

Building brand equity – In the digital era

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Abstract: *Building brand equity has always been a focus area of every corporate trying to make their offering stand out from among the plethora of offerings targeting a sizable pie of the total spends in their respective category. There are various conceptual models that explain the ways of building brand equity like Keller’s CBBE framework and Aaker’s Brand Equity model. These models have stood the test of time to conceptualize the route a marketer needs to take to build up his/her brand’s equity. With digitization coming in and the impact of social media, there is a need to understand whether these models continue to hold their forte and can explain how brands continue to build equity in this new environment. This paper uses the CBBE framework as a model to look at the impact digitization has brought into this brand equity building journey for any marketer. It also tries to sketch an updated model that perhaps gives a more complete explanation of brand equity for marketing practitioners.*

Keywords: Brand, Brand Equity, Digital, Brand Salience, Brand Performance, Brand Imagery, Brand Judgements, Brand Resonance, CBBE Framework

Introduction

Brand, according to the American Marketing Association, is “a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers”. Seth Godin, an author, entrepreneur, marketer & public speaker defines a brand as “the set of expectations, memories, stories and relationships that, taken together, account for a consumer’s decision to choose one product or service over another.” The purpose of branding is therefore to identify and differentiate a seller’s offering from that of others. Branding has been practiced since time immemorial dating back to the ancient times when cave-men used to carve out symbols on caves to distinguish their dwelling. The other documented instances of branding in the early times were with regard to marking cattle for identification before being sent to slaughterhouses. The initial instances of branding by corporates was seen in the case of soap companies (including P&G) and later in various other categories including soft beverages. Further, corporates and individuals started spending huge amounts to create brands and then sustain and build on them further by identifying and managing the sources that create brand value. Today, the realm of branding stretches across products (Razor), corporates (Facebook), personalities (Narendra Modi), destinations (Make in India), programs (e.g.Obamacare), campaigns (Brexit), and so on. The key idea to be kept in mind is that the value of a brand resides in the minds of the customer and by managing and controlling the learning process and the experience a customer has with a brand, will further decide its equity. Keller defines brand equity as “the differential effect of brand knowledge on consumer response to the marketing of

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the brand”. Similarly, David Aaker defines brand equity as “the value consumers associate with a brand, as reflected in the dimensions of brand awareness, brand associations, perceived quality, brand loyalty and other proprietary brand assets”. There are multiple approaches to measure brand equity – financial, product level and customer based. We will be focusing on the customer based model of brand equity (CBBE model) developed by Keller to discuss the impact of digitization and understand if the relevance of this model remains as convincing as it used to be prior to this new era.

Literature Review

Branding and its related aspects has been an interest for both practitioners and academicians alike. Various brand equity models have been developed over time and they can be divided into three types – financial, product and non-financial (customer-based). The financial perspective talks about the excess of value that is seen beyond the financial results and assets of that brand. One of the financial models of brand equity is based on the market value of the firm minus the tangibles (Simon & Sullivan, 1993). It assumes that the market capitalization values include the future potential of a brand and therefore subtracting the tangibles can provide the real value of the brand. One challenge of this model is that it doesn't seem to be relevant in the case of a “house of brands” model like P&G (Anderson, 2011). Another model talks about the total price a brand can charge when it is sold to another firm (Mahajan et al.1994). Other financial models consider brand equity as the sum of potential future earnings adjusted by certain multiples (based on the brands' strength on certain parameters). They are formulary based approaches (Abratt and Bick, 2003) and are a hybrid of financial as well as product-market models since they initially take the financial measures to arrive at a value and then use non-financial/judgmental measures to arrive at certain multipliers to arrive at the final equity value. Some of these models are developed by brand ranking firms like Interbrand, Financial World and Brand Finance.

At a product-market level, brand equity is measured as the incremental price premium a branded product can command over a private label product offering (Ailawadi et al. 2002). It can be calculated as the difference in revenue between the branded and private label offering. One advantage of this model is its simplicity and ease of understanding even for non-marketers. The disadvantage of this model is that it is more of a diagnostic tool and does not capture the richness of various elements that subsequently impact the brand equity. A similar model but with better effectiveness talks about brand equity as an intercept function developed by analyzing the correlation of equity with other measures like price premium, sales premium and revenue premium (Kamakura and Russel, 1993). Another more refined model (Goldfarb et al. 2009) talks about the profit premium as a measure of brand value and uses the unobserved utility component as opposed to the Kamakura and Russel model that uses the intercept of the utility components. This model takes into account both the demand as well as supply side to arrive at its outcome. A conjoint-based brand attribute interaction model (Ferjani et al. 2009) provides another detailed understanding of the specific attributes driving brand value.

Consumer response based measures mostly assess awareness, associations, loyalty and perceived quality (Aaker 1991, Keller, 1993). These models basically look at the sources of brand equity and therefore have more predictive abilities of future brand equity. Through previous experience and related associations, a brand reduces the effort and time it takes for a consumer to make a purchase decision (Pashigian and Bowen 1994, Ramello 2006). The brand value chain model propounded by Keller and Lehmann (2003) outlines how marketing activities

create brand value as a sequential process of marketing activities impacting customer mindset thereby leading to better market performance and superior stakeholder value.

Aaker (1991) proposes a consumer based model of brand equity consisting of five dimensions – Brand Loyalty, Brand Awareness, Perceived Quality, Brand Associations and Other Proprietary Assets. According to Aaker, an important element of building brand equity is the Brand Identity – a unique set of associations of what the brand stands for and the promise to its customers. Brand identity includes a core identity (essence of the brand which remains the same across timelines) and an extended identity (consisting of various brand elements organized around its core identity and forming a cohesive and meaningful group).

Customer Based Brand Equity (CBBE) model outlined by Kevin Keller talks about the steps in building brand equity. Keller (1993), mentions that customer based brand equity occurs when customer has an earlier association of the brand in his or her memory and the association has to be strong, unique and favorable. The basic premise of this model is that a brand's power lies in what a consumer has heard, felt, seen and experienced about the brand over time

Keller, 1993, It is about creating the right type of knowledge for the customers to learn about the brand and managing that process to get the desired outcome of brand equity. In the upcoming sections, this paper delves deeper into this model to understand its relevance in this digital era and then propose a modified model that is more in tune with the current times to help a marketer understand brand equity.

Need and Scope of the Study

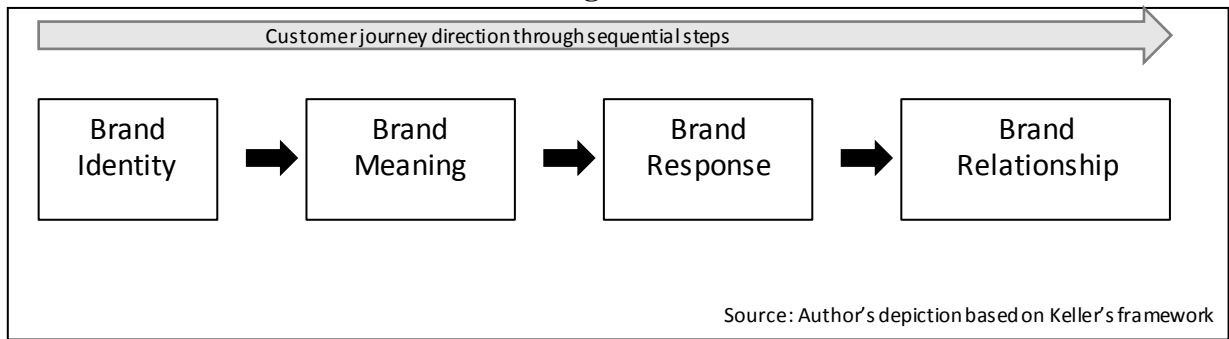
Brand equity measurement and tracking has continued to remain on the top of the agendas of every board room across the world. Companies closely monitor the effect of various activities and actions that can impact their existing equity that has been built up meticulously over time. The CBBE framework depicts the customer journey as a series of sequential steps that a customer will pass through, and with each successive step, the brand equity is believed to keep strengthening. This seemed to be true in the traditional world that we had been witnessing before digitization. The advent of digitization has however shrunk the brand development cycle time and has made a hero of un-heard companies within shortened time-frames, unheard earlier. It has also broken old hegemonies held by large corporates and provided opportunities for startups to scale up on their branding efforts without any substantial investment. All these changes make it imperative for us to ponder whether the frameworks about customers passing through sequential steps still hold water. This paper tries to throw light on these aspects and tries to evolve a framework that could possibly explain this evolving phenomenon.

The CBBE Framework

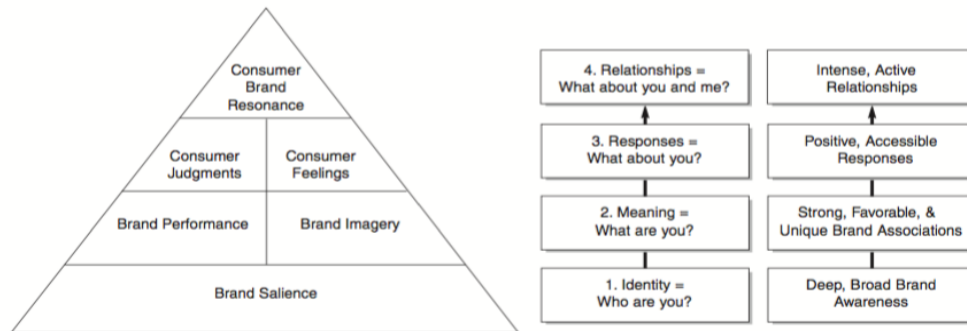
The Customer Based Brand Equity (CBBE) framework talks about building brand equity as sequential steps in the customer's journey wherein each step has a certain objective to be achieved on the part of the customer and the success of each step depends on the successful accomplishment of the previous step in that customer's journey. This framework, according to Keller, involves four sequential steps as depicted in Fig.1 below:

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Fig. 1



As depicted above, it's a branding ladder where each step leads to the next. Brand meaning cannot be interpreted unless an identity has been established, a response cannot be elicited unless the right meaning has not been developed and a relationship cannot be created without getting the right responses from the customer. To understand this framework, Keller has developed a CBBE pyramid using six brand-building blocks depicting the journey from the base of the pyramid to the pinnacle. The brand equity is said to be the highest when the customer has traversed to reach the highest level in the pyramid. The conceptual pyramid is depicted in Fig. 2 below.



Source: Marketing Science Institute, 2001 report number 01-107

Fig. 2

Brand Salience

Brand salience is the first stage where customer becomes familiar with the brand in terms of various associations and becomes aware of a brand. The awareness could be in terms of the ease of recall/recognition of the brand (depth of awareness) or in terms of the different consumption situations where the brand comes into mind (width of awareness). Both these factors are important to ensure that a brand is part of the consideration set when a customer decides to consume a product. In case of low-involvement products, salience gains more importance because the customer might make a decision based on salience alone. Therefore, it is important that a brand is equally on "top of mind" as well as should come into the consideration set in multiple consumption situation and times. An example of this could be the case of "Baker" brand of custard available in Indian retail stores. Baker should ensure that apart from its brand name, custard powder purchase should come into a customer's mind and consideration set in the case of a potentially overlooked consumption opportunity like throwing a dinner party for her friends.

Brand Meaning

Once the initial salience has been established, the next step is to create a meaning of the brand for the customer. Meaning can be in two forms – performance (functional) and imagery (abstract). It can be formed directly through experience or through other indirect sources like advertisements and references. The performance aspect involves utilitarian and functional benefits a product or service of a particular brand is able to provide to its customers. It may involve the basic attributes, the reliability, serviceability and related characteristics, aesthetics and price.

In most cases, a superior brand will outperform in one or more of these dimensions over its competitor (Keller, 1993).

The imagery aspect is more intangible and relates to meeting the psychological or social needs of a customer. It could relate to the profile of users of a particular brand in the minds of the consumer, usage situations or occasions, personality associated with the brand and the heritage of the brand. All these meanings can be classified into three different categories according to Keller: Strength of association, favorability of association, uniqueness of the association. Creating strong, favorable and unique association is the main objective of marketers to ensure that their brands convey meaningful associations to their target consumers. An example of brands that have done this successfully would be Gillette (superiority, comfort) and Disney (fun, magical) and many others.

Brand Responses

This refers to the response of a customer towards the brand and what they think and feel when the brand comes to their mind (either through recall or through various marketing activities or other sources). The response can be segregated into judgements and feelings. Brand judgements refers to customer's personal evaluation of the brand based on the functional and imagery associations formed at the previous stage. Judgements could be in the form of quality, credibility, relevance and superiority of the brand over competing brands. Brand feelings relate to the emotions and reactions elicited by exposure to the brand and its marketing programs and the nature of those emotions – positive or negative, mild or intense. The more accessible and positive these responses are for the consumers when they encounter a brand, the more favorable it is for the brand.

Brand Relationships

This is the final stage according to the CBBE framework which talks about the intensity of the bond a customer has formed with the brand and the extent to which their feelings resonates with the brand. This resonance can translate to certain outcomes (like loyalty, repeat purchases, active seeking of new information about brand, evangelizing etc) that can lead to long term benefits for the brand. Brand resonance can be categorized into brand loyalty, attitudinal attachment, sense of community and active engagement (Keller, 1993). Apple and Harley Davidson could be examples of brands with high resonance.

Advent of Digitalization

The internet has brought about tectonic shifts in the way brand managers manage their brands and the way consumers get affected by brand messages. Earlier, the control was more firmly in the hands of the brand owner and the brand manager could carefully orchestrate the way a consumer gets exposed to brand communications at different stages of a consumer's decision

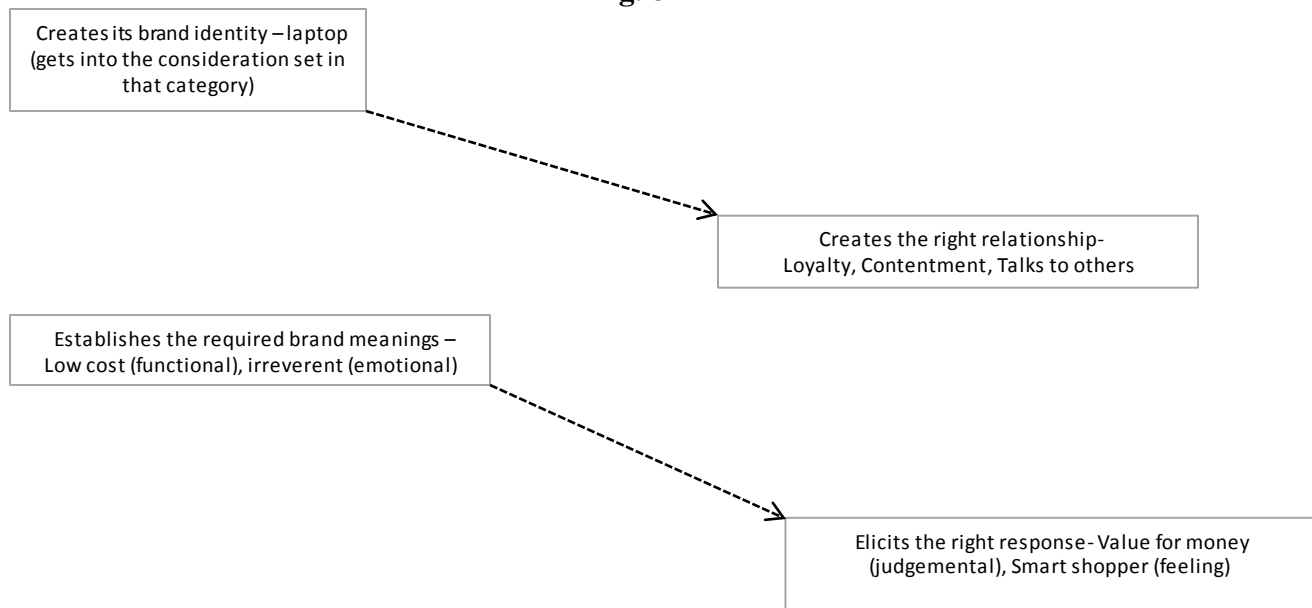
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journey. As digital channels proliferate, the rules of the game also seem to be shifting with some of those controls moving out of the brand manager's hand to online media forums and consumers. There are two aspects of this change. On the one hand, it has become easier for startups to become visible and build up a brand with a substantially lower budget. On the other hand, it has added to the clutter and brands have discovered that it needs more digital ammunition to stay put in this new battlefield and remain relevant. Also with this shift in control, the brand's customized messages seem to have a lesser effect on the consumer than those messages that are user-generated (like reviews) in the internet. The challenge then is to track the type of content that gets generated, address unfavorable messages in real-time before it goes viral and also ensuring that substantially higher volume of content gets generated by the consumers who view the brand favorably.

The number of digital touchpoints is increasing by 20% annually, according to a survey by the Mc Kinsey institute (Report, 2015). This will mean that companies need to be prepared for a battle in this new digital terrain. This Mc Kinsey report also states that the chances of a digitally savvy loyal customer dropping a brand mid-way during a buying process is very high because of the chance of receiving conflicting messages (about product quality, service etc.) as they sift through social media.

In this new context, the CBBE framework of a customer passing through a sequential unidirectional flow seems to be suspect. Here, even after a brand identity and brand meaning has been firmly formed, a customer could switch back to a creating a new identity or meaning based on the journey taken in the digital maze. The customer could even review her relationship in spite of the best efforts of the marketer in successfully wading through to the final stage of this CBBE framework. To understand this phenomenon, let us look at a consumption scenario in the case of a laptop. The traditional journey of a customer as per the CBBE framework is depicted in Fig.3.

Fig. 3



Source: Author's rendition based on CBBE framework

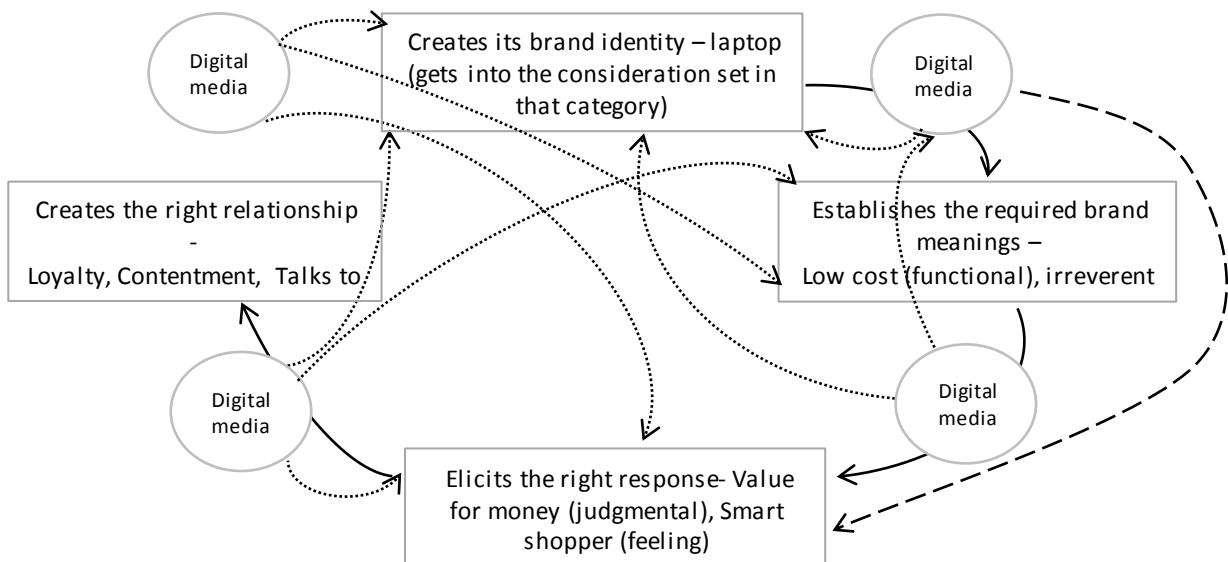
If we observe the journey, it is a linear step by step process, with every next step accomplishing a deeper objective and ending up with a strong relationship with the brand.

However, in the digital world, we might not witness this linear journey. There could be multiple iterations and movements to and fro happening in the consumer's journey and in spite of having created a relationship, the desired response need not be created. In the case of the laptop brand above, the journey could look as shown below in fig.4. The heavy lines show the normal sequential journey that we witness in a CBBE framework whereas a consumer's exposure to digital media could disrupt or redirect the flow back to any of the previous stages. For e.g., in spite of a particular identity having established in the customer's mind, exposure to online media could again change that identity and so forth. There is also a possibility that a customer could jump steps and go to the response stage based on the updates or reviews available online. An example of that could be the situation when a customer goes online to buy a product from a category that she is not well versed with. She could just look at available reviews and then quickly leapfrog stages (an instance shown by longer dots) from brand identity to brand response. The other steps in this framework might not be so important and could form as the customer consumes the product and experiences the product post consumption. Therefore, it is observed that digital media also hastens the entire process at times and might alter the flow too.

Impact

From the a below example, we can understand that in the current scenario of a consumer's exposure to digital media, there is a possibility of multiple iterations happening and the same could be happening multiple times based on the customer's level and instances of exposure. Therefore the CBBE framework of a linear journey might either get too shortened (stages occurring simultaneously) or not hold completely true in this new environment.

Fig. 4



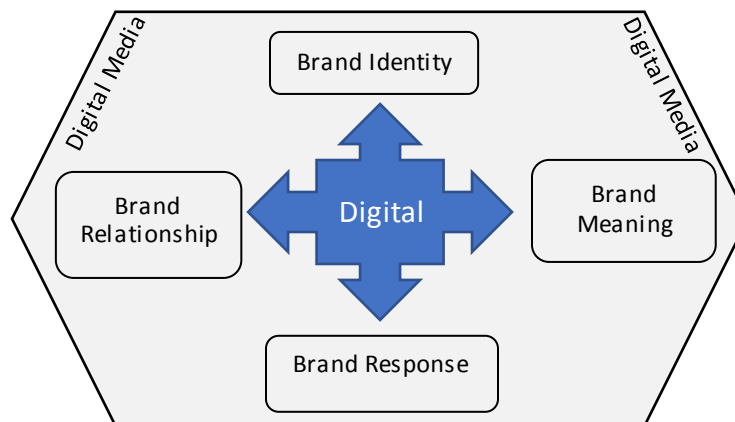
Source: Author's depiction of the new journey

Proposed Model: Under these circumstances, a modified model is proposed which can give a better picture of the consumer's journey of building brand equity. The same is depicted in Fig. 5

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below. Here, it is seen that the impact of digital media is all pervasive and should be seen as a backdrop against which all the mentioned steps get carried out. It is important to understand that this backdrop/context can alter the flow (accelerate/decelerate) or change the effect of each stage on the consumer and therefore a brand manager needs to be alert to this new paradigm of consumer based brand equity formation and continuously monitor its effect on the brands she manages. Therefore, the digital media takes a center stage and actively impacts every step of brand equity formation. This would mean that a brand manager need not look at a funnel model with a larger time span between stages but be prepared for a new world where stages could happen simultaneously. This is also an opportunity for brands to look at their own digital ecosystems and bolster their presence actively to manage every stage simultaneously rather than thinking of them as sequential stages.

Fig. 5



Source: Author's proposal depicting the new model

Conclusion

In the current environment, where the impact of digital media is felt in every sphere of a consumer's journey, brands need to be managed in a way different from how it has always been handled in the traditional times. Brand equity, when seen from the point of a consumer's perception, is built up in sequential stages and takes a linear unidirectional flow. The CBBE framework was taken as an example of this view. However, when viewed from a modern digital context, the framework seems to be lacking in explaining the journey a customer undertakes when building relationships with the brand and thereby creating an equity. It was found that a customer need not necessarily follow the sequential steps mentioned in every consumption scenario in a digital world and could also skip or leapfrog steps due to the impact of the digital media. It is also seen that it has become easier for a new brand to evolve in this digital world, considering this new form of brand equity creation, while keeping in mind the contrasting reality of the risks in terms of getting wiped out also in no time if the digital footprints of a brand are not coherently and carefully managed.

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