinton was honest; 18 per cent of those who did not trust him nevertheless voted for him. Presumably, they distinguished between his credibility as a person and his competence as a president. Of the 42 per cent who did trust him, 88 per cent voted for him. One might infer that trust was a key indicator. According to Edsall and Morin, "the honesty question was one of the most polarizing of the survey".

Trust does not have a linear, symmetric relationship with volume sales. Trust builds slowly with sales if customers are fully satisfied. Perceived quality has been recognized to trail actual quality. Once actual quality is recognized to fall well below perceived quality, and if urgent action is not taken to rectify the relationship, trust disappears fast and rebuilds slowly. Human relationships are little different. If I take $100 from the till but promptly return it, trust will be barely damaged. Forgetting to do so might destroy it.

If changes in trust largely explain changes in $R$, then we can use trust as a proxy for $R$ and we may have a satisfactory four-space measure of brand equity using market share, relative price, trust ($b$) and trust ($\beta$).

As trust is an affective form of memory, there has to be some doubt whether it is proper to analyse it into components (e.g. Morgan and Hunt, 1994) such as integrity, benevolence, sincerity, because these are related, as distinct from, constituent concepts. See Geyskens and Steenkamp (1995) for a meta-analysis of trust in marketing channel relationships. Though many studies deconstruct trust, which both helps and is supported by the research methodology[3], it seems unlikely that the brain performs some arithmetic process to assemble constituents before determining the extent of trust. It is an affective and not a cognitive, analytical construct. Furthermore, it is likely to be disrupted by analysis (Wilson *et al.*, 1989). Wilson and Jantrania (1994) conclude that trust is indivisible and their position is adopted by this paper: "Trust is trust" and, if analysed, ceases to be trust. (See the Appendix for a brief review of definitions.)

The notion that the constituents of trust (e.g. perceived honesty, shared values) are somehow also its *antecedents* implies that they both happen prior to trust, cause it and then *are* it. Some scientific and logical anomalies arise. Neuro-science, e.g. Rose (1993), sees the brain operating in a massively parallel fashion and any such serial process is unlikely. More probable is the simultaneous build up, or destruction, of trust and any constituents. Such literature as suggests antecedence (LISREL) could be interpreted to indicate correlation rather than antecedence, causality or constituency. One can put coal in the engine's boiler which will cause the engine to move forward. Coal here is both an antecedent and cause of motion (engine performance) but it is not part of (a constituent of) the engine. The engine is still the engine whether the coal is there or not. Motion requires both the engine and coal; motion analysis will reveal a clear correlation between the two.

It is clearly useful to measure trust and related concepts, not least with a view to dropping close correlates in the interest of parsimony. The relational paradigm, due to its affective orientation, provides the environment in which this class of constructs may be collected.

Critics have pointed to the dangers of showing trust solely as an antecedent of performance. In other words, unless trust is seen as both a cause and a consequence of marketing outcomes, the model will be deficient. Geyskens and Steenkamp (1995), in supporting the generalizability of the Morgan and Hunt findings that trust mediates performance, caution "ignoring the effects of economic outcomes on trust and its consequences overestimates the effect of trust". Their analysis can be interpreted differently: trust is both antecedent and consequence.

The dynamic effect of trust which is also created by satisfactory economic outcomes of prior performance leaves us with the asymmetric hypothesis, pace Morgan and Hunt, that improving trust only marginally mediates marketing success but the destruction or lack of trust has negative consequences. The Morgan and Hunt data do not show asymmetry but neither do they allow for dynamic effects nor separate positive and negative changes. Geyskens and Steenkamp included 18 empirical studies with 145 pairwise correlations of which 119 were classified as antecedent *or* consequence and none were classified as both. In other words, they uncovered no empirical work which allowed for the dynamic (longitudinal) effect of these types of variables.

Performance conditions memory, part of which is described as trust. A fledgling "trusts" that a parent will return to the nest with food. We do not know what, if anything, it has in mind and it does not have much choice. Similarly, trust in business typically arises over time when individuals have to work together and, in so doing, condition themselves into habits which observers might call trust but of which the participants themselves are unconscious. This cumulative, brought forward, carried forward, habitual nature of trust is common to all relationship and brand equity factors. The equations above treat brand equity as both antecedent and consequence by looking at the change in brand equity in the period concerned.

Due largely to measurement difficulties (see the special issue of *The Journal of the Academy of Marketing Science*, Autumn 1995), dynamic or longitudinal relational models have not been empirically tested. Boulding *et al.* (1993) have developed one for services marketing which might be expanded to the general relational context.

In summary:
- Trust is part of the brand/consumer relationship and therefore brand equity.
- It is dynamic and non-linear, slow to build and fast to destroy.
- It should not be deconstructed into constituents still less "antecedents", with the implication that its constituents precede and generate trust.
- Trust is, however, both an antecedent and a consequence of success and should appear on both sides of any performance equation or otherwise be treated in the same manner as other relationship/brand equity variables.
- Trust may just be habit.

## Paradigms determine measures

Grönroos (1994, p. 19) distinguishes between services and industrial marketing firms on the one hand and consumer packaged goods firms on the other. The former have been ahead in the understanding and use of relationship marketing. Because of the more personal end-user contact, compared with mass marketing, Grönroos is right that services and industrial marketers have readier access to monitoring customer satisfaction, both behaviourally and attitudinally. On the other hand, few packaged goods marketers would concur with his statement that, for their situation, "there are no ways of continuously measuring market success other than measuring market share". Packaged goods marketers, in developed countries, actually have the reverse problem: too many different measures of habits and attitudes which are difficult to bring together into a single coherent picture. They have to track vectors of measures $B_{xbt}$, $B_{x\beta t}$, $R_{xbt}$ and $R_{x\beta t}$ for each customer segment $x$ over time. Whether $\beta$ refers to all the other brands, or the single most important competitor or the market as a whole, has to be decided by the marketing circumstances. For example, in a duopoly market the choice is simple. If the market shares for the two leaders are 30 per cent, 25 per cent, followed by nine brands with around 5 per cent, the two leaders will be concerned with each other; whereas the manager of one of the 5 per cent brands might be better advised to pick on another follower from whom share is most likely to be taken, rather than worry about the 90 per cent of business beyond reach.

In principle, this is the same for services and industrial firms except that the distribution chains are shorter and thus have fewer customer groups to be concerned with. While it can be illuminating to contrast the marketing of services with goods, the two are so intertwined that the similarities dominate. Does Burger King sell goods (burgers) or services (provision of fast food to save time)? The vast majority of marketers are promoting their *brands*, of whatever type, to maximize short- and long-term satisfaction, both for the customer and the marketer. In doing so, they have to supply both goods and services.

Normally, academic researchers work within, rather than across, paradigms. Practitioners are perhaps more flexible and prepared to shift their paradigm, as Grönroos (1994) suggests, if the new one provides measures which better improve and/or predict and/or control marketing performance.
To what extent can trust act as a proxy for

consumer memory (experience, attitudes and awareness), in the same way that market share provides a first approximation for brand equity expressed behaviourally?

Fuller investigation would require trust and other relational constructs, for example those assembled from the literature by Wilson and Moller (1991) for $R_{bt}$ to be compared[4] with traditional constructs, such as those proposed by Aaker (1996) noted above.

## Conclusions and further research

If changes in trust largely explain changes in $R$, then we may have a satisfactory four-space measure of brand equity using market share, relative price, trust ($b$) and trust ($\beta$). Though, ultimately, we are entitled to pick constructs from both paradigms, we should initially compare two sets of rival models (Bollen and Long, 1992): one relational and one neoclassical.

Within the first set we should consider:

1 Whether trust deserves the pole position among relational constructs or whether some other construct performs better. Candidates include commitment, esteem, affection/liking and personality.
2 How much trust, or other leading construct, adds to share and relative price in making brand equity a sensitive and predictive measure of future performance.
3 How much the consumer/brand relationship, i.e. $R$, performs similarly and is therefore itself brand equity.
4 The minimum number of relational constructs needed to explain, say, 90 per cent of $R$.
5 The constructs' order of importance.

Determination of the second model might start with Aaker's (1996) 12 constructs (listed above) and select the optimum before contrasting it with the relational.

Brand equity is becoming recognized as an essential element in assessing marketing performance. Furthermore, marketers need to show that marketing is effective in financial terms. Demonstrating effectiveness leads not only to present budgets being better spent but bigger budgets being made available. Many companies, however, are some way from being able, satisfactorily, to measure marketing performance in financial terms. This paper has contrasted traditional and relational approaches to the determination of brand equity, including the role of trust. Further theoretical development is probably needed before solid empirical grounding can be expected. It is hoped, however, that this paper has brought together some of the key components.

## Notes

1 Price premium, user satisfaction/loyalty, perceived quality, leadership/popularity, perceived value, personality organization (trust/admiration/proud to do business with), awareness, market share and price/distribution indices, esteem and differentiation.
2 "The concept of evaluation in emotion links emotion to 'attitude' in that attitude measures reflect an evaluation" (O'Shaughnessy, 1992). Cognitive (non-affective) attitudes exist but can also be treated as forms of awareness. In this analysis, cognition (thinking and rationality) and affect (feeling and emotion) will interact but are otherwise separate.
3 Morgan and Hunt composite reliability = 0.949, $\alpha$ = 0.947.
4 Trust, satisfaction, transaction-specific or irretrievable investment, power of buyer and seller, dependence on buyer/seller, commitment, communication, age of relationship, expectations, and goal congruence/compatibility were the most popular.

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## Appendix. Definitions

*Paradigm*: A shared way of thinking, or meta-theory, that provides a framework for theory in the same way that theory explains empirical observations. Usually a discipline, e.g. micro-economics, or school of thought. Developed paradigms have their own mathematical/symbolic language and conventions for measurement. A shared paradigm simplifies communication, especially of theories. For a neat, if not comprehensive, four-cell classification of 12 marketing paradigms, see Sheth, Gardner and Garrett (1988).

*Neoclassical paradigm*: Based on micro-economics. Underlying format is: outcome = *f*{marketing mix}, where outcome is sales or market share and marketing mix is the expenditure on marketing actions usually summarized as the 4Ps.

*Relational paradigm*: Sees the market as a network of value-laden relationships (Kotler, 1991) and the marketer's task as building those relationships for the long-term benefit of all members of the network. Similar concept to the Chinese idea of *guanxi* (connections). Co-operation transcends competition, though both are necessary. Grönroos (1994, p. 17) contrasts neoclassical (marketing mix) and relational paradigms.

*Brand equity*: Developed from Srivastava and Shocker (1991): the aggregation of all accumulated memories in the extended minds of consumers, distribution channels and influence

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agents, which will enhance future profits and long-term cash flow.

The key elements of this definition are as follows:
- Holistic brand, as distinct from the brand being a separable add-on to the product.
- Memories include beliefs, likes/dislikes, and behaviours, all three of which make up "attitudes" (see Engel, Blackwell and Miniard, 1986, pp. 115-16) of interested parties which result from all elements of the marketing mix.
- "Extended minds" include computers.
- Distinguishes the asset from its valuation or any other measurement of that asset.

Blackston (1992) saw brand equity as comprising: "fundamental equities" (the 4Ps and measured brand image) and "added-value equities". Brand equity is built from an interactive brand-consumer relationship. He found two components of a successful, positive relationship: trust and consumer satisfaction.

*Trust*: Moorman, Deshpande and Zaltman's (1993) "the willingness to rely on an exchange partner in whom one has confidence" may seem circular as the word "trust" is being replaced by "confidence", as does Morgan and Hunt's (1994) definition: "when one party has confidence in an exchange partner's reliability and integrity".

O'Shaughnessy (1992, pp. 154-5) states that "trust implies a willingness to accept vulnerability" and a sense of reciprocity that any short-term unfairness will be evened out over time.

Kumar (1996) similarly stresses fair play and distinguishes an expectation of procedural justice (disputes will be equitably despatched) from an expectation of distributive justice (rewards will be divided equitably). He sees trust as implying dependability and the honouring of one's word. It can be built through bilateral communications and interdependence but is a separate relationship construct to power. Trust is rarely all encompassing but, rather, one trusts some aspects but not others.

Ganesan (1994) makes the important point that understanding the customer's time orientation is of the essence in determining whether relational or transactional marketing is more relevant. Where the long-term orientation applies, Ganesan proposed mutual dependence and trust as the two key factors.

Geyskens and Steenkamp (1995) summarize 20 previous trust definitions as "the extent to which a firm believes that its exchange partner is benevolent and honest". In the brand context, this equates to the extent that a consumer expects the brand to provide satisfaction.