Determinants of Brand Equity from the Consumer’s Perspective: A Literature Review

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Brand equity as a theoretical concept was born in the 1980s. Many authors have given their valuable opinion and views on this term, which differ from one another. As brand equity is closely related with brand loyalty and brand extension, it arouses intense interest among those in the branding business from a wide variety of industries. While there is no common viewpoint on the measurement and dimensions of brand equity, this paper makes an effort to identify the most common determinants and approaches to measurement of brand equity from literature. Majorly, there are two perspectives of brand equity: consumer’s perspective and financial perspective. This paper reviews only Consumer-Based Brand Equity (CBBE), which relates to consumer response to a brand name. It reviews the determinants of CBBE by drawing together strands from various conceptual and empirical studies made in this field.

Introduction

In today’s ever-changing and highly competitive world, corporations have to continuously change in order to grow and sustain their businesses. To manage this scenario and beat the competition, corporations have a vital asset with them – brand. The success of brands has increased the organization’s responsibility along with creating a differentiating value proposition.

A brand is a product with a unique character, for instance in design or image. It is consistent and well-recognized and is a way of differentiating products and services. There are many definitions for the word ‘brand’ in marketing literature; but very often, Kotler et al. (2013) refer to the definition given by the American Marketing Association as “a name, term, design, symbol, or any other feature that identifies the seller’s goods or services as distinct from those of other sellers” (p. 261).

The key for brand management and development is to understand what kind of benefits consumers are looking for. Modern consumers are more demanding and require comfort. They not only concentrate on functional benefits, but also are looking for intangible advantages like status, image, lifestyle, success, personality, and other factors that can also be strongly identified as benefits. Therefore, the psychology of the consumer goes beyond the physical and tangible aspects of the product. This added value or the incremental utility of the product that comes with the brand name is termed brand equity.
The term brand equity was introduced for the first time in the 1980s, although its existence and role had been realized by practitioners for a very long time. Researchers were interested in the total combined effect of the brand and the product, and they did not distinguish the impact of the brand from that of the product until the 1970s. Srinivasan (1979) was the first person who studied and demonstrated the distinct added value of the brand to the product. Since the late 1980s, the importance of brand equity has been recognized, and research has been attempted to define it and conceptualize its dimensions.

What Is Brand Equity?
Since the 1980s, the definition of brand equity has kept evolving with a number of changes from time to time. The early definitions of brand equity include ‘the net present value of the incremental cash flows attributable to a brand name’ (Shocker and Weitz, 1988) to “set of associations and behavior on the part of the brand’s consumers, channel members and parent corporation” (Leuthesser, 1988) to the broader definition given by Farquhar (1989) that brand equity stands for “added value that a brand confers to a product or a service”.

The most trusted definition of brand equity was given by Aaker (1991), as “a set of assets and liabilities linked to a brand, its name and symbol, that adds to or subtracts from the value provided by a product or a service to a firm and/or to that firm’s customers”. The American Marketing Association defines it from the consumer’s perspective as “brand equity is based on consumer’s attitude towards the brand and favorable consequences of brand use”. There have been many conceptualizations of brand equity, since it is a complex concept and has many facets to it.

Benefits of Brand Equity
It has been a mystery as to why brand equity is very important in business. Many researchers have proved that brand equity of a product affects long-term cash flows and future profits (Srivastava and Shocker, 1991); consumer perceptions of product quality (Dodds et al., 1991); the stock prices (Simon and Sullivan, 1993); emphasis on competitive advantage (Bharadwaj et al., 1993); mergers and acquisitions (Mahajan et al., 1994); consumer preference and purchase intention (Cobb et al., 1995); market share (Agarwal and Rao, 1996); and resilience to product-harm crisis (Dawar and Pilltula, 2000).

Brands with high brand equity enjoy high consumer preference, purchase intention, purchase loyalty and even higher stock returns (Aaker and Jacobson, 1994; and Cobb et al., 1995). Most of the marketing activity depends on brand equity. Also, from a consumer’s point of view, a brand with high equity enhances the credibility of the information provided with the product, reduces perceived risk, reduces the consumer’s need to think; and on the whole, enhances the consumer’s utility from the product/brand (Erdem and Swait, 1998).
Consumer-Based Brand Equity (CBBE) – Conceptual Studies

In the early to mid-1990s, there were several theoretical studies on brand equity. By the late 1990s, these were followed up by empirical research on the dimensions of CBBE. In 1993, Kevin Keller for the first time conceptualized brand equity from a consumer point of view, which was a classic exposition of marketing philosophy.

This section summarizes the significant studies and developments in the evolution of the concept of CBBE. Table 1 provides a chronological list of studies/researches and their approaches to defining and identifying components/determinates/dimensions of brand equity.

<table>
<thead>
<tr>
<th>Author and Year</th>
<th>Definition</th>
<th>Components of Brand Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leuthesser (1988)</td>
<td>Set of associations and behaviors on the part of the brand's consumers, channel members and parent corporation that permit the brand to earn greater volume or greater margins than it would without the brand name.</td>
<td>Brand Meaning</td>
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<td>Farquhar (1989)</td>
<td>Added value that a brand endows a product.</td>
<td>Brand Evaluations</td>
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<td></td>
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<td>Brand Evaluations, Brand Attitudes</td>
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<td>Brand Image</td>
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<tr>
<td>Aaker (1991)</td>
<td>Set of assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or a service to a firm and/or to that firm's customers.</td>
<td>Brand Awareness, Perceived Quality, Brand Associations, Brand Loyalty, Other Proprietary Assets (Patents, Trademarks, etc.)</td>
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<tr>
<td>Keller (1993)</td>
<td>Differential effect of brand knowledge on consumer response to the marketing of the brand.</td>
<td>Brand Awareness (Recall and Recognition), Brand Image (Attributes, Benefits, Attitudes)</td>
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<tr>
<td>Cobb et al. (1995)</td>
<td>The brand with greater advertising budget yields substantially higher levels of brand equity. In turn, the brand with the higher equity generates significantly greater preference and purchase intentions.</td>
<td>Perceived Quality, Brand Awareness, Brand Associations, Advertising Awareness</td>
</tr>
<tr>
<td>Lassar et al. (1995)</td>
<td>Enhancement of perceived utility and desirability a brand name confers on a product.</td>
<td>Performance Value, Social Image, Trust Worthiness, Commitment</td>
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<tr>
<td>Author and Year</td>
<td>Definition</td>
<td>Components of Brand Equity</td>
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<tr>
<td>Sharp (1995)</td>
<td>All of a firm’s intangible assets, which are distinct from internal intangible assets and skills.</td>
<td>Brand Awareness Brand Image Customer Relationships</td>
</tr>
<tr>
<td>Aaker (1996)</td>
<td>The definition is the same as that of Aaker (1991) definition. Only, here he includes a market-based perspective (market behavior of the brand).</td>
<td>Brand Awareness Perceived Quality Brand Associations and Differentiators Brand Loyalty Market Behavior of Brand</td>
</tr>
<tr>
<td>Berry (2000)</td>
<td>Brand equity is the differential effect of brand awareness and meaning on the customer’s response to marketing of the brand.</td>
<td>Brand Awareness Brand Meaning</td>
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<tr>
<td>Vazquez et al. (2002)</td>
<td>The overall utility that the consumer associates with the use and consumption of the brand, including associations expressing both functional and symbolic utilities.</td>
<td>Product Functional Utility Product Symbolic Utility Brand Functional Utility Brand Symbolic Utility</td>
</tr>
<tr>
<td>Gil (2007)</td>
<td>Brand loyalty is much closer to the concept of overall brand equity than brand awareness-associations and perceived quality.</td>
<td>Brand Loyalty Perceived Quality Brand Awareness Brand Associations</td>
</tr>
<tr>
<td>Atilgan et al. (2009)</td>
<td>Emergence of brand trust as a new dimension instead of brand awareness complies well with recent literature on global branding.</td>
<td>Brand Loyalty Perceived Quality Brand Awareness Brand Associations Brand Trust</td>
</tr>
<tr>
<td>Burmann et al. (2009)</td>
<td>This research explores the sources of brand equity from both internal and external perspectives at the behavioral and financial level in order to achieve a more accurate and sustainable brand equity measurement approach.</td>
<td>Brand Benefit Clarity Perceived Quality Brand Uniqueness Brand Sympathy Brand Trust Brand Awareness</td>
</tr>
<tr>
<td>Mishra and Datta (2011)</td>
<td>Important dimensions of brand assets such as brand name, awareness and personality are treated as antecedents of CBBE and some others like brand preference and purchase intention are considered as consequences.</td>
<td>Brand Name Brand Communication Brand Association Brand Personality Brand Awareness Brand Image</td>
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</table>
The most widely quoted and accepted studies on the definitions, conceptualization and determinates of CBBE are those of Farquhar (1989), Aaker (1991 and 1996), Srivastava and Shocker (1991) and Keller (1993); and hence the work done by these four authors are presented in greater detail.

**Farquhar (1989)**

Farquhar understands brand equity as the “added value which a brand endows the product”. Brand equity gives a firm incremental cash flow when the brand is associated with the product. It provides higher leverage to the product, due to which it finds easier trade acceptance and wider distribution exposure. Brand equity results in increased attitude strength towards the product, due to the value added by the brand from the consumer’s perspective.

Farquhar comes up with three components of brand equity:

- Brand evaluation or loyalty;
- Attitude accessibility; and
- Brand image or personality.

The interrelationship of these three components is illustrated in Figure 1.

**Aaker (1991 and 1996)**

Aaker defined and measured brand equity as “a set of brand assets and liabilities linked to a brand, its name and sign that add to or subtract from the worth provided by a product or service to a firm and/or to that firm’s customers”. Equity can be treated as asset and it can add value to the product or services offered to customers; it can also be a liability and reduce the value provided. Aaker's model of brand equity was a conceptual model, but
later studies have empirically tested this model (Yoo and Donthu, 2001; and Pappu et al., 2005) and have found it to explain most of the contributions to a brand’s equity.

Aaker hypothesized brand equity to be composed of five components (Figure 2):

- Brand awareness, i.e., how many of the intended consumers recall or recognize the brand. This is a prerequisite for the other components of brand equity to exist. Awareness includes recall (unaided recall of the brand by the consumer) and recognition (aided recall).
- Perceived quality of the brand in the mind of the consumer.
- Brand Association: This includes all the things that the consumer associates with the brand (could include the product or parent company, any advertising or communication, logo colors or country of origin, brand benefits to the consumer, brand ambassador and a host of other such associations).
• Loyalty that consumers have towards the brand; and
• Proprietary assets that the company owns for the brand like patents, trademarks and copyrights. These increase the sustainability (i.e., inability to copy) of brand equity.

The first four components of brand equity (in Aaker’s model) contribute to CBBE. However, the fifth component is not associated with CBBE (Christodoulides and de Chernatony, 2010). In 1996, Aaker modified his brand equity model to also include leadership of the brand and market behavior of the brand, and removed the proprietary assets component (Aaker, 1996). The new ten measures model of CBBE by Aaker is summarized in Table 2.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Sub-Components</th>
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<tbody>
<tr>
<td>Brand Awareness</td>
<td>Brand Awareness</td>
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<tr>
<td>Perceived Quality</td>
<td>Perceived Quality</td>
</tr>
<tr>
<td></td>
<td>Leadership</td>
</tr>
<tr>
<td>Brand Associations and Differentiators</td>
<td>Perceived Value</td>
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<td></td>
<td>Brand Personality</td>
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<td></td>
<td>Organizational Associations</td>
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<tr>
<td>Brand Loyalty</td>
<td>Price Premium</td>
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<td></td>
<td>Satisfaction/Loyalty</td>
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<td>Market Behavior of Brand</td>
<td>Market Share</td>
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<td></td>
<td>Price and Distribution</td>
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</table>

**Srivastava and Shocker (1991)**

Srivastava and Shocker (1991) conceptualized brand equity to be focusing mainly on two dimensions: brand strength and brand value. Brand strength consists of consumer perceptions and their behaviors with respect to the brand (choice intention or choice). It can be viewed as the set of associations that the consumer has for the brand. Brand value, on the other hand, is the ability of the firm to leverage on the brand strengths (through marketing strategy and actions) to generate higher current and future profits with lower risks. For example, the brand strengths (associations) can be leveraged by extending the brand to other products, wherein these associations will add value.

**Keller (1993)**

Keller (1993) defined CBBE as “the differential effect of brand knowledge on consumers’ response to the marketing of the brand”. He conceptualized brand equity for the purpose of improving the productivity of marketing efforts for the brand. The reaction or impact of a firm’s marketing effort depends on the knowledge that the consumer has about the
brand. Keller comes up with the concept of brand equity through an associative memory network model and relates brand equity to the knowledge that the consumer has of the brand. He also distinguishes two components of brand knowledge:

- Brand Awareness: The extent to which a consumer can recognize or recall the brand name and identify it with a product/service and/or a product category.
- Brand Image: The entire set of brand associations the consumer has for the brand. He identifies three categories of association:
  - Attributes
  - Benefits; and
  - Attitudes

A diagrammatic representation of Keller’s conceptualization of brand equity is presented in Figure 3.

**Figure 3: Keller’s Model of CBBE**

<table>
<thead>
<tr>
<th>Brand Knowledge</th>
<th>Brand Recall</th>
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<tr>
<td></td>
<td>Brand Recognition</td>
</tr>
<tr>
<td>Brand Awareness</td>
<td>Attributes</td>
</tr>
<tr>
<td>Brand Image</td>
<td>Benefits</td>
</tr>
<tr>
<td>Types of Associations</td>
<td>Attitudes</td>
</tr>
<tr>
<td>Favorability of Associations</td>
<td></td>
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<tr>
<td>Strength of Associations</td>
<td></td>
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<tr>
<td>Uniqueness of Associations</td>
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</table>

**Source:** Keller (1993)

**Why Measure Brand Equity?**

The Marketing Science Institute’s (MSI, 1999) workshop on brand equity metrics identified the following reasons why brand equity measurement is very critical: (1) to guide marketing and selling decisions (both short term and long term); (2) for evaluating
extension of a brand; (3) to measure the effectiveness of marketing decisions; (4) to track the brand’s status over time; and (5) to financially evaluate the brand for purposes of selling, acquisition and financial reporting.

Measurement of Brand Equity

Many authors try to conceptualize brand equity (Leuthesser, 1988; Farquhar, 1989; Aaker, 1991; and Keller, 1993) but none of them work on their measurement. Into the early 1990s, several approaches were taken to measure brand equity including driving the brand value using: conjoint analysis (Green and Srinivasan, 1978; and Rangaswamy et al., 1993), a scanner-data based measure (Kamakura and Russell, 1993), a survey-based composite multi-attribute measure (Park and Srinivasan, 1994), a collection of eleven different consumer-behavior based measures (Agarwal and Rao, 1996), incremental cash flows accrued to the brand (Simon and Sullivan 1993), the equalization price (Swait et al., 1993) and various other measures (Cobb et al., 1995; Yoo and Donthu, 2001; and Pappu et al., 2005).

Lassar et al. (1995) measure brand equity as "enhancement in the perceived utility and desirability a brand name confers on a product. It is the well defined consumers' perception of the overall advantage of a product carrying that brand name when compared to other brands". They view that there are certain considerations when understanding brand equity: it suggests consumer perception compared to their objective; it also refers to the global value attached with a brand that comes from the brand name (and not only from physical characteristics of the product); that brand equity is not absolute, it is relative to competition; and finally that brand equity positively affects financial performance.

Martin and Brown (1990) measure brand equity (termed by them as consumer-perceived brand equity) as composed of five components: perceived quality, perceived value, image, trustworthiness and commitment.

Lassar et al. (1995) improvised on his concept and used performance as a more important term than quality, limited the image factor to only the social image defined by “the consumer’s perception of the esteem in which the consumer’s social group holds the brand”. They viewed commitment as only perceptual commitment and not behavioral commitment (defined by them as “the relative strength of a consumer’s positive feelings toward the brand”). Thus, Lassar et al.’s (1995) conceptualization of brand equity consisted of five dimensions: performance, value, social image, trustworthiness and commitment. Data was collected by a survey using a 17-item Likert type scale for which they reported adequate levels of internal consistency and validity; however they do not report any evidence of external validity.

Lassar et al. (1995) were the first to make brand equity measurement a very simple affair, an improvement over previous complex techniques. The only major drawback was that their scale includes perception of the consumers only and excludes important determinates such as brand loyalty (Christodoulides and de Chernatony, 2010).
Yoo and Donthu (2001) define the CBBE as “consumer’s different reaction between a focal brand and an unbranded product when both have the same level of marketing strategies and product feature”. The criticism of the previous measurement of CBBE is that they build the brand equity without considering psychometric testing and also that they were not parsimonious enough. They wanted to develop a multidimensional measure of CBBE that would be reliable, valid, generalized and parsimonious cross cultures.

Aaker (1991) gives the four major dimensions of brand equity—brand awareness, brand loyalty, brand association and perceived quality (the difference being their understanding of brand loyalty—as “the tendency to be loyal to a focal brand which is realized by the intention to buy” as against Aaker’s conceptualization for the loyalty as “attachment that a customer has to be a brand”). To test the whether the scale was cross-culturally valid or not, a brand equity measure (scale) was developed based on these four dimensions and data was collected from three different cultural groups (Koreans, Korean Americans and Americans) across two countries (Korea and America), i.e., they adopted an epic approach to scale development by simultaneously collecting data in multiple cultures.

Washburn and Plank (2002) empirically investigated the psychometric properties of the Yoo and Donthu’s (2001) CBBE scale. They tested the 15 items which include both a four-dimension and a three-dimension solution, and a shortened 10-item Multidimensional Brand Equity (MBE) scale, as well as the four-item Overall Brand Equity (OBE) scale. They found the acceptable variance extracted for the three-dimension (brand loyalty, perceived quality and combined brand awareness/association) MBE scale.

Pappu et al. (2005) improved upon the measurement of CBBE by Yoo and Donthu (2001), which had been validated by Washburn and Plank (2002). They identified several limitations in the Yoo and Donthu (2001) method: (1) Their results come with three dimensions, where brand awareness and association are combined into one dimension; (2) They used only student sample; (3) Their choice of items for the measurement of brand association dimension (both Yoo and Donthu, 2001; and Washburn and Plank, 2002) did not include brand personality, which was an important element in Aaker’s (1991) conceptualization of brand association). Brand awareness and brand association have been conceived to be theoretically dissimilar from each other (Aaker, 1991 and 1996; and Keller 1993) and there is also confirmed evidence that these are distinct from each other (Sinha and Pappu, 1998). Their finding supports the four-dimension model of consumer behavior (they found brand awareness and brand associations to be two separate dimensions of brand equity as conceptualized in marketing literature).

Szöcs (2012) mentioned that CBBE is conceptualized in literature as an assessment support tool for managers to analyze the brand from the consumer’s perspective. It can be best formulated as a construct caused by brand-related relations in which the effect of brand-related associations is concentrated. In order to make managers understand the concept of brand equity or study the homological network of its constituent determinates, we need to generate a better understanding of the composition of brand equity in disparate cultural contexts and distinct product categories (Christodoulides and de Chernatony, 2010).
Wang and Finn (2013) present a model which is quite different from prior CBBE research that analyzes well-known brands in different product categories. Their research focuses on the within-product group differences in terms of the sources of CBME. To facilitate evaluation, they proposed a hybrid measurement model of CBME that systematically integrates various existing CBME dimensions and examined the substantive difference among master brands and their sub-brands within a product category. They explained that this model distinguishes the latent CBME construct from its dimensions, and separates its formative dimensions (causes of CBME) from its reflective (effects of CBME) dimensions based on the causal relationship with the construct. Brand emotion is another dimension which is added by them, to expand the coverage of the CBME domain from solely cognitive to include cognitive and non-cognitive, spontaneous emotional reactions to brands. They emphasized that formative dimensions (such as uniqueness and perceived quality) jointly define CBME. Eliminating any of them may alter the conceptual domain of the construct and decrease the construct validity; especially, formative dimensions can be used to identify potential cannibalization effects among sister sub-brands within a brand portfolio.

Conclusion

Many authors have their own understanding and concept regarding brand equity from the consumer's perspective. In the literature review, numerous studies relating to the concept and measurement of CBME are summarized and analyzed. Even though there is ample research in these areas, almost all the research is in the developed/western world context.

The review of most of the extant literature on brand equity covered only one type of brand equity and that is brand equity from the consumer's perspective. It also tracked the evolution of definitions and conceptualizations of CBME and also tried to bring out the determinants/components of brand equity which can be applicable throughout the world for all the brands. It can be concluded that Aaker's (1991 and 1996) conceptualizations of CBME as consisting of the four dimensions, i.e., brand awareness, brand loyalty, perceived quality and brand associations, to be theoretically sound and adopted by a clear majority of subsequent studies for more than two decades (1993 to 2017). A majority of the authors accept these four determinates in common to measure brand equity from the consumer's perspective. These determinates have also been tested and found valid with some limitations, which are highlighted below.

Limitations of Current CBME Conceptualizations and Measurement: Some limitations and shortcomings are found in the existing research pertaining to conceptualization and measurement of brand equity from the consumer’s perspective:

- A majority of the CBME studies focus on products only, and not on the service sector. Branding and brand equity play a vital role in services too. There are very few studies that have taken up brand equity measurement in the services sector. It is felt that there is a need to develop a measurement instrument that can be used to measure CBME for both products and services, across all industries and sectors.
• The dimensions of brand equity vary from author to author and so also the parameters which are used to measure brand equity.

• Current measurement and conceptualization of CBBE considers only cognitive dimensions of brand equity such as awareness, associations, perceived quality and brand loyalty. The review does agree that brand loyalty can be conceptualized to include attachment (Aaker, 1991) of the consumer, and thereby include an affective/emotional dimension. But a majority of the studies focus on cognitive dimensions only.

References


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