CUSTOMER-BASED BRAND EQUITY: A LITERATURE REVIEW

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ABSTRACT

Brand equity is a concept born in 1980s. It has aroused intense interest among business strategists from a wide variety of industries as brand equity is closely related with brand loyalty and brand extensions. Besides, successful brands provide competitive advantages that are critical to the success of companies. However, there is no common viewpoint emerged on the content and measurement of brand equity. Brand equity has been examined from financial and customer-based perspectives. This paper will only study the customer-based brand equity which refers to the consumer response to a brand name. The aims of the study are to review the dimensions of customer-based brand equity by drawing together strands from various literature and empirical studies made within the area of customer-based brand equity. A conceptual framework for measuring customer-based brand equity is developed to provide a more integrative conceptualization of brand equity.

Keywords: brand equity, brand awareness, brand associations, brand loyalty, perceived quality
Introduction

The study of brand equity is increasingly popular as some researchers have concluded that brands are one of the most valuable assets that a company has. High brand equity levels are known to lead to higher consumer preferences and purchase intentions (Cobb-Walgren et al. 1995) as well as higher stock returns (Aaker and Jacobson, 1994). Besides, high brand equity brings an opportunity for successful extensions, resilience against competitors’ promotional pressures, and creation of barriers to competitive entry (Farquhar 1989).

The concept of brand equity began to be used widely in the 1980s by advertising practitioners (Barwise 1993). Important academic contributors throughout the 1990s were Aaker (1991), Srivastava and Shocker (1991), Kapferer (1992), and Keller (1993, 1998). However, a universally accepted brand equity content and meaning (Vazquez et al 2002, Keller 2003) as well as measure has not been forthcoming (Washburn 2002). Almost all conceptualizations of brand equity agree today that the phenomena involve the value added to a product by consumers’ associations and perceptions of a particular brand name (Winters 1991, Chaudhuri 1995).

Early research centered on measuring a brand’s equity with the use of a variety of financial techniques (Farquhar et al. 1991, Simon & Sullivan 1990, Swait et al. 1993, Kapferer 1997). More recently, brand equity has increasingly been defined in customer-based contexts (Keller 1993) and extended to include effects on brand preferences, purchase intent (Cobb-Walgren et al. 1995, van Osselaer & Alba 2000), and brand alliances (Rao et al. 1994).

This paper reviews the definitions and dimensions of brand equity by drawing together strands from various literature and empirical studies made. The paper consists of two parts. The first part reviews the literature on brand equity. We then develop our framework for brand equity, focusing on customer-based context that includes the dimensions of brand equity.

Definitions and Dimensions of Customer-Based Brand Equity

There are two principal and distinct perspectives that have been taken by academics to study brand equity – financial and customer based. The first perspective of brand equity is from a financial market’s point of view where the asset value of a brand is appraised (Farquhar et al. 1991, Simon and Sullivan 1990). Customer-based brand equity is evaluating the consumer’s response to a brand name (Keller 1993, Shocker et al. 1994).

Reviewing the current literature on brand equity, there is a plethora of brand equity definitions and dimensions of the same. The following table illustrates the diversity of existing definitions and concept of brand equity.

<table>
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<th>Study</th>
<th>Description of the Concept</th>
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<td>The Marketing Science Institute (Leuthesser 1988)</td>
<td>The set of associations and behaviours on the part of the brand’s consumers, channel members, and parent corporation that permits the brand to earn greater volume or greater margins than it would without the brand name and that gives the brand a strong, sustainable, and differentiated advantage over competitors.</td>
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<tr>
<td>Aaker (1991)</td>
<td>The value consumers associate with a brand, as reflected in the</td>
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dimensions of brand awareness, brand associations, perceived quality, brand loyalty and other proprietary brand asset.

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<td>Swait et al (1993)</td>
<td>The consumer’s implicit valuation of the brand in a market with differentiated brands relative to a market with no brand differentiation. Brands act as a signal or cue regarding the nature of product and service quality and reliability and image/status.</td>
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<td>Kamakura &amp; Russell 1993</td>
<td>Customer-based brand equity occurs when the consumer is familiar with the brand and holds some favorable, strong, and unique brand associations in the memory.</td>
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<tr>
<td>Lassar et al. (1995)</td>
<td>The consumers’ perception of the overall superiority of a product carrying that brand name when compared to other brands. Five perceptual dimension of brand equity includes performance, social image, value, trustworthiness and attachment.</td>
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<td>Aaker (1996)</td>
<td>Brand equity is: (1) Loyalty (brand’s real or potential price premium), (2) loyalty (customer satisfaction based), (3) perceived comparative quality, (4) perceived brand leadership, (5) perceived brand value (brand’s functional benefits), (6) brand personality, (7) consumers perception of organization (trusted, admired or credible), (8) perceived differentiation to competing brands, (9) brand awareness (recognition &amp; recall), (10) market position (market share), prices and distribution coverage.</td>
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Clearly, various researches in brand equity through the years result in all different kinds of dimension of brand equity that can be linked to a brand. However, the common denominator in all models is the utilization of one or more dimension of the Aaker model (Keller 1993; Motameni and Shahrokhi 1998; Yoo and Donthu 2001; Bendixen et al. 2003; Kim et al. 2003). Therefore, the consumer-based brand equity is an asset of four dimensions that are brand awareness, brand associations, perceived quality and brand loyalty.

A Framework for Measuring Customer-Based Brand Equity

Brand equity is defined as the value that consumers associate with a brand (Aaker 1991). It is the consumers’ perception of the overall superiority of a product carrying that brand name when compared to other brands. Brand equity refers to consumers’ perception rather than any objective indicators (Lassar et al. 1995). A conceptual framework for measuring customer-based brand equity is developed by using the conceptualization of Aaker’s five dimensions of brand equity (Framework 1).

Five Dimensions of Brand Equity: The Proposed Model

Brand Awareness
Fig 1: A Framework for Measuring Customer-Based Brand Equity

Mackay 2001). Keller (2003, p.76) defines awareness as “the customers’ ability to recall and recognize the brand as reflected by their ability to identify the brand under different conditions and to link the brand name, logo, symbol, and so forth to certain associations in memory”. Aaker (1996) identifies other higher levels of awareness besides recognition and recall (Aaker 1991). He includes top-of-mind, brand dominance, brand knowledge and brand opinion. Brand knowledge is the full set of brand associations linked to the brand (Keller, 1993).

According to Aaker (1996), for new or niche brands, recognition can be important. For well-known brands recall and top-of-mind are more sensitive and meaningful. Brand knowledge and brand opinion can be used in part to enhance the measurement of brand recall. Similar measures are used by the Y&R and Total Research efforts. Aaker conceptualizes brand awareness must precede brand associations. That is where a consumer must first be aware of the brand in order to develop a set of associations (Washburn and Plank 2002).

Brand Associations
A brand association is the most accepted aspect of brand equity (Aaker 1992). Associations represent the basis for purchase decision and for brand loyalty (Aaker 1991, p. 109).

Brand associations consist of all brand-related thoughts, feelings, perceptions, images, experiences, beliefs, attitudes (Kotler and Keller 2006, p. 188) and is anything linked in memory to a brand. Other researchers (Farquhar & Herr 1993, Chen, 1996, Brown & Dacin 1997, Biel 1992) identify different types of association that contribute to the brand equity. Chen (2001) categorized two types of brand associations - product associations and organizational associations.

Product Associations
Product associations include functional attribute associations and non-functional associations (Chen 2001). Functional attributes are the tangible features of a product (Keller 1993, Hankinson and Cowking 1993, de Chernatony and McWilliam, 1989). While evaluating a brand, consumers link the performance of the functional attributes to the brand (Pitta and Katsanis 1995, Lassar et al. 1995). If a brand does not perform the functions for which it is designed, the brand will have low level of brand equity. Performance is defined as a consumer’s judgment about a brand’s fault-free and long-lasting physical operation and flawlessness in the product’s physical construction (Lassar et al. 1995).

**Social Image**

Lassar et al. (1995) limit the reference of the image dimension to the social dimension, calling it social image as social image contributes more to brand equity. Social image is defined as the consumer’s perception of the esteem in which the consumer’s social group holds the brand. It includes the attributions a consumer makes and a consumer thinks that others make to the typical user of the brand.

**Perceived Value**

Value appeared in several brand equity models (Feldwick 1996, Martin and Brown 1991, Lassar et al. 1995). Lassar et al. (1995) define perceived value as the perceived brand utility relative to its costs, assessed by the consumer and based on simultaneous considerations of what is received and what is given up to receive it. Consumer choice of a brand depends on a perceived balance between the price of a product and all its utilities (Lassar et al. 1995). A consumer is willing to pay premium prices due to the higher brand equity.

**Trustworthiness**

Brand equity models (Martin and Brown 1991, Lassar et al. 1995) regard trustworthiness of a product as an important attribute in assessing the strengths of a brand. Lassar et al. (1995) define trustworthiness as the confidence a consumer places in the firm and the firm’s communications and as to whether the firm’s actions would be in the consumer’s interest. Consumers place high value in the brands that they trust.

**Differentiation/Distinctiveness**

The Marketing Science Institute (Leuthesser 1988) states that the underlying determinants of consumer-based brand equity are that brands provide benefits to consumers by differentiating products, as they facilitate the processing and retrieval of information (Hoyer and Brown 1990). Other marketing literatures (Ries and Trout 1985; Kapferer 1991) also stress the importance of the distinctive character of brand positioning in contributing to the success of a brand. Distinctiveness is defined as the degree to which the consumer perceives that a brand is distinct from its competitors (Kapferer 1991). A brand can have a price premium if it is perceived as being different from its competitors.

**Country of origin**

Thakor and Kohli (1996) argue that brand country of origin must also be considered. He defines brand origin as “the place, region or country to which the brand is perceived to belong by its customers” (p. 27). Country of origin is known to lead to associations in the minds of consumers (Aaker, 1991, Keller, 1993). The country of origin of a product is an extrinsic cue (Thorelli et al. 1989), which, similar to brand name, is known to influence consumers’ perceptions.

Country of origin refers to the country of origin of a firm or a product (Johansson et al. 1985, Ozsomer and Cavusgil 1991), or the country where the product is manufactured or assembled (Bilkey
and Nes 1982, Han and Terpstra 1988). Thakor and Kohli (2003) state that less concern should be given to the place where brands manufacture their products, and more to the place where people perceive the brand’s country of origin to be. Therefore, country of origin in the proposed framework referred to the brand’s country of origin.

**Organizational Associations**

Organizational associations include corporate ability associations, which are those associations related to the company’s expertise in producing and delivering its outputs and corporate social responsibility associations, which include organization’s activities with respect to its perceived societal obligations (Chen 2001).

According to Aaker (1996), consumers consider the organization that is the people, values, and programs that lies behind the brand. Brand-as-organization can be particularly helpful when brands are similar with respect to attributes, when the organization is visible (as in a durable goods or service business), or when a corporate brand is involved.

Corporate social responsibility (CSR) must be mentioned as another concept that is influencing the development of brands nowadays, especially corporate brands as the public wants to know what, where, and how much brands are giving back to society. Both branding and CSR have become crucially important now that the organizations have recognized how these strategies can add or detract from their value (Blumenthal and Bergstrom 2003). CSR can be defined in terms of legitimate ethics or from an instrumentalist perspective where corporate image is the prime concern (McAdam and Leonard 2003).

**Perceived Quality**


Perceived quality is the customer’s judgment about a product’s overall excellence or superiority that is different from objective quality (Zeithaml 1988, pp. 3 and 4). Objective quality refers to the technical, measurable and verifiable nature of products/services, processes and quality controls. High objective quality does not necessarily contribute to brand equity (Ansolmsson et al. 2007). Since it’s impossible for consumers to make complete and correct judgments of the objective quality, they use quality attributes that they associate with quality (Olson and Jacoby 1972, Zeithaml 1988, Ophuis and Van Trijp 1995, Richardson et al. 1994; Acebro’n and Dopico 2000). Perceived quality is hence formed to judge the overall quality of a product/service. Boulding and other researchers (1993) argued that quality is directly influenced by perceptions. Consumers use the quality attributes to ‘infer’ quality of an unfamiliar product. It is therefore important to understand the relevant quality attributes with regard to brand equity.

Zeithaml (1988) and Steenkamp (1997) classify the concept of perceived quality in two groups of factors that are intrinsic attributes and extrinsic attributes. The intrinsic attributes are related to the physical aspects of a product (e.g. colour, flavour, form and appearance); on the other hand, extrinsic attributes are related to the product, but not in the physical part of this one (e.g. brand name, stamp of quality, price, store, packaging and production information (Bernue’s et al.2003). It’s difficult to generalize attributes as they are specific to product categories (Olson and Jacoby 1972, Ansolmsson
et al. 2007)

Brand Loyalty
Loyalty is a core dimension of brand equity. Aaker (1991, p. 39) defines brand loyalty as the attachment that a customer has to a brand. Grembler and Brown (1996) describe different levels of loyalty. Behavioural loyalty is linked to consumer behaviour in the marketplace that can be indicated by number of repeated purchases (Keller 1998) or commitment to rebuy the brand as a primary choice (Oliver 1997, 1999). Cognitive loyalty which means that a brand comes up first in a consumers’ mind, when the need to make a purchase decision arises, that is the consumers’ first choice. The cognitive loyalty is closely linked to the highest level of awareness (top-of-mind), where the matter of interest also is the brand, in a given category, which the consumers recall first. Thus, a brand should be able to become the respondents’ first choices (cognitive loyalty) and is therefore purchased repeatedly (behavioural loyalty) (Keller 1998).

Chaudhuri & Holbrook (2001) mention that brand loyalty is directly related to brand price. Aaker (1996) identify price premium as the basic indicator of loyalty. Price premium is defined as the amount a customer will pay for the brand in comparison with another brand offering similar benefits and it may be high or low and positive or negative depending on the two brands involved in the comparison.

Conclusion and Future Research Opportunities

This review has identified dimensions of brand equity from academic literature and provides the necessary depth and breadth of understanding of brand equity and its measure. The conceptual framework develops is useful for examining the contribution of brand association, brand awareness, perceived value and brand loyalty to brand equity. It is imperative to know how much equity a brand commands in the market as building strong brand equity is a very successful strategy for differentiating a product / service from its competitors (Aaker 1991). Although brand equity cannot be built in short term, it can be built in long term through carefully designed marketing activities.

More empirical studies need to be done on the dimensions of the brand equity. Different dimensions of brand equity are likely to have interactive effects. For example, some dimension might function as antecedents to consequences with respect to other dimensions. A brand equity measure on the basis of the framework developed will be established as to capitalize the full range of all the different kinds of information involved on these dimensions. Although it is yet a challenge to develop holistic perspectives toward brand equity that will encompass the full range of all the information involved.

References


