

## 2

## Customer-based brand equity

### PREVIEW

Chapter 1 introduced some basic notions about brands and the role that they have played and are playing in marketing strategies. The chapter concluded by observing that marketers are now faced with an increasing number of tactical options that must be efficiently and effectively applied to an increasing number of product variations for the brand. The concept of brand equity was identified as having the potential to provide guidance to marketers to help them make those decisions. The next few chapters explore brand equity and how to identify and establish an effective brand positioning.

This chapter more formally examines the brand equity concept, introducing one particular view – the concept of customer-based brand equity – that will serve as the organizing framework for the rest of the book.<sup>1</sup> It considers the sources of customer-based brand equity and the outcomes or benefits that result from those sources. The chapter then presents the customer-based brand equity model in detail and discusses the implications of that model. Brand Briefing 2.5 at the end of the chapter provides a detailed overview of the advantages of creating a strong brand. Chapter 3 concentrates on brand positioning.

### CUSTOMER-BASED BRAND EQUITY

Two questions often arise regarding brands: what makes a brand strong? and how do you build a strong brand? To answer these questions, this section introduces the customer-based brand equity (CBBE) model. This model incorporates theoretical advances and managerial practices in understanding and influencing consumer behaviour. Although useful perspectives concerning brand equity have been put forth, the CBBE model provides a unique point of view as to what brand equity is and how it should be built, measured and managed.

The CBBE model approaches brand equity from the perspective of the consumer – whether this be an individual or an organization. Understanding the needs and wants of consumers and organizations and devising products and programmes to satisfy them are at the heart of successful marketing. In particular, two fundamental

questions faced by marketers are: what do different brands mean to consumers? and how does the brand knowledge of consumers affect their response to marketing activity?

The basic premise of the CBBE model is that the power of a brand lies in what customers have learned, felt, seen and heard about the brand as a result of their experiences. In other words, *the power of a brand lies in what resides in the minds of customers*. The challenge for marketers in building a strong brand is ensuring that customers have the right type of experiences with products and services and their accompanying marketing programmes so that the desired thoughts, feelings, images, beliefs, perceptions and opinions become linked to the brand.

*Customer-based brand equity* is defined as the differential effect that brand knowledge has on consumer response to the marketing of that brand. A brand is said to have positive customer-based brand equity when consumers react more favourably to a product and the way it is marketed when the brand is identified than when it is not (eg, when the product is attributed to a fictitious name or is unnamed). Thus, a brand with positive customer-based brand equity might result in consumers being more accepting of a brand extension, less sensitive to price increases and withdrawal of advertising support, or more willing to seek the brand in a new distribution channel. On the other hand, a brand is said to have negative customer-based brand equity if consumers react less favourably to marketing activity for the brand compared with an unnamed or fictitiously named version of the product.

There are three ingredients to this definition:

- differential effect;
- brand knowledge;
- consumer response to marketing.

First, brand equity arises from differences in consumer response. If no differences occur, then the brand name product is essentially a commodity. Competition, most likely, would then be based on price. Second, these differences in response are a result of consumers' knowledge and experience of the brand. Thus, although strongly influenced by the marketing activity of the firm, brand equity ultimately depends on what resides in the minds of consumers. Third, the differential response by consumers that makes up the brand equity is reflected in perceptions, preferences and behaviour related to all aspects of the marketing (eg, choice of a brand, recall of copy points from an ad, actions in response to a sales promotion, or evaluations of a proposed brand extension). Brand Briefing 2.5 provides a detailed account of these advantages (Figure 2.1).

The simplest way to illustrate what is meant by customer-based brand equity is to consider some typical results of product sampling or comparison tests. For example, with blind taste tests, one group of consumers samples a product without knowing which brand it is, whereas another group samples the product knowing which brand it is. Invariably, differences arise in the opinions of the two groups even though they are consuming the same product.

For example, Larry Percy reports the results of a beer-tasting that showed how discriminating consumers could be when given the names of the well-known brands of the beer they were drinking, but how few differences consumers could detect when they did not know the brand names. Figure 2.2 displays the perceptual maps – visual

- Improved perceptions of product performance
- Greater loyalty
- Less vulnerability to competitive marketing
- Less vulnerability to crises
- Larger margins
- More inelastic consumer response to price increases
- More elastic consumer response to price decreases
- Greater trade co-operation and support
- Increased marketing communication effectiveness
- Possible licensing opportunities
- Additional brand extension opportunities

Figure 2.1 Marketing advantages of strong brands

tools to portray perceptual differences among brands expressed by consumers – that were derived from the two types of responses. As it turns out, even fairly knowledgeable consumers can have difficulty distinguishing different beers (Figure 2.2).

When consumers report different opinions regarding branded and unbranded versions of identical products, it must be the case that knowledge about the brand, created by whatever means (eg, past experiences, marketing activity for the brand, or word-of-mouth), has somehow changed consumers' product perceptions. Examples of branded

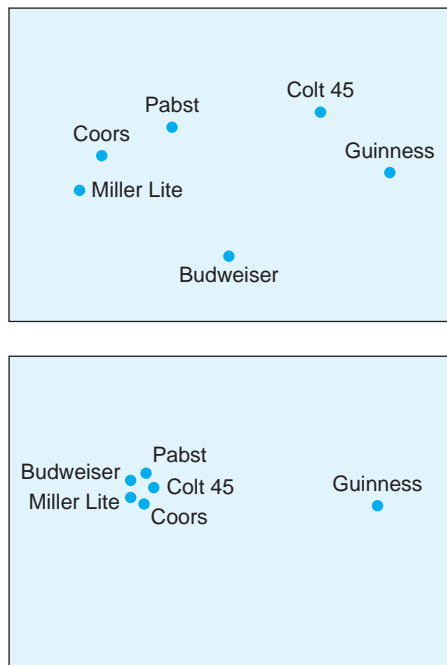


Figure 2.2 Results of blind beer tasting tests: (a) when drinkers are aware of brands used (b) when no brands are mentioned

differences, as with the beer experiment, can be found with most product – conclusive evidence that consumers' perceptions of the performance of a product depend on their impressions of the brand. In other words, clothes may seem to fit better, a car may seem to drive more smoothly and the wait in a bank may seem shorter, depending on the brands involved.

## Brand equity as a bridge

So, according to the customer-based brand equity model, the power of a brand lies in the minds of consumers or customers and what they have experienced and learned about the brand over time. Consumer knowledge drives the differences that manifest themselves in terms of brand equity. This realization has important managerial implications. In an abstract sense, according to this view, brand equity provides marketers with a strategic bridge from their past to their future.

### *Brands as a reflection of the past*

Money spent each year on manufacturing and marketing products should not be considered as 'expenses' but as 'investments' – investments in what consumers learned, felt, experienced and so forth about the brand. If not properly designed and implemented, these expenditures may not be good investments, in that the right knowledge structures may not have been created in consumers' minds, but they should be considered investments nonetheless. Thus, the *quality* of the investment is the most critical factor, not necessarily the *quantity*, beyond some minimal threshold. In that sense, it is actually possible to 'overspend' on brand building if money is not being spent wisely. Conversely, as will be evident in this book, some brands that are being considerably outspent by rivals can amass brand equity by judicious spending on marketing activities that create valuable, enduring memories in the minds of consumers.

### *Brands as a direction for the future*

At the same time, the brand knowledge created by these marketing investments dictates appropriate and inappropriate directions for the brand. Consumers will decide, based on their brand beliefs, attitudes and so on, where they think the brand should go and grant permission (or not) to any marketing action or programme. So, at the end of the day, the true value and future prospects of a brand rest with consumers and their knowledge about the brand.

In short, regardless of the definition adopted, the value to marketers of brand equity as a concept depends on how they use it. Brand equity can offer focus and guidance, providing marketers with a means to interpret their marketing performance and help design marketing programmes. Everything the firm does can enhance or detract from brand equity. Those marketers who build strong brands have embraced the concept and use it to its fullest as a means of clarifying, communicating and implementing their marketing actions. The process of creating such brand power is not without its critics, however, as described in Brand Briefing 2.1. The next section considers the issue of brand knowledge and CBBE in more detail.

## Brand Briefing 2.1

### **No Logo**

In her book *No Logo*, Naomi Klein details the aspects of global corporate growth that have led to consumer backlash against brands. She explains the subject of her book as follows:

The title *No Logo* is not meant to be read as a literal slogan (as in 'No more logos!'), or a post-logo logo (there is already a No Logo clothing line, I'm told). Rather, it is an attempt to capture an anti-corporate attitude I see emerging among many young activists. This book is hinged on a simple hypothesis: that as more people discover the brand-name secrets of the global logo web, their outrage will fuel the next big political movement, a vast wave of opposition squarely targeting those with very high name-brand recognition.

Klein writes about the increasing occupation of free and open space by advertising. The author cites marketing campaigns that exist within schools and universities, among other examples of advertising encroaching on traditionally ad-free space. Klein asserts that as marketers compete for 'eyeballs' using unconventional and unexpected means, fewer ad-free spaces remain and consumer resentment builds. Klein then argues that the vast number of mergers and acquisitions in the past two decades, and the increasing number of brand extensions, has limited consumer choice and engendered consumer resentment. She cautions that an inherent danger of building a strong brand is that the public will be all the more eager to see the brand tarnished once unseemly facts surface.

Klein also details movements that have arisen to protest against the power of corporations and the proliferation of branded space that accompanies this growth. The author highlights such anticorporate practices as 'culture jamming' and 'ad-busting', which serve to subvert and undermine marketing by attacking the marketers on their own terms. Klein also discusses the formation of labour activist organizations such as Essential Action and the International Labour Organization, which perform labour monitoring and hold companies accountable for the treatment of their workers. Klein observes that the issues of corporate conduct are now highly politicized. As a result, Klein notes: 'Political rallies, which once wound their predictable course in front of government buildings and consulates, are now just as likely to take place in front of the stores of the corporate giants.'

Her follow-up book, *Fences and Windows*, reviews newspaper columns written from late 1999 to 2002 covering anti-globalization topics related to corporate behaviour, unions and public protests to summits. *Publishers Weekly* observed:

'The two title images recur throughout: the fences are real, steel cages keeping protesters from interfering with summits, but they are also metaphorical, such as the 'fence' of poverty that prevents the poor from receiving adequate

## Brand Briefing 2.1 *continued*

education or healthcare. Klein argues that globalization has only delivered its promised benefits to the world's wealthiest citizens and that its emphasis on privatization has eroded the availability of public services around the globe.'

Sources: Naomi Klein, *No Logo: Taking aim at the brand bullies* (New York: Picador, 1999); Naomi Klein, *Fences and Windows: Dispatches from the front lines of the globalization debate* (New York: Picador, 2002). Review, *Publishers Weekly*, 2002.

## MAKING A BRAND STRONG: BRAND KNOWLEDGE

From the perspective of the CBBE model, brand knowledge is the key to creating brand equity, because it creates the differential effect that drives brand equity. What marketers need, then, is an insightful way to represent how brand knowledge exists in consumer memory. An influential model of memory developed by psychologists is helpful in that regard.<sup>2</sup> *The associative network memory model* views memory as a network of nodes and links, in which nodes represent stored information or concepts and links represent the strength of association between this information or concepts. Any type of information can be stored in the memory network, including information that is verbal, visual, abstract, or contextual in nature.

Consistent with the associative network memory model, brand knowledge is conceptualized here as consisting of a brand node in memory with a variety of associations linked to it. In particular, brand knowledge can be characterized in terms of two components: awareness and image. Brand awareness is related to the strength of the brand node or trace in memory, as reflected by consumers' ability to identify the brand under different conditions.<sup>3</sup> *Brand awareness* is a necessary, but not always sufficient, step in building brand equity. Other considerations, such as the image of the brand, often come into play.

Brand image has long been recognized as an important concept.<sup>4</sup> Although there has not always been agreement on how to measure brand image,<sup>5</sup> one generally accepted view is that, consistent with an associative network memory model, *brand image* can be defined as perceptions about a brand as reflected by the brand associations held in consumer memory.<sup>6</sup> In other words, brand associations are the other informational nodes linked to the brand node in memory and contain the meaning of the brand for consumers. Associations come in all forms and may reflect characteristics of the product or aspects independent of the product itself.

For example, consider Apple computers. If someone asked you what came to mind when you thought of them, what might you say? You might reply with associations such as 'user friendly', 'creative', 'for desktop publishing', 'used at many

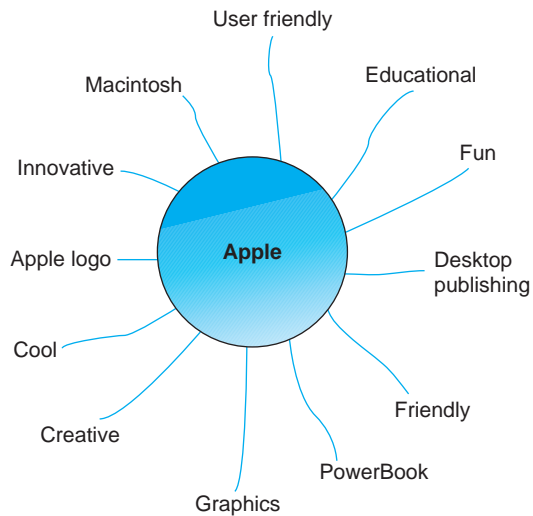


Figure 2.3 Possible Apple computer associations

schools' and so forth. Figure 2.3 shows some common associations for Apple computers among consumers. The associations that came to mind for you would make up your brand image for Apple. Through marketing, Apple has been able to achieve a rich brand image in the minds of some consumers. Different consumers might think of different associations for Apple, although many associations are likely to be shared by a majority of consumers. In that sense, one can refer to 'the' brand image of Apple, but at the same time, it must be recognized that this image may vary, perhaps even considerably, depending on the consumers or market segments involved.

Other brands, of course, will be characterized by a different set of associations. For example, McDonald's marketing programme attempts to create brand associations in consumers' minds to 'quality', 'service', 'cleanliness' and 'value'. The company's rich brand image probably also includes strong associations to 'Ronald McDonald', 'golden arches', 'for kids' and 'convenient', as well as perhaps potentially negative associations such as 'fast food'. Coca-Cola's marketing programme strives to link brand associations in consumers' minds to 'refreshment', 'taste', 'availability', 'affordability' and 'accessibility'. Whereas Mercedes-Benz has achieved strong associations to 'performance' and 'status', Volvo has created a strong association to 'safety'. Chapter 3 reviews the types of associations that can become linked to the brand. Chapter 9 outlines research techniques to measure these associations.

## SOURCES OF BRAND EQUITY

What causes brand equity to exist? How do marketers create brand equity? Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favourable and unique brand associations in memory. In some cases, brand awareness alone is sufficient to result in more favourable consumer response, for example, in low-involvement



decision settings where consumers are willing to base their choices merely on familiar brands. In most other cases, however, the strength, favourability and uniqueness of the brand associations play a critical role in determining the differential response making up the brand equity. If the brand is perceived by consumers to be the same as a representative version of the product or service in the category, then consumer response to marketing for the brand would not be expected to vary from when the marketing is attributed to a fictitiously named or unnamed product or service. If the brand has some salient, unique associations, then consumer responses should differ.

For branding strategies to create brand equity, consumers must be convinced that there are meaningful differences among brands. The key to branding is that consumers must not think that all brands in the category are the same. Thus, establishing a high level of brand awareness and a positive brand image in consumer memory – in terms of strong, favourable and unique brand associations – produces the knowledge structures that can affect consumer response and produce different types of customer-based brand equity.

## Brand awareness

Brand awareness consists of brand recognition and brand recall performance. *Brand recognition* relates to consumers' ability to confirm exposure to the brand when given the brand as a cue. In other words, brand recognition requires that consumers can correctly discriminate the brand as having been seen or heard before. For example, when consumers go to a shop, is it the case that they will be able to recognize the brand as one to which they have been exposed? *Brand recall* relates to consumers' ability to retrieve the brand from memory when given the product category, the needs fulfilled by the category, or a purchase or usage situation as a cue. So, brand recall requires that consumers correctly generate the brand from memory when given a relevant cue. For example, recall of Kellogg's Corn Flakes will depend on consumers' ability to retrieve the brand when they think of the cereal category or of what they should eat for breakfast or eat for a snack, either at the store (when making a purchase), at home (when making a consumption choice), or wherever.

If research reveals that consumer decisions are made at the point of purchase, where the brand name, logo, packaging and so on will be visible, then brand recognition will be important. If research reveals that consumer decisions are mostly made in settings away from the point of purchase, on the other hand, then brand recall will be more important. As a cautionary note, even though brand recall itself may be viewed as less important when consumer decisions are made at the point of purchase, consumers' brand evaluations and choices will still often depend on what else they recall about the brand given that they are able to recognize it there.

As is the case with most information in memory, it is generally easier to recognize a brand than it is to recall it from memory. The relative importance of brand recall and recognition will depend on the extent to which consumers make product-related decisions with the brand present or not.<sup>7</sup> For example, if decisions are made in the shop, brand recognition may be more important because the product will be present. Outside the store or in any situation where the brand is not present, on the other hand, it is probably more important that the consumer be able to recall the brand from memory.



For this reason, brand recall is critical for service and online brands: consumers must seek the brand and therefore be able to retrieve it from memory when appropriate.

### *Consequences of brand awareness*

Brand awareness plays an important role in consumer decision-making for three main reasons.

**Learning advantages.** The first way that brand awareness affects decision-making is by influencing the formation and strength of the brand associations that make up the brand image. A necessary condition for the creation of a brand image is that a brand node has been established in memory. The nature of that brand node should affect how easily different kinds of information can become attached to the brand in memory as brand associations. The first step in building brand equity is to register the brand in the minds of consumers, and the choice of brand elements may make that task easier or more difficult, as described in Chapter 4.

**Consideration advantages.** Second, raising brand awareness increases the likelihood that the brand will be a member of the *consideration set*, the handful of brands that receive serious consideration for purchase.<sup>8</sup> Research has shown that consumers are rarely loyal to a single brand but instead have a set of brands that they would consider buying and another – possibly smaller – set of brands that they actually buy regularly. Because consumers typically only consider a few brands for purchase, making sure that a brand is in the consideration set is likely to exclude other brands. Research in psychology on ‘part-list cuing effects’ has shown that recall of some information can inhibit recall of other information.<sup>9</sup> In a marketing context, that means that if a consumer thinks of going to Burger King for a quick lunch, he or she may be less likely to think of going to another fast food chain.<sup>10</sup>

**Choice advantages.** Thirdly, brand awareness can affect choices among brands in the consideration set, even if there are essentially no other associations to those brands.<sup>11</sup> For example, consumers have been shown to adopt a decision rule to buy only more familiar, well-established brands in some cases.<sup>12</sup> Thus, in low-involvement decision settings, a minimum level of brand awareness may be sufficient for product choice, even in the absence of a well-formed attitude.<sup>13</sup> One influential model of attitude change and persuasion, the elaboration-likelihood model, is consistent with the notion that consumers may make choices based on brand awareness considerations when they have low involvement.

Low involvement results when consumers lack either purchase motivation (eg, when consumers don’t care about the product or service) or purchase ability (eg, when consumers do not know anything else about the brands in a category).<sup>14</sup>

1. *Consumer purchase motivation.* Although products and brands may be critical to marketers, to many consumers in many categories, choosing a brand is not a life-or-death decision. For example, despite the sums spent on TV advertising to persuade consumers of product differences, one survey showed that 40 percent of consumers believed all brands of petrol were about the same or did not know which brand of gasoline was best. A lack of perceived differences among brands in a category is likely to lead to consumers who are unmotivated regarding the brand choice process.

2. *Consumer purchase ability.* Consumers of some products do not have the knowledge or experience to be able to judge product quality. The obvious examples are products with a high degree of technical sophistication (eg, telecommunications equipment involving state-of-the-art features). Yet, there are instances with seemingly less complicated products in which consumers still may lack the ability to judge quality. Consider a college student who has not really had to cook or clean before roaming the supermarket aisles for the first time, or a manager forced to make an expensive capital purchase for the first time. The reality is that quality is often difficult to judge without experience and expertise. In such cases, consumers will use whatever shortcut they can come up with to make their decisions. At times, they may end up simply choosing the brand with which they are most familiar.

### *Establishing brand awareness*

In the abstract, brand awareness is created by increasing the familiarity of a brand through repeated exposure, although this is generally more effective for brand recognition than for brand recall. That is, the more a consumer 'experiences' the brand by seeing it, hearing it, or thinking about it, the more likely it is that the brand will become strongly registered in memory. Thus, anything that causes consumers to experience a brand name, logo, packaging, or slogan can potentially increase familiarity and awareness of that brand element. Examples include advertising and promotion, sponsorship and event marketing, publicity and public relations, and outdoor advertising. Moreover, it is important to visually and verbally reinforce the brand name with a full complement of brand elements (eg, in addition to its name, Cadbury's uses its hand-written logo and the colour purple to enhance its awareness in many ways).

Although brand repetition increases the strength of the brand node in memory, and thus its recognizability, improving recall of a brand requires linkages in memory to appropriate product categories or other situational purchase or consumption cues. In particular, to build awareness, it is often desirable to develop a slogan or jingle that creatively pairs the brand and the appropriate category or purchase or consumption cues (and, ideally, the brand positioning as well, in terms of building a positive brand image). Additional use can be made of the other brand elements – logos, symbols, characters and packaging.

The manner by which the brand and its corresponding product category are paired (eg, as with an advertising slogan) will be influential in determining the strength of product category links. For brands with strong category associations (eg, Toyota cars), the distinction between brand recognition and recall may not matter much – consumers thinking of the category are likely to think of the brand. For brands that may not have the same level of initial category awareness (eg, in competitive markets or when the brand is new to the category), it is more important to emphasize category links in the marketing programme. Moreover, as will be discussed in Chapter 11, strongly linking the brand to the proper category or other relevant cues may become especially important over time if the product meaning of the brand changes (eg, through brand extensions or mergers or acquisitions).

Many marketers have attempted to create brand awareness through 'shock' advertising with bizarre themes.<sup>15</sup> For example, at the height of the dotcom boom, online retailer Outpost.com used ads featuring gerbils shot through cannons, wolverines

attacking marching bands and toddlers having the brand name tattooed on their foreheads. The problem with such approaches is that they invariably fail to create strong category links because the product is not prominent enough, so inhibiting recall. They also can generate ill-will in the process. Often coming across as desperate measures, they rarely provide a foundation for long-term brand equity. In the case of Outpost.com, most potential customers did not have a clue what the company did.

In short, brand awareness is created by increasing the familiarity of the brand through repeated exposure (for brand recognition) and strong associations with the appropriate product category or other relevant purchase or consumption cues (for brand recall).<sup>16</sup>

## Brand image

A positive brand image is created by marketing programmes that link strong, favourable and unique associations to the brand in memory. The definition of customer-based brand equity does not distinguish between the source of brand associations and the manner in which they are formed; all that matters is the resulting favorability, strength and uniqueness of brand associations. This realization has important implications for building brand equity. Besides marketer-controlled sources of information, brand associations can also be created in a variety of other ways: by direct experience; from information communicated about the brand from the firm or other sources (eg, Magazine reviews or other media) and word of mouth; and by assumptions or inferences from the brand itself (eg, its name or logo) or from the identification of the brand with a company, country, channel of distribution, or some particular person, place, or event.

Marketers should recognize the influence of these other sources of information by both managing them as well as possible and adequately accounting for them in designing communication strategies. Consider how Body Shop was able to build its brand equity.

### The Body Shop

The Body Shop created a global brand image without using conventional advertising. Strong associations with personal care and environmental concern occurred through its products (natural ingredients only, never tested on animals, etc), packaging (simple, refillable, recyclable), merchandising (detailed point-of-sale posters, brochures and displays), staff (encouraged to be enthusiastic and informed about environmental issues), sourcing policies (using small local producers from around the world), social action programme (requiring each franchisee to run a local community programme), and public relations programmes and activities (taking visible and sometimes outspoken stands on various issues).

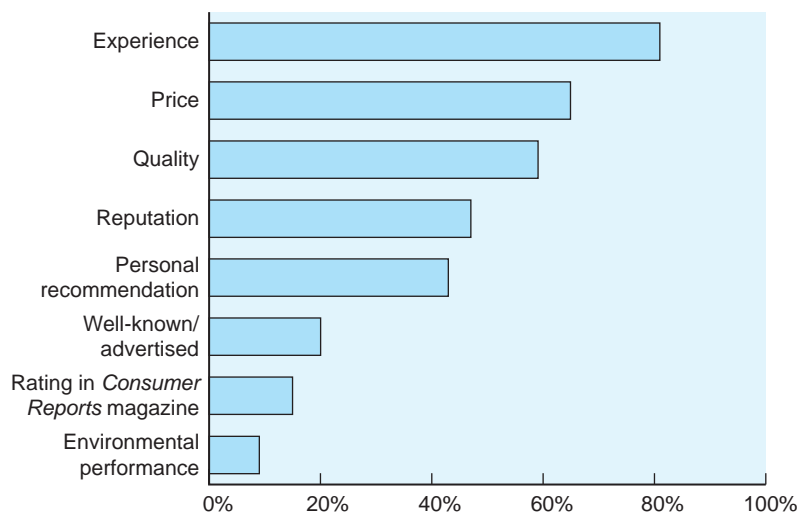
### Strength of brand associations

Making sure that associations are linked strongly to the brand will depend on how the marketing programme and other factors affect consumers' brand experiences. Associations will vary in the strength of their connection to the brand node. Strength is a function of both the amount, or quantity, of processing that information receives as well as the nature, or quality, of that processing. The more deeply a person thinks

about product information and relates it to existing brand knowledge, the stronger the resulting brand associations. Two factors facilitating such strength of association are the relevance of the information and the consistency with which this information is presented over time. The particular associations that are recalled and salient will depend not only on the strength of association, but also on the context in which the brand is considered and the retrieval cues that are present that can serve as reminders. This section considers the factors that, in general, affect the strength and recallability of a brand association. Chapters 4 to 7 provide more concrete guidelines.

As noted earlier, consumer beliefs about brand attributes and benefits can be formed in different ways. *Brand attributes* are those descriptive features that characterize a product or service. *Brand benefits* are the personal value and meaning that consumers attach to the product or service attributes. In general, the source of information creating the strongest brand attribute and benefit associations is direct experience. This type of information can be particularly influential in consumers' product decisions, as long as consumers are able to interpret their experiences accurately. Word of mouth or other noncommercial sources of information (consumer unions, the press, etc) can also create strong associations. Word of mouth is likely to be particularly important for restaurants, entertainment, banking and personal services. Commercial sources of information, such as advertising, are likely to create the weakest associations and thus may be the most easily changed. Figure 2.4 shows how consumers evaluate the importance of different reasons for brand choice.

To overcome this hurdle, marketing communication programmes attempt to create strong brand associations and recalled communication effects through a variety of means. These include using creative communications that cause consumers to elaborate on brand-related information and relate it appropriately to existing knowledge; exposing consumers to communications repeatedly over time; and ensuring that many retrieval cues are present as reminders. Chapter 6 reviews how integrated marketing communication programmes can contribute to brand equity. Regardless,



**Figure 2.4** Consumer reasons for brand choice in US

Source: Roper Reports 04-3. Figure shows percent agreement with the statement, 'In deciding whether to buy certain brands of a product, which of the things on this list are most important to you in deciding to buy a brand or not?'

the entire marketing programme and all activities related to the brand will affect the strength of brand associations. Starbucks, Google, Red Bull and Amazon.com are examples of companies that created rich brand images without intensive advertising.

### *Favorability of brand associations*

Choosing which favourable and unique associations to link to a brand requires analysis of the consumer and competitors to determine the optimal positioning for a brand. Chapter 3 reviews considerations involved in positioning and creating strong, favourable and unique brand associations. In the most basic sense, favourable brand associations are created by convincing consumers that the brand possesses attributes and benefits that satisfy their needs and wants, such that they form positive overall brand judgements. Thus, favourable associations for a brand are those associations that are desirable to consumers and are successfully delivered by the product and conveyed by the supporting marketing programme (eg, such that the brand is seen as highly convenient, reliable, effective, efficient, colourful and so on).

In terms of desirability, how important or valued is the image association to the brand attitudes and decisions made by consumers? *Desirability* depends on three factors:

- How *relevant* consumers find the brand association.
- How *distinctive* consumers find the brand association.
- How *believable* consumers find the brand association.

Creating a favourable association also requires that the firm be able to deliver on the desired association. In terms of deliverability, the question is: what would be the cost or investment necessary and the length of time involved to create or change the desired association(s)? *Deliverability* also depends on three factors:

- The actual or potential ability of the product to perform.
- The prospects of communicating that performance.
- The sustainability of the actual and communicated performance over time.

Desirability and deliverability are examined in Chapter 3.

### *Uniqueness of brand associations*

Brand associations may or may not be shared with competing brands. The essence of positioning is that the brand has a sustainable competitive advantage or 'unique selling proposition' that gives consumers a compelling reason why they should buy that particular brand.<sup>17</sup> These differences may be communicated explicitly by making direct comparisons with competitors, or may be highlighted implicitly. Furthermore, they may be based on product-related or non-product-related attributes or benefits. In fact, in many categories, non-product-related attributes, such as user type or usage situation, may more easily create unique associations (eg, the rugged western image of Marlboro cigarettes).

The existence of strongly held, favorably evaluated associations that are unique to the brand and imply superiority over other brands is critical to a brand's success. Yet, unless the brand faces no competition, it is likely to share associations with other brands. Shared associations can help to establish category membership and define the scope of competition with other products and services.<sup>18</sup>

Research on noncomparable options suggests that even if a brand does not face direct competition in its product category, and so does not share product-related attributes with other brands, it can still share more abstract associations and face indirect competition in a more broadly defined product category.<sup>19</sup> Thus, although one train service may not compete directly with another, it competes indirectly with other forms of transport, such as airlines, cars and buses. A maker of educational software may be implicitly competing with other forms of education and entertainment, such as books, videos, television and magazines. For these reasons, branding principles are now being used to market a number of different categories as a whole – for example, banks, furniture, carpets, bowling and trains.

A product or service category can also be characterized by a set of associations that includes specific beliefs about any member in the category, as well as overall attitudes towards all members in the category. These beliefs might include many of the relevant product-related attributes for brands in the category, as well as more descriptive attributes that do not necessarily relate to product or service performance (eg, the colour of a product, such as red for ketchup). Certain attributes or benefits may be considered prototypical and essential to all brands in the category, and a specific brand may exist that is considered to be an exemplar and most representative of the product or service category.<sup>20</sup> For example, consumers might expect a running shoe to provide support and comfort and to be built well enough to withstand repeated wear, and they may believe that Reebok or Adidas best represents a running shoe. Similarly, consumers might expect a web retailer to offer easy navigation, a variety of offerings, reasonable shipping options, secure purchase procedures, responsive customer service and strict privacy guidelines, and they may consider Lastminute.com to be the best example of an online retailer.

Because the brand is linked to the product category, some category associations may become linked to the brand, either in terms of specific beliefs or overall attitudes. Product category attitudes can be a particularly important determinant of consumer response. For example, if a consumer thinks that all brokers are greedy, then he or she probably will have similarly unfavorable beliefs about and negative attitudes towards any particular brokerage house simply by virtue of its membership in the category. Thus, in almost all cases, some product category associations that are linked to the brand will also be shared with other brands in the category. Note that the strength of the brand associations to the product category is an important determinant of brand awareness.<sup>21</sup>

In short, to create the differential response that leads to customer-based brand equity, it is important that some of the strongly held brand associations are not only favourable but also unique. Unique brand associations are not shared with competing brands. Beliefs about unique attributes and benefits for brands that consumers value more favorably than competitive brands can lead to a greater likelihood of the consumers choosing the former brands.

Not all brand associations will be deemed important and viewed favorably by consumers, nor will they be equally valued across different purchase or consumption situations. Moreover, not all brand associations will be relevant and valued in a purchase or consumption decision. The evaluations of brand associations may be situation or context dependent and vary according to the particular goals that consumers have in that purchase or consumption decision.<sup>22</sup> An association may be valued in one situation but not another.<sup>23</sup>



For example, the associations that might come to mind for FedEx, an overnight delivery service, might be 'fast', 'dependable', and 'convenient', with 'purple and white packages and envelopes'. Even though it is a strong brand association, the colour of the packaging may matter little to most consumers when choosing a delivery service, although it may play an important brand awareness function. On the other hand, fast, dependable and convenient service may be more important in consumer choice, but even then only under certain situations. It may be that someone desires those benefits only when meeting an important deadline. If a consumer only needs a delivery 'as soon as possible', then it may be that other less expensive options would be considered.

Chapter 3 considers additional aspects of strength, favorability and uniqueness of brand associations in terms of brand positioning and introduces the concepts of points of parity and points of difference more formally. The next section outlines a more complete version of the customer-based brand equity model.

## FOUR STEPS TO BUILDING A BRAND

The previous section considered what makes a strong brand. This section considers how a strong brand is built or created. According to the CBBE model, this can be thought of in terms of a sequence of steps, with each one contingent on achieving the previous step. All the steps involve accomplishing certain objectives with customers, both existing and potential. The steps are:

1. Identify the brand with customers and associate the brand in customers' minds with a specific product class or customer need.
2. Establish the totality of brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations with certain properties.
3. Elicit the proper customer responses to this brand identification and brand meaning.
4. Convert brand response to create an intense, active loyalty relationship between customers and the brand.

These steps address fundamental questions that customers invariably ask about brands – at least implicitly if not even explicitly – as follows (with corresponding brand steps in parentheses).

1. Who are you? (brand identity).
2. What are you? (brand meaning).
3. What about you? What do I think or feel about you? (brand responses).
4. What about you and me? What kind of association and how much of a connection would I like to have with you? (brand relationships).

There is an obvious ordering of the steps in this 'branding ladder', from identity to meaning to responses to relationships. That is, meaning cannot be established unless identity has been created; responses cannot occur unless the right meaning has been developed; and a relationship cannot be forged unless the proper responses have been elicited.



## Brand building blocks

Performing the four steps to create the right brand identity, brand meaning, brand responses and brand relationship is a difficult process. To provide structure, it is useful to think of sequentially establishing six 'brand building blocks' with customers. To connote the sequencing involved, these brand building blocks can be assembled as a brand pyramid. Creating brand equity involves reaching the pinnacle of the CBBE brand pyramid and will only occur if the right building blocks are put into place. The corresponding brand steps represent different levels of the CBBE brand pyramid. This brand-building process is illustrated in Figures 2.5 and 2.6. Each of these steps and corresponding brand building blocks and their subdimensions are examined in the following sections.

## Brand salience

Achieving the right brand identity involves creating brand salience with customers. *Brand salience* relates to aspects of the awareness of the brand, for example, how often and easily the brand is evoked under various situations or circumstances. To what extent is the brand easily recalled or recognized? What types of cues or reminders are necessary? How pervasive is this brand awareness?

As defined previously, brand awareness refers to customers' ability to recall and recognize the brand, as reflected by their ability to identify the brand. In other words,

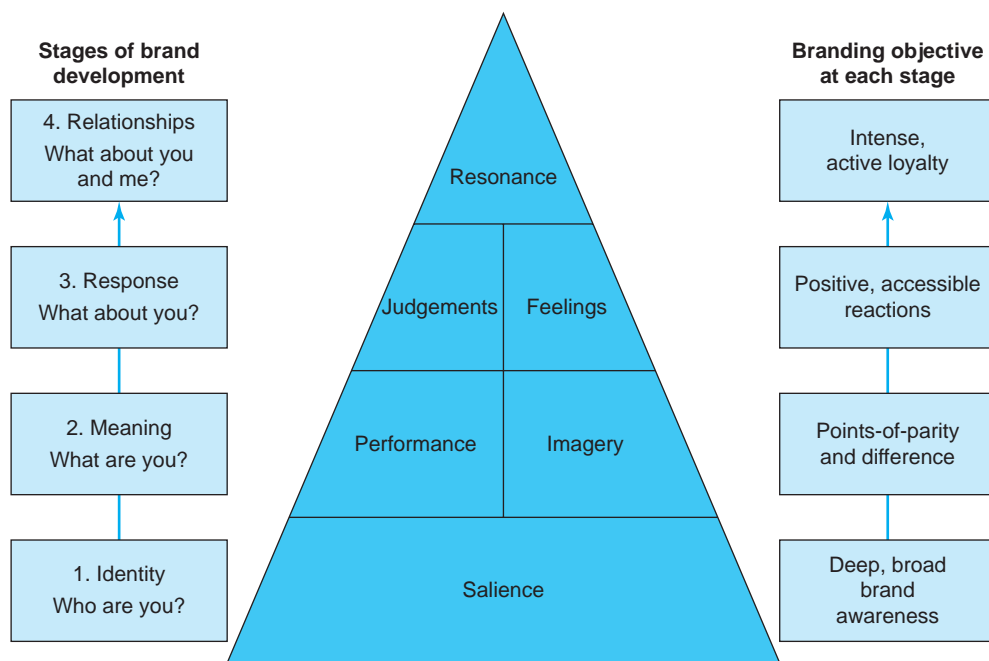


Figure 2.5 Customer-based brand equity pyramid



Figure 2.6 Subdimensions of brand building blocks

how well do the brand elements serve the function of identifying the product? Brand awareness is more than just customers knowing the brand name and having seen it, perhaps even many times. Brand awareness also involves linking the brand name, logo, symbol and so forth to certain associations in memory. In particular, building brand awareness involves helping customers to understand the product or service category in which the brand competes. There must be clear links regarding what products or services are sold under the brand name. At a broader, more abstract level, however, brand awareness also means making sure that customers know which of their 'needs' the brand, through these products, is designed to satisfy. In other words, what functions does the brand provide to customers?

### *Breadth and Depth of Awareness*

Creating brand awareness thus involves giving the product an identity by linking brand elements to a product category and associated purchase and consumption or usage situations. From a strategic standpoint, it is important to have high levels of brand awareness under a variety of conditions and circumstances. Brand awareness can be characterized according to depth and breadth. The *depth* of brand awareness concerns the likelihood that a brand element will come to mind and the ease with

which it does so. For example, a brand that can be easily recalled has a deeper level of brand awareness than one that only can be recognized. The *breadth* of brand awareness concerns the range of purchase and usage situations in which the brand element comes to mind. The breadth of brand awareness depends to a large extent on the organization of brand and product knowledge in memory.<sup>24</sup> To illustrate some of the issues involved, consider the breadth and depth of brand awareness for Tropicana orange juice.

### Tropicana

At the most basic level, it is necessary that consumers recognize the Tropicana brand when it is presented or exposed to them. Beyond that, consumers should think of Tropicana whenever they think of orange juice, particularly when they are considering a purchase in that category. Additionally, consumers ideally would think of Tropicana whenever they were deciding which type of beverage to drink, especially when seeking a 'tasty but healthy' beverage – some of the needs presumably satisfied by orange juice. Thus, consumers must think of Tropicana in terms of satisfying a certain set of needs whenever those needs arise. One of the challenges for any provider of orange juice in that regard is to link the product to usage situations outside of the traditional breakfast usage situation – hence the campaign to boost consumption of orange juice that used the slogan 'It's not just for breakfast anymore.'

### Product category structure

As suggested by the Tropicana example, to fully understand brand recall, it is important to appreciate *product category structure*, or how product categories are organized in memory. Typically, marketers assume that products are grouped at varying levels of specificity and can be organized in a hierarchical fashion.<sup>25</sup> Thus, in consumers' minds, a product hierarchy often exists, with product class information at the highest level, product category information at the second-highest level, product type information at the next level and brand information at the lowest level.

The beverage market provides a good setting to examine issues in category structure and the effects of brand awareness on brand equity. Figure 2.7 shows one possible hierarchy that might exist in consumers' minds. According to this representation, consumers first distinguish between flavoured or nonflavoured beverages (ie, water). Next, they distinguish between nonalcoholic and alcoholic beverages. Nonalcoholic beverages are distinguished in consumers' minds by whether they are hot (eg, coffee or tea) or cold (eg, milk, juices, or soft drinks); alcoholic beverages are distinguished by whether they are wine, beer, or distilled spirits. Even further distinctions are possible. For example, the beer category could be further divided into no-alcohol, low-alcohol and full-strength beers. Full-strength beers can be further distinguished, by variety (eg, bitter or lager), by brewing method (eg, draught, ice, or dry), by price and quality (eg, discount, premium, or super-premium) and so on.

The organization of the product category hierarchy that generally prevails in memory will play an important role in consumer decision-making. For example, consumers often make decisions in what could be considered a top-down fashion. Based on this simple representation, a consumer would first decide whether to have water

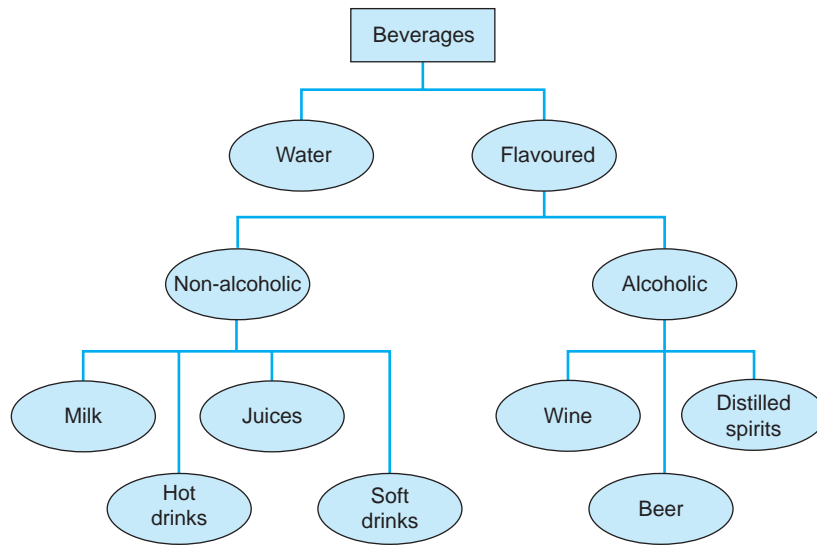


Figure 2.7 Beverage category hierarchy

or a flavoured beverage. If the consumer chose a flavoured drink, then the next decision would be whether or not to have an alcoholic or nonalcoholic drink, and so on. Finally, consumers might then choose a particular brand within a particular product category or product type in which they are interested. The depth of brand awareness would then relate to the likelihood that a brand came to mind, whereas the breadth of brand awareness would relate to the situations in which the brand might come to mind. In general, soft drinks have great breadth of awareness in that they come to mind in many consumption situations. Other beverages, such as alcoholic beverages, milk and juices, have more limited consumption situations.

### Strategic implications

Understanding the product hierarchy has implications for how to improve brand awareness, as well as how to position the brand (as will be addressed in Chapter 3). In terms of building awareness, in many cases, it is not only the depth of awareness that matters but also the breadth and linking the brand to various categories and cues in consumers' minds. In other words, it is important that the brand not only be top-of-mind and have sufficient 'mind share', but it must also do so at the right times and places. Breadth is an oft-neglected consideration, even for brands that are category leaders. For many brands, the question is not whether consumers can recall the brand but where and when they think of the brand, and how easily and often they think of the brand. In particular, many brands and products are ignored or forgotten during possible usage situations. As Chapter 13 shows, increasing the salience of the brand in those settings can drive consumption and increase sales volume. For example, US tax returns preparer H&R Block launched a campaign that attempted to establish the company in the minds of consumers as a 'year-round financial services

provider' that could provide help with mortgages, insurance, investments, banking, and financial planning services at any time.<sup>26</sup>

In some cases, the best route for improving sales is not by improving consumer attitudes towards a brand but by increasing the breadth of brand awareness and situations in which consumers would consider using the brand. Consider the marketing challenges for milk consumption in Europe.

### Defending milk sales in Europe

Milk consumption has been in decline throughout the western world for many years. Northern European countries have traditionally been the heaviest users of milk, while southern Europe has had a larger share of its dairy intake from cheese. Regardless of national differences, the trend has been a steady decline in milk consumption. During these years of decline, many attempts have been made to counter the trend. Typically, these have focused on the health benefits of milk over other beverages, for instance that milk is high in calcium content which supposedly means it is good for bones. Still, the decline in milk consumption has continued. In more recent years, it seems dairy companies have shifted their focus from creating or reinforcing favourable associations with milk to inventing niche products and different usage occasions. Now, there is milk specifically for expectant mothers in Portugal and Switzerland has a vitamin-enriched, flavoured milk where egg has been added. Another innovation, 'night-time milk' or melatonin-enhanced milk (melatonin is a hormone which in this way supposedly helps you go to sleep), has been introduced in many European markets under different labels. Milk reinforced with Omega-3 exists in Italy and Ireland, effectively making the milk a vitamin supplement rather than a just a beverage. Another innovation is flavoured milk for 'on-the-go' consumption, competing with Cola and other soft drinks. Finally, there is milk drunk with cereals and coffee, such as the café latte trend, which helps put milk in the fridges of people who would otherwise have stopped drinking it. Although product innovation and launches are risky, the dairy industry has found that it often pays to invent usage occasions rather than to reinforce an already favourable set of associations.<sup>27</sup>

In other words, it may be harder to try to *change* brand attitudes than to *remind* people of their existing attitudes towards a brand in additional, but appropriate, consumption situations.

### Summary

A salient brand is one that has both depth and breadth of brand awareness, so that customers always make sufficient purchases as well as always think of the brand across a variety of settings in which it could possibly be employed or consumed. Salience is an important first step in building brand equity, but is usually not sufficient. For many customers in many situations, other considerations, such as the meaning or image of the brand, come into play. Creating brand meaning involves establishing a brand image and what the brand is characterized by and should stand for in the minds of customers. Although a myriad of different types of brand associations are possible, brand meaning broadly can be distinguished in terms of more functional, performance-related considerations versus more abstract, imagery-related

considerations. Thus, brand meaning is made up of two categories of associations that exist in customers' minds related to performance and imagery, with a set of specific subcategories within each. These associations can be formed directly (from a customer's experiences and contact with the brand) or indirectly (through the depiction of the brand in advertising or by some other source of information, such as word of mouth). The next section describes the two main types of brand meaning – brand performance and brand imagery – and the subcategories within each.

## Brand performance

The product itself is at the heart of brand equity, because it is the primary influence on what consumers experience with a brand, what they hear about a brand from others and what the brand owner can tell customers about the brand. Designing and delivering a product that satisfies consumer needs and wants is a prerequisite for successful marketing, regardless of whether the product is a tangible good, service, organization, or person. To create brand loyalty and resonance, consumers' experiences with the product must at least meet, if not surpass, their expectations. As Chapter 1 noted, studies have shown that high-quality brands tend to perform better financially.

*Brand performance* relates to the ways in which a product or service attempts to meet customers' more functional needs. As such, it refers to the intrinsic properties of the brand in terms of inherent product or service characteristics. How well does a brand rate on objective assessments of quality? To what extent does it satisfy utilitarian, aesthetic and economic customer needs and wants in the product or service category?

Brand performance transcends the ingredients and features that make up the product or service to encompass aspects of the brand that augment these characteristics. Any of these performance dimensions can serve as a means by which the brand is differentiated. Often, the strongest brand positioning involves performance advantages of some kind, and it is rare that a brand can overcome severe deficiencies. The specific performance attributes and benefits making up functionality will vary widely by category. Nevertheless, there are five important types of attributes and benefits that often underlie brand performance:<sup>28</sup>

1. Primary ingredients and supplementary features.
2. Product reliability, durability and serviceability.
3. Service effectiveness, efficiency and empathy.
4. Style and design.
5. Price.

Customers often have beliefs about the levels at which the primary ingredients of the product operate (eg, low, medium, high, or very high). Additionally, they may have beliefs as to special, perhaps even patented, features or secondary elements of a product that complement these primary ingredients. Thus, some attributes are essential ingredients necessary for a product to work, whereas others are supplementary features that allow for customization and more versatile, personalized use. These types of attributes vary by product or service category.

As noted earlier, customers can view the performance of products or services in a broad manner. *Reliability* refers to the consistency of performance over time and

from purchase to purchase. *Durability* refers to the expected economic life of the product. *Serviceability* refers to the ease of servicing the product if it needs repair. Thus, perceptions of product performance are affected by factors such as the speed, accuracy and care of delivery and installation; the promptness, courtesy and helpfulness of customer service and training; and the quality of repair service and the time involved.

Customers often have performance-related associations that relate to the service interactions they have with brands. Along those lines, *service effectiveness* refers to how completely the brand satisfies customers' service requirements. *Service efficiency* refers to the manner by which these services are delivered in terms of speed, responsiveness and so forth. Finally, *service empathy* refers to the extent to which service providers are seen as trusting, caring and having the customer's interests in mind.

Consumers may have associations with a product that go beyond its functional aspects to more aesthetic considerations such as its size, shape, materials and colour. Thus, performance may also depend on sensory aspects such as how a product looks and feels, and perhaps even what it sounds or smells like.

Finally, the pricing policy for the brand can create associations in consumers' minds to the relevant price tier or level for the brand in the category, as well as to its corresponding price volatility or variance (in terms of the frequency or size of discounts, etc). In other words, the pricing strategy adopted for a brand can dictate how consumers categorize the price of the brand (eg, as low, medium, or high) and how firm or flexible that price is seen (eg, frequently or infrequently discounted). Consumers often have strong beliefs about the price and value of a brand and may organize their product category knowledge in terms of the price tiers of different brands.<sup>29</sup> (Chapter 5 analyses price associations.)

## Brand imagery

The other main type of brand meaning involves brand imagery. *Brand imagery* deals with the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' psychological or social needs. Brand imagery is how people think about a brand abstractly, rather than what they think the brand actually does. Thus, imagery refers to more intangible aspects of the brand. Imagery associations can be formed directly (from a consumer's experiences and contact with the product, brand, target market, or usage situation) or indirectly (through the depiction of these same considerations as communicated in brand advertising or by some other source of information, such as word of mouth). Many kinds of intangibles can be linked to a brand, but four categories can be highlighted:

1. User profiles.
2. Purchase and usage situations.
3. Personality and values.
4. History, heritage and experiences.

One set of brand imagery associations is the type of person or organization who uses a brand. This imagery may result in a profile or mental image by customers of actual users or more aspirational, idealized users. Associations of a typical or idealized



brand user may be based on descriptive demographic factors or more abstract psychographic factors. Demographic factors might include the following:

- Gender. For example, Nivea cosmetics and Laura Ashley home decoration have 'feminine' associations, whereas Marlboro cigarettes and Lynx deodorant have more 'masculine' associations.
- Age. For example, Pepsi Cola, Puma and Rip Curl position themselves as younger than Coca Cola, Nike and Patagonia, respectively.
- Identity. For example, Gaymobile is a Danish mobile phone operator focused on the gay community.
- Income. For example, during the 1980s, Lacoste shirts, Ray-Ban sunglasses and Porsche cars became associated with yuppies – young, affluent, urban professionals.

Psychographic factors include attitudes towards life, careers, possessions, social issues, or political institutions. For example, a brand user might be seen as iconoclastic or as more traditional and conservative.

In a business-to-business setting, user imagery might relate to the size or type of organization. For example, Microsoft might be seen as an 'aggressive' company, whereas Patagonia or Timberland might be seen as a 'caring' company. User imagery may focus on more than the characteristics of one type of individual and centre on broader issues in terms of perceptions of a group. For example, customers may believe that a brand is used by many people and therefore view the brand as 'popular' or a 'market leader'.

A second set of associations is under what conditions or situations the brand could or should be bought and used. Associations of a typical purchase situation may be based on a number of considerations, such as type of channel (eg, seen as sold through department stores, specialised chains or through the internet or some other means), specific chains (eg, Hallod's, Foot Locker, or Bluefly.com) and ease of purchase and associated rewards (if any).

Similarly, associations of a typical usage situation may be based on a number of considerations, such as the time of the day, week, month, or year to use the brand; location to use the brand (eg, inside or outside the home); and type of activity where the brand is used (eg, formal or informal). For example, in terms of usage imagery, advertising for Snickers emphasizes that the bar is 'packed with peanuts' and therefore 'satisfies' as a healthy, filling snack. For a long time, pizza chain restaurants had strong associations to their channels of distribution – Domino's was known for delivery, Little Caesar for takeaway, and Pizza Hut for dine-in service – although in recent years each of these competitors has made inroads in the traditional markets of the others.

Brands may also take on personality traits.<sup>30</sup> A brand, like a person, can be characterized as being 'modern,' 'old-fashioned,' 'lively,' or 'exotic.' Brand personality reflects how people feel about a brand as a result of what they think the brand is or does, the manner by which the brand is marketed, and so on. Brands may also take on values. Brand personality is often related to the descriptive usage imagery but also involves richer, more contextual information. Five dimensions of brand personality (with corresponding subdimensions) that have been identified are sincerity (eg, down-to-earth, honest, wholesome and cheerful), excitement (eg, daring, spirited, imaginative and up-to-date), competence (eg, reliable, intelligent, successful), sophistication (eg, upper class and charming), and ruggedness (eg, outdoorsy and tough).<sup>31</sup>

How is brand personality formed? Although any aspect of marketing may affect brand personality, advertising may be especially influential because of the inferences consumers make about the underlying user or usage situation depicted. Advertisers may imbue a brand with personality traits through anthropomorphization and product animation techniques (eg, California Raisins), personification through the use of brand characters (eg, Jolly Green Giant), the creation of user imagery (eg, the Mountain Dew 'dudes'), and so on.<sup>32</sup> More generally, advertising may affect brand personality by the manner in which it depicts the brand, for example, the actors, the tone or style of the creative strategy, and the emotions or feelings evoked. Once brands develop a personality, it can be difficult for consumers to accept information that they see as inconsistent with that personality.<sup>33</sup>

Although user imagery, especially in advertising, is a prime source of brand personality, user imagery and brand personality may not always be in agreement. In product categories where performance-related attributes are more central in consumer decisions (eg, food products), brand personality and user imagery may be much less related. Differences may arise in other instances as well. For example, at one time, Perrier's brand personality was 'sophisticated' and 'stylish', whereas its actual user imagery was seen more as 'flashy' and 'trendy'.

In those categories in which user and usage imagery are important to consumer decisions, however, brand personality and user imagery are more likely to be related (eg, for cars, beer, liquor, cigarettes and cosmetics). Thus, consumers often choose brands that have a personality that is consistent with their own self-concept, although in some cases the match may be based on consumer's desired self-image rather than their actual image.<sup>34</sup> These effects may also be more pronounced for publicly consumed products than for privately consumed goods.<sup>35</sup> On the other hand, consumers who are high 'self-monitors' (ie, sensitive to how others see them) are more likely to choose brands whose personalities fit the consumption situation.<sup>36</sup>

Finally, brands may take on associations to their past and certain noteworthy events in their history. These types of associations may involve distinctly personal experiences and episodes or be related to past behaviour and experiences of friends, family, or others. Consequently, these types of associations may be fairly idiosyncratic among people, although sometimes exhibiting certain commonalities. Alternatively, these associations may be more public and broad-based and therefore be shared to a larger degree by people. For example, there may be associations to aspects of the marketing for the brand, for example, the colour of the product or look of its package, the company or person that makes the product and the country in which it is made, the type of shop in which it is sold, the events for which the brand is a sponsor and the people who endorse the brand. In any case, associations to history, heritage and experiences involve more specific, concrete examples that transcend the generalizations that make up the usage imagery. In the extreme case, brands become iconic by combining all these types of associations into what is in effect a myth, tapping into enduring consumer hopes and dreams.<sup>37</sup>

## Summary

A number of types of associations related to either performance and imagery may become linked to a brand. Regardless of the type, brand associations making up the

brand image and meaning can be characterized and profiled according to three important dimensions – strength, favorability and uniqueness – that build brand equity. Successful results on these three dimensions produce the most positive brand responses, the underpinning of intense and active brand loyalty.

To create brand equity, it is important that the brand have some strong, favourable and unique brand associations *in that order*. In other words, it doesn't matter how unique a brand association is unless customers evaluate the association favorably, and it doesn't matter how desirable a brand association is unless it is sufficiently strong that customers actually recall it and link it to the brand. At the same time, it should be recognized that not all strong associations are favourable, and not all favourable associations are unique.

Creating strong, favourable and unique associations is challenging, but essential in terms of building customer-based brand equity. Strong brands establish favourable and unique associations with consumers. Brand meaning is what helps to produce brand responses. Brand responses refers to how customers respond to the brand and all its marketing activity and other sources of information – that is, what customers think or feel about the brand. Brand responses can be distinguished according to brand judgements and brand feelings, that is, in terms of whether they arise from the 'head' or from the 'heart', as the following sections describe.

## Brand judgements

*Brand judgements* focus on customers' personal opinions and evaluations. They involve how customers put together all the different performance and imagery associations of a brand to form kinds of opinions. Customers may make all types of judgements with respect to a brand, but in terms of creating a strong brand, four types of summary brand judgements are particularly important: quality, credibility, consideration and superiority.

### *Brand quality*

Brand attitudes are defined in terms of consumers' overall evaluations of a brand.<sup>38</sup> Attitudes are important because they often form the basis for actions and behaviour by consumers with a brand (eg, brand choice). Such attitudes generally depend on specific considerations concerning the attributes and benefits of the brand. For example, consider Sheraton hotels. A consumer's attitude towards Sheraton depends on how much he or she believes that the brand is characterized by certain associations that matter to the consumer for a hotel chain (eg, location; room comfort, design, and appearance; service quality of staff; recreational facilities; food service; security; prices; and so on).

There is a host of attitudes that customers may hold towards brands, but the most important relate to the perceived quality of the brand. Other notable attitudes related to quality pertain to perceptions of value and satisfaction. Perceived quality measures are inherent in many approaches to brand equity. In the annual EquiTrend survey by Total Research, 20,000 US consumers rate 1,000 brands across thirty-five categories on five dimensions: familiarity, quality, purchase intent, brand expectations and distinctiveness. Total research then creates an Equity Score based on the first three measures.<sup>39</sup>

### Brand credibility

Customers may transcend specific brand quality concerns to form judgements with respect to the company or organization behind the brand. As Chapter 11 describes, *brand credibility* refers to the extent to which the brand is seen as credible in terms of: perceived expertise, trustworthiness and likability. Is the brand seen as:

- competent, innovative, and a market leader (brand expertise);
- dependable and keeping customer interests in mind (brand trustworthiness); and
- fun, interesting and worth spending time with (brand likability)?

In other words, credibility concerns whether consumers see the company or organization behind the brand as good at what they do, concerned about their customers or just easy to like.

### Brand consideration

Eliciting favourable brand attitudes and perceptions of credibility is important but may be insufficient if customers do not consider the brand for possible purchase or usage. As noted earlier, consideration is more than mere awareness. It deals with the likelihood that customers will include the brand in the set of possible options of brands they might buy or use. Consideration depends in part on how personally relevant customers find the brand, that is, the extent to which customers view the brand as being appropriate and meaningful. Thus, customers often make an appraisal as to whether they have any personal interest in a brand and whether they would or should ever buy a brand. Brand consideration is a crucial filter in terms of building brand equity. No matter how highly regarded or credible a brand may be, unless it is deemed relevant, customers will keep a brand at a distance and never embrace it. Brand consideration depends in large part on the extent to which strong and favourable brand associations can be created as part of the brand image.

### Brand superiority

Superiority relates to the extent to which customers view a brand as unique and better than others. In other words, do customers believe that the brand offers advantages over other brands? Superiority is critical in terms of building intense and active relationships with customers and depends on the number and nature of unique brand associations that make up the brand image.

### Brand feelings

*Brand feelings* are customers' emotional responses and reactions with respect to a brand. They also relate to the social currency evoked by a brand. What feelings are evoked by the marketing? How does the brand affect customers' feelings about themselves and their relationship with others? These feelings can be mild or intense, positive or negative.

Such emotions can become so strongly associated that they are accessible during product consumption or use. Researchers have defined *transformational advertising* as

advertising designed to change consumer's perceptions of the actual usage experience with the product.<sup>40</sup> For example, Herbal Essence shampoo has been positioned as offering a revitalizing, sensual experience. In a parody of a famous scene from the film *When Harry Met Sally*, ads showed scenes of women reaching heights of pleasure while lathering, exclaiming 'Yes, Yes, YES.' Brand Briefing 2.2 describes how L'Oreal has engendered brand feelings with consumers.

## Brand Briefing 2.2

### Managing feelings and user images at L'Oreal

In 1907, L'Oréal began in the hair-colour business. The company soon branched out into other cleansing and beauty products. L'Oréal markets fifty brands in one hundred thirty countries, seventeen of the brands are global, in all sectors of the beauty business: hair colour, permanents, styling aids, body and skin care, cleansers and fragrances.

L'Oréal products are found in all distribution channels, from hair salons and perfumeries to supermarkets, health/beauty outlets, pharmacies and direct mail. Still, the company is active in only one business, cosmetics, which accounts for 98 per cent of turnover.

Part of L'Oreal's success is attributed to a strategy diversifying the cultural origins of its brands. They can convey Italian elegance, New York street smart, or French beauty – but this does not mean an 'Italian' brand is aimed at the Italian market. The portfolio consists of 'European' brands like L'Oreal Paris, Lancôme or Giorgio Armani; 'American' brands like Matrix, Redken, Ralph Lauren, Kiehl's, Maybelline and Soft Sheen-Carson; 'Asian' brands such as the Japanese brand Shu Uemura or the Chinese brand Yu Sai Kan. Through this diversity, L'Oreal is reaching out to more people across a bigger range of incomes and cultures than just about any other beauty-products company.

Each brand is managed to give the right associations and feelings. L'Oreal used the 'Because I'm worth it' slogan for many years. This has been replaced by 'Because you're worth it' – probably to shift power to the consumer instead of the spokesperson in the advertising. L'Oreal has also systematically looked for the right spokespersons, such as Penelope Cruz and Scarlet Johansson.

In 2006 L'Oreal took over the ethics-based brand Body Shop, an area where no L'Oreal brands were present.

L'Oreal has a number of guiding values behind the portfolio of brands:

- Striving for excellence: 'Perfection is our goal. We are determined to continue enhancing our brand portfolio with innovative products and to meet the most demanding standards of quality and product safety at all times.'
- A passion for adventure: 'Our expertise drives our passion for new discoveries and innovation in cosmetics. Each new achievement – each step forward – is in itself a new beginning.'

## Brand Briefing 2.2 *continued*

- Enrichment through diversity: 'Understanding and valuing each individual is an essential part of our corporate culture. Our staff members come from many different backgrounds and work together to offer a full range of products through varied distribution channels. Our goal is to serve the beauty and well-being of our consumers in all cultures throughout the world.'
- Valuing individual talent: 'Just as we are dedicated to enhancing the well-being of our consumers, we also make it a priority to ensure that each employee has the opportunity to develop his or her potential through personal and professional growth.'
- Leading innovation in beauty: 'Research is as much a part of our business as marketing, sensitivity to consumer needs is as important as scientific rigor, and know-how and expertise are as essential as intuition. Building on our unrivalled experience and expertise, fundamental research is a specific focus of investment that drives creativity and contributes to developing the cosmetics of tomorrow.'

Sources: O'Loughlin, S., 'L'Oréal believes Johansson is "worth it"', *Brandweek*, 9 Jan 2006; O'Loughlin, S., 'Penelope Cruz is natural match for L'Oreal', *Brandweek*, 9 Jan 2006; [www.loreal.com](http://www.loreal.com); *BusinessWeek* online, 'L'Oreal: the beauty of global branding', 1999; [www.bbc.co.uk](http://www.bbc.co.uk), 'Body Shop agrees L'Oreal takeover', 17 March 2006.

The following are six important types of brand-building feelings.<sup>41</sup>

1. Warmth. Soothing feelings. A brand makes consumers feel a sense of calm or peacefulness. Consumers may feel sentimental, warmhearted, or affectionate about the brand.
2. Fun. Upbeat feelings. A brand makes consumers feel amused, lighthearted, joyous, playful and cheerful.
3. Excitement. A different form of upbeat feeling. A brand makes consumers feel energized and feel that they are experiencing something special. Brands that evoke feelings of excitement may result in consumers feeling a sense of elation, of 'being alive', or being cool or sexy.
4. Security. A brand produces a feeling of safety, comfort and self-assurance. Consumers do not experience worry or concerns that they might have otherwise felt.
5. Social approval. Consumers have positive feelings about the reactions of others; that is, they feel that others look favorably on their appearance or behaviour. This approval may be a result of direct acknowledgment of the consumer's use of the brand by others or may be less overt and a result of attribution of product use to consumers.
6. Self-respect. Consumers feel better about themselves. They feel a sense of pride, accomplishment, or fulfillment.



The first three types of feelings are experiential and immediate, increasing in level of intensity. The latter three types are private and enduring, increasing in level of intensity.

### Summary

Although all types of customer responses are possible – driven from both the head and heart – what matters is how positive these responses are. Additionally, it is important that the responses are accessible and come to mind when consumers think of the brand. Brand judgements and feelings can only favourably affect consumer behaviour if consumers internalize or think of positive responses in their encounters with the brand.

## Brand resonance

The final step of the CBBE model focuses on the ultimate relationship and level of identification that the customer has with the brand. *Brand resonance* refers to the nature of this relationship and the extent to which customers feel they are ‘in sync’ with the brand. Examples of brands with high resonance include Harley-Davidson, Virgin, Apple and football clubs. Resonance is characterized in terms of intensity, or the depth of the psychological bond that customers have with the brand, as well as the level of activity engendered by this loyalty (eg, repeat purchase rates and the extent to which customers seek out brand information, events and other loyal customers). Resonance can be broken down into four categories:

1. Behavioral loyalty.
2. Attitudinal attachment.
3. Sense of community.
4. Active engagement.

Behavioral loyalty relates to repeat purchases and the amount or share of category volume attributed to the brand, that is, the ‘share of category requirements’. In other words, how often do customers purchase a brand and how much do they purchase? To make a profit, the brand must be bought often and in volume. The lifetime value of loyal consumers can be enormous.<sup>42</sup> For example, a loyal General Motors customer could be worth \$276,000 over his or her lifetime (assuming eleven or more vehicles bought and word-of-mouth endorsement that makes friends and relatives more likely to consider GM products). Similarly, experts have estimated that the lifetime value of a sophisticated computer user (defined as one who buys a machine and software about every two years) is about \$45,000. A user who postpones purchases as long as possible was estimated to provide \$25,000 in lifetime value.

Behavioral loyalty is necessary but not sufficient for resonance to occur.<sup>43</sup> Some customers may buy out of necessity, buying because the brand is the only product stocked, or the only one they can afford. To create resonance, there also needs to be a strong personal attachment. Customers should go beyond having a positive attitude to viewing the brand as something special. For example, customers with a great deal of attitudinal attachment to a brand may state that they ‘love’ the brand, describe it



as one of their favourite possessions, or view it as a 'little pleasure' that they look forward to.

Research has shown that mere satisfaction may not be enough.<sup>44</sup> Xerox found that if customer satisfaction was ranked on a scale of 1 (completely dissatisfied) to 5 (completely satisfied), customers who rated their products and services as '4' – and thus were satisfied – were six times more likely to defect to competitors than those customers who provided ratings of '5'.<sup>45</sup> Similarly, Frederick Reichheld points out that although more than 90 percent of car buyers are satisfied or very satisfied when they drive away from the dealer's showroom, fewer than half buy the same brand of car the next time.<sup>46</sup> Creating greater loyalty requires deeper attitudinal attachment, which can be generated by developing marketing, products and services that fully satisfy consumer needs.

A brand may also take on broader meaning to the customer in terms of a sense of community.<sup>47</sup> Identification with a brand community may reflect an important social phenomenon whereby customers feel a kinship or affiliation with other people associated with the brand. These connections may involve fellow brand users or customers or may involve employees or representatives of the company. They may also occur online.<sup>48</sup> Brand Briefing 2.3 profiles three programmes to help build brand communities. A stronger sense of community among loyal users can engender favourable brand attitudes and intentions.<sup>49</sup>

## Brand Briefing 2.3

### Building brand communities

#### **Apple**

Apple encourages owners of its computers to form local user groups. By 2005, there were seven hundred groups, ranging in size from fewer than twenty-five members to more than one thousand. The groups provide Apple owners with opportunities to learn more about their computers, share ideas and get product discounts, as well as sponsor special activities and events and perform community service. A visit to Apple's website helps customers find nearby user groups.

#### **Harley-Davidson**

Motorcycle company sponsors the Harley Owners Group (HOG), which by 2005 had 900,000 members in groups all over the world. They share a simple mission: 'To ride and have fun.' The first-time buyer of a Harley-Davidson motorcycle gets a free one-year membership. HOG benefits include a magazine, *Hog Tales*, a touring handbook, emergency road service, insurance, discount hotel rates, and a programme enabling members to rent Harleys while on vacation. The company also maintains an website devoted to HOG, which includes information on groups and events, and features a special members-only section.

## Brand Briefing 2.3 *continued*

### **Jeep**

In addition to the Jeep enthusiast clubs throughout the world, Jeep owners can meet with their vehicles in wilderness areas across America as part of the company's official Jeep Jamborees and Camp Jeep. Since the first camp in 1995, 28,000 people have attended the three-day sessions, where they practise off-road driving and meet other owners. Jeep Jamborees bring owners and their families together for two-day, off-road adventures. Promising to be 'every bit as muddy', Camp Jeep on the Road went to eight cities in 2005 to allow existing and prospective Jeep 4 × 4 owners to put the vehicles through their paces on the road and off.

Finally, perhaps the strongest affirmation of brand loyalty is when customers are willing to invest time, energy, money, or other resources in the brand beyond those expended during purchase or consumption of the brand. For example, customers may choose to join a club, receive product updates and exchange correspondence with other brand users or formal or informal representatives of the brand. They may choose to visit brand-related websites, participate in chat rooms and so on. In this case, customers themselves became brand evangelists and ambassadors, so helping to communicate about the brand and strengthen the brand ties of others. Strong attitudinal attachment or social identity or both are typically necessary, however, for active engagement with a brand.

In summary, brand relationships can be characterized in terms of intensity and activity. Intensity refers to the strength of the attitudinal attachment and sense of community. In other words, how deeply felt is the loyalty? Activity refers to how frequently the consumer buys and uses the brand, as well as engages in other activities not related to purchase and consumption. In other words, in how many different ways does brand loyalty manifest itself in day-to-day consumer behaviour?

## Implications for building a brand

The importance of the customer-based brand equity model is in the road map and guidance it provides for building a brand. It provides a yardstick by which brands can assess their progress, as well as a guide for marketing research initiatives. With respect to the latter, one CBBE application is in terms of brand-tracking and providing quantitative measures of the success of brand-building efforts (see Chapter 8). Figure 2.8 contains a set of candidate measures for the six brand building blocks. The model also reinforces a number of branding tenets, five of which are particularly noteworthy.

**1. Salience**

- What brands of product or service category can you think of? (Using increasingly specific product category cues.)
- Have you ever heard of these brands?
- Which brands might you be likely to use under the following situations . . . ?
- How frequently do you think of this brand?

**2. Performance**

- Compared with other brands in the category, how well does this brand provide the basic functions of the product or service category?
- Compared with other brands in the category, how well does this brand satisfy the basic needs of the product or service category?
- To what extent does this brand have special features?
- How reliable is this brand?
- How durable is this brand?
- How easily serviced is this brand?
- How effective is this brand's service? Does it completely satisfy your requirements?
- How efficient is this brand's service in terms of speed, responsiveness and so forth?
- How courteous and helpful are the providers of this brand's service?
- How stylish do you find this brand?
- How much do you like the look, feel and other design aspects of this brand?
- Compared with other brands in the category with which it competes, are this brand's prices generally higher, lower, or about the same?
- Compared with other brands in the category with which it competes, do this brand's prices change more frequently, less frequently, or about the same amount?

**3. Imagery**

- To what extent do people you admire and respect use this brand?
- How much do you like people who use this brand?
- How well do the following words describe this brand: down-to-earth, honest, daring, up-to-date, reliable, successful, upper class, charming, outdoorsy?
- What places are appropriate to buy this brand?
- How appropriate are the following situations to use this brand?
- Can you buy this brand in a lot of places?
- Is this a brand that you can use in a lot of different situations?
- To what extent does thinking of the brand bring back pleasant memories?
- To what extent do you feel you grew up with the brand?

**4. Judgements**

- Quality
  - What is your overall opinion of this brand?
  - What is your assessment of the product quality of this brand?
  - To what extent does this brand fully satisfy your product needs?
  - How good a value is this brand?
- Credibility
  - How knowledgeable are the makers of this brand?
  - How innovative are the makers of this brand?
  - How much do you trust the makers of this brand?



Figure 2.8 Possible measures of brand building blocks

- To what extent do the makers of this brand understand your needs?
- To what extent do the makers of this brand care about your opinions?
- To what extent do the makers of this brand have your interests in mind?
- How much do you like this brand?
- How much do you admire this brand?
- How much do you respect this brand?
- Consideration
  - How likely would you be to recommend this brand to others?
  - Which are your favourite products in this brand category?
  - How personally relevant is this brand to you?
- Superiority
  - How unique is this brand?
  - To what extent does this brand offer advantages that other brands cannot?
  - How superior is this brand to others in the category?

## 5. Feelings

- Does this brand give you a feeling of warmth?
- Does this brand give you a feeling of fun?
- Does this brand give you a feeling of excitement?
- Does this brand give you a feeling of security?
- Does this brand give you a feeling of social approval?
- Does this brand give you a feeling of self-respect?

## 6. Resonance

- Loyalty
  - I consider myself loyal to this brand.
  - I buy this brand whenever I can.
  - I buy as much of this brand as I can.
  - I feel this is the only brand of this product I need.
  - This is the one brand I would prefer to buy/use.
  - If this brand were not available, it would make little difference to me if I had to use another brand.
  - I would go out of my way to use this brand.
- Attachment
  - I really love this brand.
  - I would really miss this brand if it went away.
  - This brand is special to me.
  - This brand is more than a product to me.
- Community
  - I really identify with people who use this brand.
  - I feel like I almost belong to a club with other users of this brand.
  - This is a brand used by people like me.
  - I feel a deep connection with others who use this brand.
- Engagement
  - I really like to talk about this brand to others.
  - I am always interested in learning more about this brand.
  - I would be interested in merchandise with this brand's name on it.

Figure 2.8 *Continued*

I am proud to have others know I use this brand.

I like to visit the website for this brand.

Compared with other people, I follow news about this brand closely.

It should be recognized that the core brand values at the bottom two levels of the pyramid – brand salience, performance and imagery – are typically more idiosyncratic and unique to a product and service category than other brand values.

Figure 2.8 *Continued*

### *Customers own brands*

The premise of the CBBE model is that the measure of the strength of a brand depends on how consumers think, feel and act with respect to that brand. In particular, the strongest brands will be those to which consumers become so attached and passionate that they, in effect, become evangelists or missionaries and attempt to share their beliefs and spread the word about the brand. The point to realise is that the power of the brand and its ultimate value to the firm *resides with customers*. It is through customers learning about and experiencing a brand that they end up thinking and acting in a way that allows the firm to reap the benefits of brand equity. Although marketers must take responsibility for their brand-building programmes, the success of such marketing depends on how consumers respond. This response, in turn, depends on the knowledge that has been created in their minds for those brands.

### *Don't take shortcuts with brands*

The CBBE model reinforces the fact that there are no shortcuts in building a brand. A great brand is not built by accident. It is the product of carefully accomplishing – either explicitly or implicitly – a series of logically linked steps with consumers. The more explicitly the steps are recognized and defined as concrete goals, the more likely it is that they will receive the proper attention and thus be fully realized, providing the greatest contribution to brand building. The length of time to build a strong brand will therefore be directly proportional to the amount of time it takes to create sufficient awareness and understanding so that firmly held and felt beliefs and attitudes about the brand are formed that can serve as the foundation for brand equity.

The brand-building steps may not be equally difficult. In particular, creating brand identity is a step that effective marketing can accomplish in a relatively short time. Unfortunately, this step is the one that many brand marketers tend to skip in their haste to quickly establish an image for the brand (as is evident by the failed dot-com brands whose target market had no inkling as to what they did). As Chapter 3 describes, it is difficult for consumers to appreciate the advantages and uniqueness of a brand unless they have a frame of reference as to what the brand is supposed to do and with whom or what it is supposed to compete. Similarly, it is difficult for consumers to achieve high levels of positive responses without having a reasonably complete understanding of the characteristics of the brand.

Finally, due to circumstances in the marketplace, consumers may actually start a repeated-purchase or behavioural loyalty relationship with a brand without having much underlying feelings, judgements, or associations. Nevertheless, these other brand building blocks will have to come into place at some point to create true resonance. That is, although the start point may differ, the same steps in brand building eventually must occur to create a truly strong brand.

### *Brands should have a duality*

One important point reinforced by the model is that a strong brand has a duality in that it appeals to both the head and the heart. Thus, although there are perhaps two ways to build loyalty and resonance – going up the left side of the pyramid in terms of product-related performance associations and resulting judgements or going up the right side in terms of non-product-related imagery associations and resulting feelings – strong brands often do both. Strong brands blend product performance and imagery to create a rich, varied, but complementary set of consumer responses to the brand.

By appealing to both rational and emotional concerns, a strong brand provides consumers with many access points while reducing competitive vulnerability. Rational concerns can satisfy utilitarian needs, whereas emotional concerns can satisfy psychological or emotional needs. Combining the two can lead to a formidable brand position. Consistent with this reasoning, a McKinsey study of fifty-one brands found that having both distinctive physical *and* emotional benefits drove greater shareholder value, especially when the two were linked.<sup>50</sup>

### *Brands should have richness*

The level of detail in the CBBE model highlights ways to create meaning with consumers and the range of possible avenues to elicit consumer responses. Collectively, these aspects of brand meaning and the resulting responses produce strong consumer bonds. The associations making up the brand image may be reinforcing, helping to strengthen or increase the favorability of other brand associations, or may be unique, helping to add distinctiveness or offset some potential deficiencies. Strong brands thus have both breadth (in terms of duality) *and* depth (in terms of richness).

At the same time, brands should not necessarily be expected to score highly on all the various dimensions and categories making up each core brand value. Building blocks can have hierarchies in their own right. For example, with respect to brand awareness, it is typically important to first establish category identification in some way before considering strategies to expand brand breadth via needs satisfied or benefits offered. With brand performance, it is often necessary to first link primary characteristics and related features before attempting to link additional, more peripheral associations. Similarly, brand imagery often begins with a concrete articulation of user and usage imagery that, over time, leads to broader, more abstract brand associations of personality, value, history, heritage and experience. Brand judgements usually begin with positive quality and credibility perceptions that can lead to brand consideration and then perhaps to assessments of brand superiority.

Brand feelings usually start with either experiential ones (warmth, fun and excitement) or inward ones (security, social approval and self-respect.) Finally, resonance again has a clear ordering, whereby behavioural loyalty is a starting point but attitudinal attachment or a sense of community is almost always needed for active engagement to occur.

### *Brand resonance provides important focus*

Brand resonance is the pinnacle of the CBBE model and provides important focus and priority for making decisions about marketing. Marketers should use resonance as a goal and a means to interpret their brand-related marketing activities. The question to ask is: to what extent is marketing activity affecting the elements of brand resonance – consumer loyalty, attachment, community and engagement? Is marketing creating brand performance and imagery associations, and consumer judgements and feelings that will support brand resonance? In an application of the CBBE model, the marketing research firm Knowledge Networks found that brands that scored highest on loyalty and attachment dimensions were not necessarily the same ones that scored high on community and engagement dimensions (see Figure 2.9).

Yet, it must also be recognized that it is virtually impossible for consumers to experience an intense, active loyalty relationship with all the brands they use. Thus, some brands will be more meaningful than others, in part because of the nature of their associated product or service, the characteristics of the consumer and so on. When it is difficult to create a varied set of feelings and imagery associations, marketers may not be able to obtain the ‘deeper’ aspects of brand resonance. Nevertheless, by taking a broader view of brand loyalty, marketers may be able to gain a more holistic appreciation for their brand and how it connects to consumers. By defining the proper role for the brand, higher levels of brand resonance should be obtainable.

Rank	Brand loyalty	Brand attachment	Brand community	Brand engagement
1	Harley Davidson	Harley Davidson	Harley Davidson	Harley Davidson
2	Hershey's	Hershey's	Lifetime Television	Lifetime Television
3	Campbells	Campbell's	Public Broadcasting Channel	Lexus
4	Clorox	Discovery Channel	FidelityInvestments	Discovery Channel
5	Heinz	BMW	MSN	Public Broadcasting Channel
6	Kodak	Wal-Mart	Lexus	Wal-Mart
7	Kraft	Public Broadcasting Channel	Discovery Channel	BMW
8	Wal-Mart	Kraft	AOL	Dell
9	Duracell	Kodak	Chevrolet	Toyota
10	Discovery Channel	NBC	Hershey's	Fidelity Investments

Figure 2.9 Brand rankings on resonance dimensions (US, autumn 2001)



## CREATING CUSTOMER VALUE

Customer-brand relationships are the foundation of brand resonance and building a strong brand. The importance to firms of adopting a strong consumer and customer orientation has been espoused for years. The CBBE model puts that notion up front, making it clear that the power of a brand resides in the minds of consumers and customers. Brand Briefing 2.4 describes some criteria as to whether or not a company is consumer-centric.

Even so, many firms find themselves paying a price for lacking customer focus. Even the biggest firms, such as Volkswagen, can stumble.

### Brand Briefing 2.4

#### Putting customers first

Most employees don't have any idea what their company's return on invested capital is, let alone the returns on specific customer segments – and even if they knew, they'd be powerless to do anything about it. But according to Selden and Colvin, a few companies, such as Dell, Best Buy and Royal Bank of Canada, have been solid stocks for shareholders because of their customer-centric approach. According to these authors, *customer-centricity* means that all employees understand how their actions affect share price. They maintain that customer-centric companies are a good bet for investors because they hold an advantage that can lead to a jump in share price. To determine if a company is customer-focused, Selden and Colvin suggest customers ask themselves these questions:

1. Is the company looking for ways to take care of you? Only a few companies identify customer needs first and then create ways to meet them. Too many try to make customers buy the products and services they already offer. Royal Bank of Canada is an example of a company that found a customer segment with unique needs and met those needs. Many of the bank's customers were Canadians who spent winters in Florida or Arizona. Those customers, who tended to be affluent, wanted to borrow money in the US for homes and get a US credit rating that reflected their Canadian record. They also wanted to be served by employees who knew the US as well as Canada. To serve those customers, the bank opened a branch in Florida through its US subsidiary. The results have been exceptional: customers signed up in droves. Opening branches aimed at specific customer segments represented a growth opportunity for the bank's shareholders.
2. Does the company know its customers well enough to differentiate between them? True differentiation means knowing what your customer segments are, what each group wants, where the groups are shopping and how to serve customers individually.

## Brand Briefing 2.4 *continued*

3. Is someone accountable for customers? At most companies, departments own pieces, but no one owns any specific customer segment. But at companies with customer-centric approaches, things are different. At Best Buy, for example, an individual is accountable for the 'soccer-mom' segment across its US stores.
4. Is the company managed for shareholder value? If a company is managed for shareholder value, employees know about earning a return on invested capital that exceeds the cost of capital, plus investing increasing amounts of capital at that positive spread and maintaining that spread for as long as possible. Customer-centric companies apply those criteria to customer segments. They know how much capital they've invested in a segment and how much return they earn on it. They maintain the positive spread by creating and reinventing enduring customer relationships.
5. Is the company testing new customer offers and learning from the results? Constant learning about what customers want and a formal process for sharing it are critical to customer-centricity. Seven-Eleven Japan does this well. Every week employees from all over Japan meet to discuss hypotheses tested and verified in the stores. Ideas such as changing the lunch menu for the next day based on the predicted weather (like serving hot noodles on a cool day) are heard throughout the company.

Sources: Larry Selden and Geoffrey Colvin, '5 rules for finding the next Dell,' *Fortune*, 12 July 2004; Larry Selden and Geoffrey Colvin, *Angel Customers and Demon Customers: Discover which is which and turbo-charge your stock*, Portfolio, 2003.

### Volkswagen

After a remarkable revival in the 1990s when it enjoyed 50 percent growth for seven years, the turn of the century was not kind to Volkswagen. By 2005, the German carmaker was experiencing stagnant sales and was losing money in the US market. The culprit? According to chief executive Bernd Pischetsrieder: 'The biggest failure in Volkswagen is too little customer-focus.' In his view, the company was paying too much attention to technology and features that he felt customers didn't want to pay for. According to Pischetsrieder: 'The first question is, how does it help the customer and will the customer pay for it?' When we have a test drive, the question is not whether I like it. It's will the customer pay for it? Or will the customer not even notice it.<sup>51</sup>

VW is not alone in its recognition of the financial value of customer experiences. Many firms are now defining the financial value of prospective and actual customers and using marketing to optimize that value.

## CHAPTER REVIEW

Customer-based brand equity is the differential effect that brand knowledge has on consumer response to the marketing of that brand. A brand has positive customer-based brand equity when customers react more favourably to a product and the way it is marketed when the brand is identified than when it is not (eg, when it is attributed to a fictitiously named or unnamed version of the product).

Brand knowledge can be defined in terms of an associative network memory model as a network of nodes and links wherein the brand node in memory has a variety of associations linked to it. Brand knowledge can be characterized in terms of awareness and image. Brand awareness is related to the strength of the brand node or trace in memory, as reflected by consumers' ability to recall or recognize the brand under different conditions. Brand awareness can be characterized by depth and breadth. The depth relates to the likelihood that the brand can be recognized or recalled. The breadth relates to the variety of purchase and consumption situations in which the brand comes to mind. Brand image is defined as consumer perceptions of a brand as reflected by the brand associations held in consumers' memory.

Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and has strong, favourable and unique brand associations. In some cases, brand awareness alone is sufficient to result in more favourable consumer response – for example, in low-involvement decision settings where consumers are willing to base their choices merely on familiar brands. In other cases, the strength, favourability and uniqueness of the brand associations are critical in determining the differential response making up the brand equity.

To create differential response, it is important to associate unique, meaningful points of difference to the brand to provide a competitive advantage and a 'reason why' consumers should buy it. For some brand associations, however, it may be sufficient that they are seen as roughly equally favourable with competing brand associations so that they function as points of parity in consumers' minds to negate potential points of difference for competitors. In other words, these associations are designed to provide consumers 'no reason why not' to choose the brand. Assuming a positive brand image is created by marketing programmes that link strong, favourable and unique associations to the brand in memory, benefits can result.

The CBBE model maintains that building a strong brand involves a series of logical steps: (1) establishing the proper brand identity, (2) creating the appropriate brand meaning, (3) eliciting the right brand responses, and (4) forging appropriate brand relationships with customers. Specifically, according to this model, building a strong brand involves establishing breadth and depth of brand awareness; creating strong, favourable and unique brand associations; eliciting positive, accessible brand responses; and forging intense, active brand relationships. Achieving these four steps, in turn, involves establishing six brand building blocks: salience, performance, imagery, judgements, feelings and resonance.

The strongest brands excel in all six building blocks and so fully execute all four steps in the CBBE model. In the model, the most valuable building block, resonance, occurs when all the other core values are 'in sync' with customers' needs, wants and desires. In other words, resonance reflects a completely harmonious relationship

between customers and the brand. With true brand resonance, customers have a high degree of loyalty marked by a close relationship with the brand such that customers look for ways to interact with the brand and share their experiences with others. Companies that achieve resonance and affinity with their customers should reap valuable benefits, such as greater price premiums and more efficient and effective marketing.

Thus, the premise of the CBBE model is that the true measure of the strength of a brand depends on how consumers think, feel and act with respect to that brand. Achieving brand resonance requires eliciting the proper cognitive appraisals and emotional reactions from customers. That, in turn, necessitates establishing brand identity and creating the right meaning in terms of brand performance and brand imagery associations. A brand with the right identity and meaning can result in a customer believing that the brand is relevant and 'my kind of product'. The strongest brands will be those for which consumers become so attached and passionate that they, in effect, become evangelists or missionaries and attempt to share their beliefs and spread the word about the brand.

## Brand Briefing 2.5

### **The marketing advantages of strong brands**

Customer-based brand equity occurs when consumers respond differently to marketing activity because they know a brand than when they do not. The actual nature of how that response differs will depend on the level of brand awareness and how favourably and uniquely consumers evaluate brand associations, as well as the marketing activity under consideration. A number of benefits can result from a strong brand, both in terms of greater revenue and lower costs.<sup>52</sup> For example, Ian Lewis from Time-Life (1993) categorizes the factors creating financial value for strong brands into two categories: factors related to growth (eg, a brand's ability to attract new customers, resist competitive activity, introduce line extensions and cross international borders) and factors related to profitability (eg, brand loyalty, premium pricing, lower price elasticity, lower advertising/sales ratios and trade leverage).<sup>53</sup>

This section considers some of the benefits to a firm of having brands with a high level of awareness and a positive brand image.

### ***Greater loyalty and less vulnerability to competitive marketing actions and crises***

Research has demonstrated that different types of brand associations – if seen as favourable – can affect consumer product evaluations, perceptions of quality, and purchase rates.<sup>54</sup> This tendency may be especially apparent with difficult-to-assess 'experience' goods<sup>55</sup> and as the uniqueness of brand associations increases.<sup>56</sup> In addition, familiarity with a brand has been shown to increase consumer confidence, attitude towards the brand, and purchase intention<sup>57</sup> and mitigate the potential damage from a poor trial experience.<sup>58</sup>

## Brand Briefing 2.5 *continued*

For these and other reasons, one characteristic of brands with a great deal of equity is that consumers feel great loyalty towards them. For example, as noted in Chapter 1, at least some top brands have been market leaders for years despite significant changes in both consumer attitudes and competitive activity over time. Through it all, consumers have valued these brands – what they are and what they represent – sufficiently to stick with them and reject the overtures of competitors, creating a steady stream of revenues for the firm. Research also has found that brands with large market shares are more likely to have more loyal customers than brands with small market shares, a phenomenon dubbed *double jeopardy*.<sup>59</sup>

Brand loyalty is closely related to equity but is a distinct concept. Brand loyalty is often measured in a behavioural sense through the number of repeat purchases. Yet, a consumer may continually purchase for reasons not related to a strong preference for the brand, such as when the brand is prominently stocked or frequently promoted. Consumers may be in the habit of buying a particular brand without really thinking about it. When confronted by a new or resurgent competitor providing compelling reasons to switch, consumers' ties to the brand may be tested for the first time.

So, repeat buying is a necessary but not sufficient condition for being a brand-loyal buyer in an attitudinal sense: someone can repeat buy but not be brand loyal. Brand loyalty is one of the many advantages of creating a positive brand image and of having brand equity.

Returning to the benefits of equity, a brand with a positive image also is more likely to weather a crisis or downturn in its fortunes.<sup>60</sup> Perhaps the most compelling example of this fact is Johnson and Johnson's Tylenol brand. Brand Briefing 6.12 describes how J&J contended with a tragic product-tampering episode with its Tylenol pain reliever in the early 1980s. The company saw its market share drop from 37 percent to almost zero overnight and was faced with having to write off Tylenol as a brand. However, J&J was able to regain Tylenol's market share through the skillful handling of the crisis and having a good deal of brand equity to draw on.

The lesson from J&J's Tylenol crisis is that effective handling of a crisis requires swift and sincere actions. There must be an immediate admission that something has gone wrong and an assurance that an effective remedy will be put in place. Most important, the greater the brand equity, the more likely it is that these statements will have credibility with consumers, so they will be both understanding and patient as the firm sets out to solve the crisis. Without brand equity, however, even the best-laid plans for recovery may fall short to a suspicious public.<sup>61</sup> Finally, it should also be recognized that even if there is no crisis, a strong brand offers protection in the case of a marketing downturn or when the brand's fortunes fall.

## Brand Briefing 2.5 *continued*

### ***Larger margins***

Brands with equity can command a price premium.<sup>62</sup> Moreover, consumers should also have an inelastic response to price increases and elastic responses to price decreases or discounts for the brand over time.<sup>63</sup> Consistent with this reasoning, research has shown that consumers loyal to a brand are less likely to switch in the face of price increases and more likely to increase the quantity of the brand purchased in the face of price decreases.<sup>64</sup> In a competitive sense, brand leaders draw a disproportionate amount of share from smaller-share competitors.<sup>65</sup> At the same time, research has demonstrated that market leaders are relatively immune to price competition from these small-share brands.<sup>66</sup>

An analysis of consumer goods manufacturers from the extensive PIMS database found that by providing unique and positive messages, a firm could insulate itself from future price competition, as witnessed by less negative future price elasticities. Conversely, they also found that non-unique messages could decrease future differentiation; for example, price promotions for firms that priced above the industry average led to more negative future price elasticities.<sup>67</sup>

The results of a study by the marketing research firm Intelliquest exploring the role of brand name and price in the decision purchase of business computer buyers is enlightening in that regard.<sup>68</sup> Survey respondents were asked: 'What is the incremental dollar value you would be willing to pay over a 'no-name' clone computer brand?' IBM commanded the greatest price premium, followed by Compaq and Hewlett-Packard. Some brands had negative brand equity; they actually received negative numbers. Clearly, according to this study, brands have specific meaning in the personal computer market that consumers value and will pay for.

Chapter 5 reviews pricing strategies and discount policies to build brand equity.

### ***Greater trade co-operation and support***

Brand owners often do not sell directly to consumers. Middlemen in the form of wholesalers, retailers and other parties often play an important role in selling a product. The activities of these members of the channels of distribution can thus facilitate or inhibit the success of the brand. If the brand has a positive brand image with consumers, it is more likely to receive favourable treatment from the trade.

Specifically, a brand with a positive image is more likely to have retailers and other middlemen respond to the wishes of consumers and actively promote and sell the brand.<sup>69</sup> Recognizing the likelihood of consumer demand, channel members are also less likely to require any marketing push from the manufacturer and are more likely to be receptive to any marketing overtures that do arise from the manufacturer to stock, reorder, and display the brand.<sup>70</sup> Thus, they should be more likely to

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pass through trade promotions, demand smaller slotting allowances and give more favourable shelf space.

In short, brands with positive customer-based brand equity are more likely to receive greater trade co-operation and support. This treatment might translate into more prominent display, more attractive promotional offers and so on. Given that many consumer decisions are made in the store, the possibility of additional marketing push by retailers is important. Chapter 5 describes how marketers can work with retailers to maximize brand equity.

### ***Increased marketing communication effectiveness***

A host of advertising and communication benefits may result from creating awareness of and a positive image for a brand. These benefits can be seen by considering the manner in which a consumer responds to marketing communications and how the marketing communications programme for a brand with a great deal of equity may be processed differently by consumers as a result. One well-established view of consumer response to marketing communications is hierarchy of effects models. These models assume that consumers move through a series of stages or mental states on the basis of marketing communications – for example, exposure to, attention to, comprehension of, yielding to, retention of, and behaving on the basis of a marketing communication.

A brand with a great deal of equity has created some knowledge structures in consumers' minds. These mental associations increase the likelihood that consumers will pass through various stages of the hierarchy. For example, consider the effects of a positive brand image on the persuasive ability of advertising. As a result of having established brand awareness and strong, favourable and unique brand associations, consumers may be more likely to notice an ad, may more easily learn about the brand and form favourable opinions, and may retain and act on these beliefs over time.

Academic research has shown that familiar, well-liked brands are less susceptible to 'interference' and confusion from competitive ads,<sup>71</sup> are more responsive to creative strategies such as humour appeals,<sup>72</sup> and are less vulnerable to negative reactions due to repetition.<sup>73</sup> In addition, panel diary members who were highly loyal to a brand increased purchases when advertising for the brand increased.<sup>74</sup> Other advantages associated with more advertising include increased likelihood of being the focus of attention and increased 'brand interest'.<sup>75</sup>

Because strong brand associations exist, lower levels of repetition may be necessary. For example, in a classic study of advertising weights, the US beer company Anheuser-Busch ran a field experiment in which it varied the amount of Budweiser advertising shown to consumers in different matched test markets.<sup>76</sup> Seven expenditure levels were tested, representing increases and decreases from the previous levels: no



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advertising, 50 percent less, same level, 50 percent more, double the level, 150 percent more, and 200 percent more. These expenditure levels were run for one year and revealed that the 'no advertising' level resulted in the same amount of sales as the current programme. In fact, the 50 percent cut in advertising expenditures actually resulted in an increase in sales. The experimental results are consistent with the notion that strong brands such as Budweiser do not require the same advertising levels, at least over a short period of time, as a less well-known or well-liked brand.<sup>77</sup>

Similarly, because of brand knowledge structures, consumers may be more likely to notice sales promotions, direct mail offerings, or other sales-oriented marketing communications and respond favourably. For example, studies have shown that promotion effectiveness is asymmetric in favor of a higher-quality brand.<sup>78</sup> Chapter 6 outlines how to develop integrated marketing communication programmes to build and capitalize on brand equity.

### ***Licensing opportunities***

A strong brand often has associations that may be desirable in other product categories. To capitalize on this value, a firm may choose to license its name, logo, or other trademark item to another company for use on their products and merchandise. Traditionally, licensing has been associated with characters such as Tintin, Smurfs, James Bond and Mickey Mouse, or celebrities and designers such as J-Lo, Giorgio Armani, Pininfarina. Recently, more conventional brands such as Ferrari, Harley Davidson, Coca-Cola, and others have licensed their brands.

The rationale for the company obtaining the rights to use the trademark is that consumers will pay more for a product because of the recognition and image lent by the trademark. For example, one marketing research study showed that US consumers would pay \$60 for cookware licensed under a TV cook's name as opposed to \$40 for identical cookware bearing a store name.<sup>79</sup>

The rationale for the licensor relates to profits, promotion, and legal protection. In terms of profits, a firm can expect an average royalty of about 5 percent of the wholesale price of each product, ranging from 2 percent to 10 percent depending on circumstances. Because there are no manufacturing or marketing costs, these revenues translate directly to profits. Licensing is also seen as a means to enhance the awareness and image of the brand. Linking the trademarks to other products may broaden its exposure and potentially increase the strength, favourability and uniqueness of brand associations. Finally, licensing may provide legal protection for trademarks. Licensing the brand for use in certain product categories prevents other firms or potential competitors from legally using the brand name to enter those categories. For example, Coca-Cola entered licensing agreements covering radios, glassware, toy trucks and clothes, in part as legal protection. As it turns out,

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its licensing programme was so successful it introduced a catalogue sent directly to consumers that offers a myriad of products bearing the Coca-Cola name.

Despite the potential benefits from licensing related to profitability, image enhancement, or legal protection, there are risks too. A trademark can become overexposed if marketers adopt a saturation policy. Consumers do not necessarily know the motivation or marketing arrangements behind a product and can become confused or even angry if the brand is licensed to a product that seemingly bears no relation. Moreover, if the product fails to live up to consumer expectations, the brand name could become tarnished. Chapter 7 discusses licensing and its effect on brand equity in more detail.

### ***Additional brand extension opportunities***

A *brand extension* is when a firm uses an established brand name to enter a new market. Extensions can be classified into two general categories. A *line extension* is when a brand name is used to enter a new market segment in the existing product class (eg, with new varieties, new flavours, and new sizes). For example, Colgate introduced varieties of toothpaste with different flavours (eg, Winterfresh gel), that have different ingredients (eg, with baking soda), or provide a specific benefit (eg, tartar control). A *category extension* is when a brand name is used to enter a different product class. For example, Swiss Army Brands capitalized on the precision image of its knives to introduce watches, sunglasses, writing instruments, travel gear and cutlery.

A brand with a positive image allows the firm to introduce appropriate products as brand extensions. There are many advantages to this strategy. An extension allows the firm to capitalize on consumer knowledge of the parent brand to raise the awareness of and suggest possible associations for the brand extension. Thus, extensions can provide the following benefits to facilitate new product acceptance: reducing the risk perceived by customers and distributors, decreasing the cost of gaining distribution and trial, increasing the efficiency of promotional expenditures, avoiding the cost (and risk) of developing new names, allowing for packaging and labelling efficiencies, and permitting consumer variety-seeking.

Besides facilitating new product acceptance, extensions can also provide ‘feedback’ benefits to the parent brand and the company. Extensions may enhance the parent brand image by improving the strength, favourability and uniqueness of brand associations and by improving perceptions of company credibility (in terms of perceived expertise, trustworthiness, or likability). Extensions may also help to convey the broader meaning of the brand to consumers, clarifying the core benefit proposition and business definition of the company. Finally, extensions may also bring new customers into the brand franchise and increase market coverage.

Academic research has validated many of these assumptions. Studies have shown that well-known and well-regarded brands can extend more successfully and into

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more diverse categories than other brands.<sup>80</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>81</sup> Research has also shown that positive symbolic associations may be the basis of these evaluations, even if overall brand attitude itself is not necessarily high.<sup>82</sup>

Brands with varied product category associations through past extensions have been shown to be especially extendable.<sup>83</sup> As a result, introductory marketing programmes for extensions from an established brand may be more efficient than other such programmes.<sup>84</sup> 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, and 'flagship brands' were highly resistant to dilution or other potential negative effects caused by negative experiences with an extension.<sup>85</sup> Research has also found evidence of an ownership effect, whereby current owners generally had more favourable responses to brand line extensions.<sup>86</sup> Finally, extensions of brands that have both high familiarity and positive attitudes have been shown to receive higher initial stock market reactions than other brands.<sup>87</sup>

Chapter 12 provides a conceptual model of how consumers evaluate brand extensions and presents guidelines for marketers to maximize extension success and its effect on brand equity.

### **Other benefits**

Finally, brands with positive customer-based brand equity may provide other advantages to the firm not directly related to the products themselves, such as helping to attract better employees, generate greater interest from investors and garner more support from shareholders. In terms of the last point, studies have shown that brand equity can be directly related to corporate stock price.<sup>88</sup>

### Discussion questions

1. Pick a brand. Attempt to identify its sources of brand equity. Assess its level of brand awareness and the strength, favourability and uniqueness of its associations.
2. With which brands do you have the most resonance? Why?
3. Can every brand achieve resonance with its customers? Why or why not?
4. Pick a brand. Assess the extent to which the brand is achieving benefits from brand equity.
5. Can you think of any other benefits of creating a strong brand? What might they be?

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