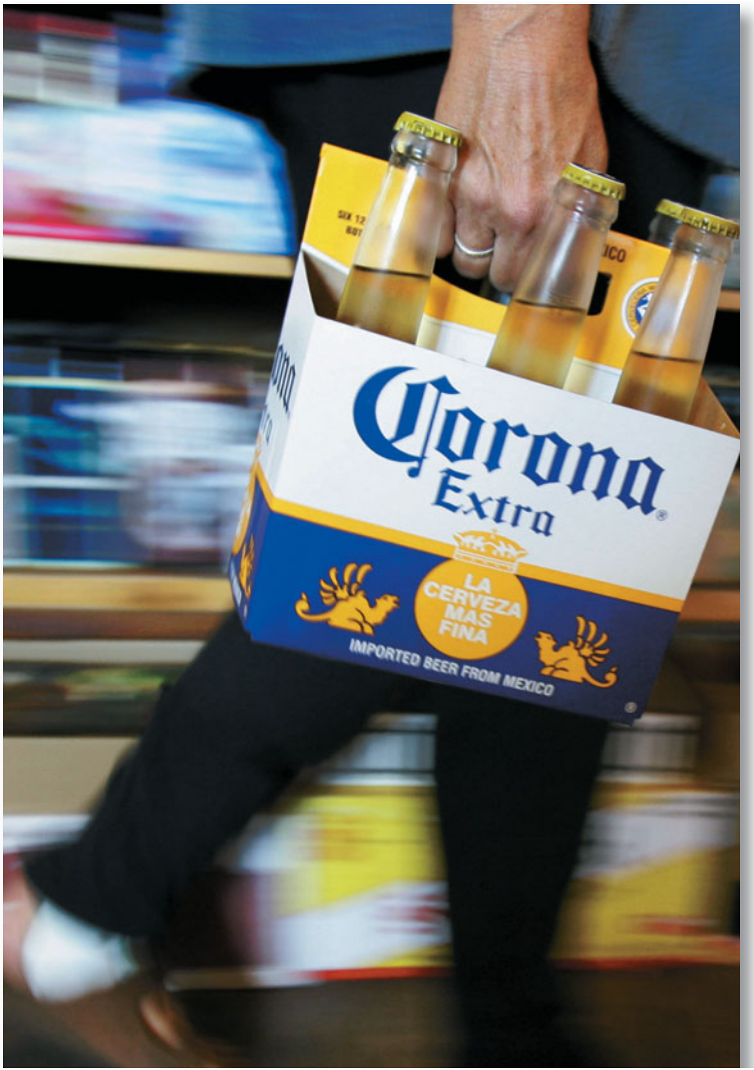
3 Brand Resonance and the Brand Value Chain

Learning Objectives

After reading this chapter, you should be able to

1. Define brand resonance.
2. Describe the steps in building brand resonance.
3. Define the brand value chain.
4. Identify the stages in the brand value chain.
5. Contrast brand equity and customer equity.



Corona used its strong brand imagery of "beach in a bottle" to become the leading U.S. import beer.
Source: AP Photo/Amy Sancetta

Preview

Chapter 2 outlined in detail the concept of customer-based brand equity and introduced a brand positioning model based on the concepts of points-of-parity and points-of-difference. We next broaden our discussion to consider the two other interlinking models, which all together make up the brand planning system.

We first present the ***brand resonance model***, which describes how to create intense, active loyalty relationships with customers. The model considers how brand positioning affects what consumers think, feel, and do and the degree to which they resonate or connect with a brand. After discussing some of the main implications of that model, we consider how brand resonance and these loyalty relationships, in turn, create brand equity or value.

The ***brand value chain model*** is a means by which marketers can trace the value creation process for their brands to better understand the financial impact of their marketing expenditures and investments. Based in part on the customer-based brand equity (CBBE) concept developed in Chapter 2, it offers a holistic, integrated approach to understanding how brands create value.

Brand Focus 3.0 at the end of the chapter provides a detailed overview of the topic of customer equity.

BUILDING A STRONG BRAND: THE FOUR STEPS OF BRAND BUILDING

The brand resonance model looks at building a brand as a sequence of steps, each of which is contingent on successfully achieving the objectives of the previous one. The steps are as follows:

1. Ensure identification of the brand with customers and an association of the brand in customers' minds with a specific product class, product benefit, or customer need.
2. Firmly establish the totality of brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations.
3. Elicit the proper customer responses to the brand.
4. Convert brand responses to create brand resonance and an intense, active loyalty relationship between customers and the brand.

These four steps represent a set of fundamental questions that customers invariably ask about brands—at least implicitly. The four questions (with corresponding brand steps in parentheses) are:

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)

Notice the ordering of the steps in this ***branding ladder***, from identity to meaning to responses to relationships. That is, we cannot establish meaning unless we have created identity; responses cannot occur unless we have developed the right meaning; and we cannot forge a relationship unless we have elicited the proper responses.

To provide some structure, let us think of establishing six ***brand building blocks*** with customers that we can assemble in a pyramid, with significant brand equity only resulting if brands reach the top of the pyramid. This brand-building process is illustrated in Figures 3-1 and 3-2. We'll look at each of these steps and corresponding brand building blocks and their subdimensions in the following sections. As will become apparent, building blocks up the left side of the pyramid represent a more "rational route" to brand building, whereas building blocks up the right side of the pyramid represent a more "emotional route." Most strong brands are built by going up both sides of the pyramid.

Brand Salience

Achieving the right brand identity means creating brand salience with customers. ***Brand salience*** measures various aspects of the awareness of the brand and how easily and often the brand is evoked under various situations or circumstances. To what extent is the brand top-of-mind and easily

FIGURE 3-1
Brand Resonance Pyramid

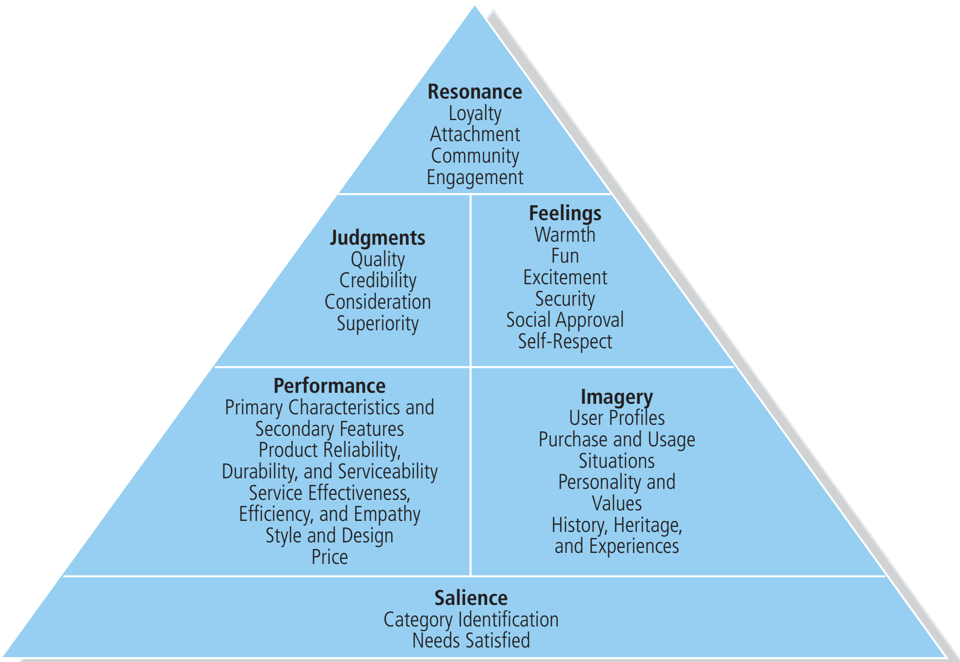


FIGURE 3-2
Subdimensions of Brand Building Blocks

recalled or recognized? What types of cues or reminders are necessary? How pervasive is this brand awareness?

We've said that brand awareness refers to customers' ability to recall and recognize the brand under different conditions and to link the brand name, logo, symbol, and so forth to certain associations in memory. In particular, building brand awareness helps customers understand the product or service category in which the brand competes and what products or services are sold under the brand name. It also ensures that customers know which of their "needs" the brand—through these products—is designed to satisfy. In other words, what basic functions does the brand provide to customers?

Breadth and Depth of Awareness. Brand awareness thus gives the product an identity by linking brand elements to a product category and associated purchase and consumption or usage situations. The *depth* of brand awareness measures how likely it is for a brand element to come to mind, and the ease with which it does so. A brand we easily recall has a deeper level of brand awareness than one that we recognize only when we see it. The *breadth* of brand awareness measures the range of purchase and usage situations in which the brand element comes to mind and depends to a large extent on the organization of brand and product knowledge in memory.[1] To see how this works, consider the breadth and depth of brand awareness for Tropicana orange juice.

TROPICANA

Consumers should at least recognize the Tropicana brand when it is presented to them. Beyond that, consumers should think of Tropicana whenever they think of orange juice, particularly when they are considering buying orange juice. Ideally, consumers would think of Tropicana whenever they were deciding which type of beverage to drink, especially when seeking a "tasty but healthy" beverage. Thus, consumers must think of Tropicana as satisfying a certain set of needs whenever those needs arise. One of the challenges for any provider of orange juice is to link the product to usage situations beyond the traditional one of breakfast—hence the industry campaign to boost consumption of Florida orange juice that used the slogan "It's Not Just for Breakfast Anymore."

For Tropicana, it's important that consumers think of the brand in other consumption situations beyond breakfast.

Source: Keri Miksza

Product Category Structure. As the Tropicana example suggests, to fully understand brand recall, we need 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.[2] 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 3-3 illustrates one hierarchy that might exist in consumers' minds. According to this representation, consumers first distinguish between flavored and nonflavored beverages (water). Next, they distinguish between nonalcoholic and alcoholic flavored beverages. They further distinguish nonalcoholic beverages into hot drinks like coffee or tea, and cold drinks like milk, juices, and soft drinks. Alcoholic beverages are distinguished by whether they are wine, beer, or distilled spirits. We can make even further distinctions. For example, we can divide the beer category into no-alcohol, low-alcohol (or "light"), and full-strength beers, and divide full-strength beers by variety (ale or lager), by brewing method (draft, ice, or dry), by price and quality (discount, premium, or super-premium), and so on.

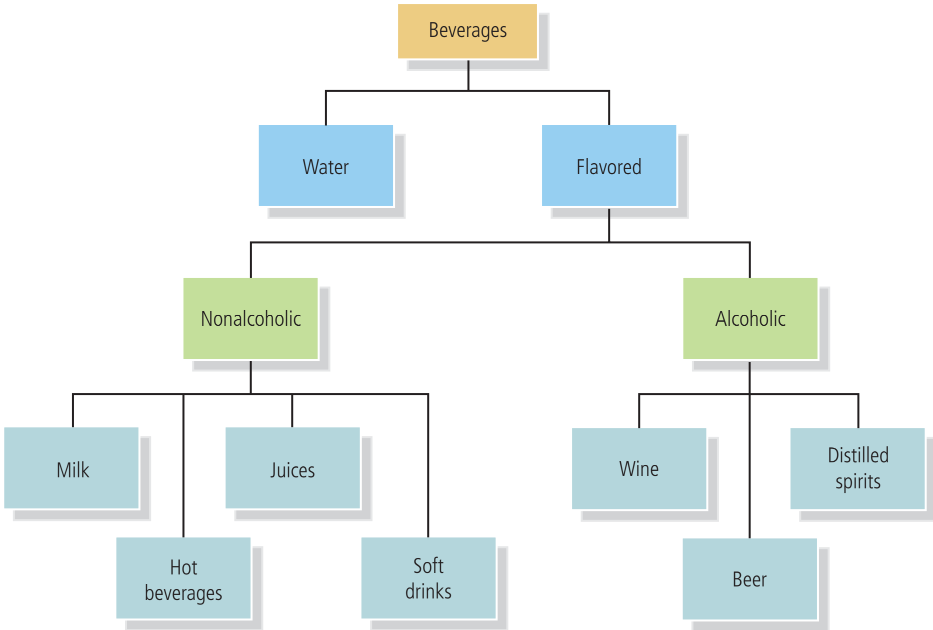


FIGURE 3-3
Beverage Category Hierarchy

The organization of the product category hierarchy that generally prevails in memory will play an important role in brand awareness, brand consideration, and consumer decision making. For example, consumers often make decisions in a top-down fashion, first deciding whether to have water or some type of flavored beverage. If the consumer chooses a flavored drink, the next decision would be whether to have an alcoholic or a nonalcoholic drink, and so on. Finally, consumers might then choose a particular brand within the product category in which they are interested.

The depth of brand awareness will influence the likelihood that the brand comes to mind, whereas the breadth of brand awareness describes the different types of 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 a variety of different consumption situations. A consumer may consider drinking one of the different varieties of Coke virtually any time, anywhere. Other beverages, such as alcoholic beverages, milk, and juices, have much more limited perceived consumption situations.

Strategic Implications. The product hierarchy shows us that not only the depth of awareness matters but also the breadth. In other words, the brand must not only be top-of-mind and have sufficient "mind share," but it must also do so at the right times and places.

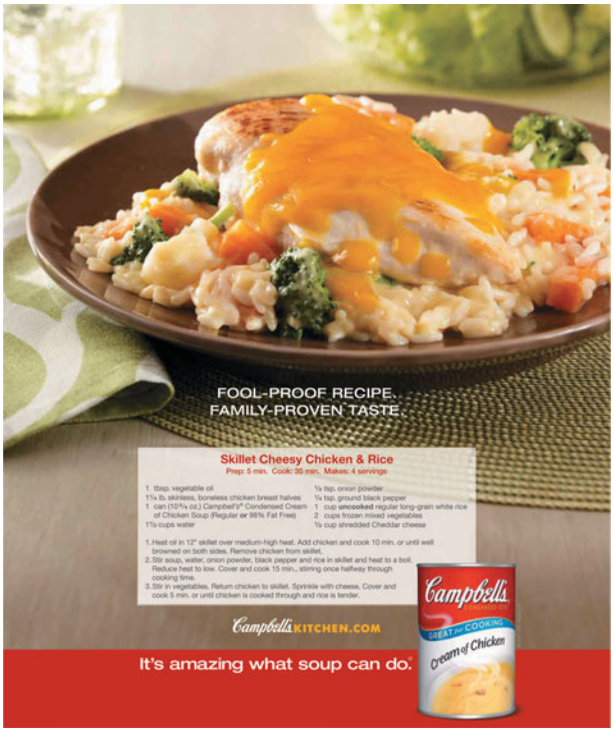
Breadth is an oft-neglected consideration, even for brands that are category leaders. For many brands, the key question is not *whether* consumers can recall the brand but *where* they think of it, *when* they think of it, and how *easily* and how *often* they think of it. Many brands and products are ignored or forgotten during possible usage situations. For those brands, the best route for improving sales may be not to try to improve consumer attitudes but, instead, increasing brand salience and the breadth of brand awareness and situations in which consumers would consider using the brand to drive consumption and increase sales volume.

Tax preparer H&R Block makes a concerted effort to make sure its brand is top-of-mind at all times, reminding consumers that tax-pertinent events happen all year round, such as when taking clients out to dinner, buying a new laptop computer, or looking for a new job.[3] Consider the brand salience challenges for Campbell's soup.

CAMPBELL'S SOUP

Ads for Campbell's soup through the years have sometimes emphasized taste, with its long-time advertising slogan "Mmm, Mmm, Good," or nutrition, with "Never Underestimate the Power of Soup." Part of Campbell's challenge in increasing sales may lie not so much in the consumer attitudes these slogans address as with memory considerations and the fact that people do not think of using or eating soup as often as they should for certain meal occasions. In 2010, Campbell launched a new ad campaign, "It's

Amazing What Soup Can Do," showcasing the soup as an indispensible food for any occasion—paired with a variety of foods; poured over meat, pasta, or rice as a sauce; or used as an ingredient in a recipe. Creating a communication program for those consumers who already have a favorable attitude toward the brand that will help them remember it in more varied consumption settings may be the most profitable way to grow the Campbell's soup franchise.[4]



Campbell Soup's best growth prospect might be just to remind consumers of more situations in which they could eat the soup.

Source: Campbell Soup Company

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

Summary. A highly salient brand is one that has both depth and breadth of brand awareness, such 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. Brand 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, also come into play.

Creating brand meaning includes establishing a brand image—what the brand is characterized by and should stand for in the minds of customers. Brand meaning is made up of two major categories of brand associations related to performance and imagery. These associations can be formed directly, from a customer's own experiences and contact with the brand, or indirectly, through 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 of those two building blocks.

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 firm can tell customers about the brand in their communications. Designing and delivering a product that fully 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, marketers must ensure that consumers' experiences with the product at least meet, if not actually surpass, their expectations. As Chapter 1 noted, numerous studies have shown that high-quality brands tend to perform better financially and yield higher returns on investment.

Brand performance describes how well the product or service meets customers' more functional needs. How well does the brand rate on objective assessments of quality? To what extent does the brand satisfy utilitarian, aesthetic, and economic customer needs and wants in the product or service category?

SUBWAY

Subway has zoomed to the top as the biggest-selling quick-serve restaurant through a clever positioning of offering healthy, good-tasting sandwiches. This straddle positioning allows the brand to create a POP on taste and a POD on health with respect to quick-serve restaurants such as McDonald's and Burger King but, at the same time, a POP on health and a POD on taste with respect to health food restaurants and cafés. One of Subway's highly successful product launches was the $5 footlong sandwich. Dreamed up by a franchise operator in Miami, the idea quickly took hold and was the perfect solution for hungry, cash-starved consumers during the recession. This strong performance and value message has allowed Subway to significantly expand its market coverage and potential customer base.[5]

By combining taste, health, and convenience, Subway has become a leader in the quick-serve restaurant business.

Source: TRIPPLAAR KRISTOFFER/SIPA/Newscom

Brand performance transcends the product's ingredients and features to include dimensions that differentiate the brand. Often, the strongest brand positioning relies on performance advantages of some kind, and it is rare that a brand can overcome severe performance deficiencies. Five important types of attributes and benefits often underlie brand performance, as follows:[6]

1. ***Primary ingredients and supplementary features.*** Customers often have beliefs about the levels at which the primary ingredients of the product operate (low, medium, high, or very high), and about special, perhaps even patented, features or secondary elements that complement these primary ingredients. Some attributes are essential ingredients necessary for a product to work, whereas others are supplementary features that allow for customization and more versatile, personalized usage. Of course these vary by product or service category.
2. ***Product reliability, durability, and serviceability. Reliability*** measures the consistency of performance over time and from purchase to purchase. ***Durability*** is the expected economic life of the product, and ***serviceability,*** the ease of repairing the product if needed. Thus, perceptions of product performance are affected by factors such as the speed, accuracy, and care of product delivery and installation; the promptness, courtesy, and helpfulness of customer service and training; and the quality of repair service and the time involved.
3. ***Service effectiveness, efficiency, and empathy.*** Customers often have performance-related associations with service. ***Service effectiveness*** measures how well the brand satisfies customers' service requirements. ***Service efficiency*** describes the speed and responsiveness of service. Finally, ***service empathy*** is the extent to which service providers are seen as trusting, caring, and having the customer's interests in mind.
4. ***Style and design.*** Design has a functional aspect in terms of how a product works that affects performance associations. Consumers also may have associations with the product that go beyond its functional aspects to more aesthetic considerations such as its size, shape, materials, and color involved. 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.
5. ***Price.*** The pricing policy for the brand can create associations in consumers' minds about how relatively expensive (or inexpensive) the brand is, and whether it is frequently or substantially discounted. Price is a particularly important performance association because consumers may organize their product category knowledge in terms of the price tiers of different brands.[7]

Brand Imagery

The other main type of brand meaning is brand imagery. Brand imagery depends on the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' psychological or social needs. It is the way 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, and consumers can form imagery associations directly from their own experience or indirectly through 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 main ones are:

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

For example, take a brand with rich brand imagery such as Nivea in Europe, makers of many different skin care and personal care products. Some of its more notable intangible associations include: (1) family/shared experiences/maternal, (2) multipurpose, (3) classic/timeless, and (4) childhood memories. Luxury brands often rely a great deal on brand intangibles, as described in The Science of Branding 3-1.

User Imagery. One set of brand imagery associations is about the type of person or organization who uses the brand. This imagery may result in customers' mental image of actual users or more aspirational, idealized users. Consumers may base associations of a typical or idealized

THE SCIENCE OF BRANDING 3-1

Luxury Branding

Luxury brands are perhaps one of the purest examples of branding, because the brand and its image are often key competitive advantages. A number of characteristics define luxury branding and suggest strategic and tactical guidelines. Here are some of those guidelines, each of which merits further thought and discussion.

- Maintaining a premium, prestige image with luxury branding is crucial; controlling that image is thus a priority. Ideally the image will be designed to be globally relevant.
- Luxury branding often relies on an aspirational image that benefits from a "trickle-down" effect to a broader audience via PR and word-of-mouth, but there must be a good balance between accessibility and exclusivity.
- Marketers of luxury brands must control all aspects of the marketing program to ensure quality products and services and pleasurable purchase and consumption experiences.
- Distribution for luxury brands should be carefully controlled via a selective distribution strategy that may include company stores.
- Luxury brands are enhanced by a premium pricing strategy with strong quality cues and few discounts or markdowns.
- Brand architecture for luxury brands must be managed very carefully with only selective, strategic licensing and extensions (especially vertically). Brand hierarchies and portfolios must be employed, with appropriate sub-brands to minimize cannibalization and optimize equity flows.
- Luxury brands can sometimes benefit from secondary associations with linked personalities, events, countries, and so on.
- Brand elements besides brand names—such as logos and packaging—can be important drivers of brand equity for luxury brands.
- Competition may need to be defined broadly, because luxury brands can compete with luxury brands from other categories for discretionary consumer dollars.
- Luxury brands must legally protect all trademarks and aggressively combat counterfeits.

Sources: Kevin Lane Keller, "Managing the Growth Tradeoff: Challenges and Opportunities in Luxury Branding" in special issue, "Luxury Branding," of *Journal of Brand Management* 16 (March–May 2009): 290–301; Uche Okonkwo, *Luxury Fashion Branding: Trends, Tactics, and Techniques* (New York, NY: Palgrave MacMillan, 2007); Michael J. Silverstein and Neil Fiske, *Trading Up: The New American Luxury* (New York, NY: Penguin Group, 2003); Jean-Noël Kapferer and Vincent Basten, "The Specificity of Luxury Management: Turning Marketing Upside Down," *Journal of Brand Management* 16, nos. 5/6 (2009): 311–322.

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

- *Gender.* Venus razors and Secret deodorant have "feminine" associations, whereas Gillette razors and Axe deodorant have more "masculine" associations.[8]
- *Age.* Pepsi Cola, Powerade energy sports drink, and Under Armour performance clothing, shoes and accessories have positioned themselves as fresher and younger in spirit than Coke, Gatorade, and Nike, respectively.
- *Race.* Goya foods and the Univision television network have a strong identification with the Hispanic market.
- *Income.* Sperry Topsider shoes, Polo shirts, and BMW automobiles became associated with "yuppies"—young, affluent, urban professionals.

Psychographic factors might include attitudes toward 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, buyers might see Microsoft as an "aggressive" company and L. L. Bean as a "caring" company. User imagery may focus on more than characteristics of just one type of individual and center on broader issues in terms of perceptions of a group as a whole. For example, customers may believe that a brand is used by many people and therefore view the brand as "popular" or a "market leader."

Purchase and Usage Imagery. A second set of associations tells consumers under what conditions or situations they can or should buy and use the brand. Associations can relate to type of channel, such as department stores, specialty stores, or the Internet; to specific stores such as Macy's, Foot Locker, or Bluefly; and to ease of purchase and associated rewards (if any).

Associations to a typical usage situation can relate to the time of day, week, month, or year to use the brand; location—for instance, inside or outside the home; and type of activity during which to use the brand—formal or informal. For a long time, pizza chain restaurants had strong associations to their channels of distribution and the manner by which customers would purchase and eat the pizza—Domino's was known for delivery, Little Caesar for takeout, and Pizza Hut for dine-in service—although in recent years each of these major competitors has made inroads in the traditional markets of the others.

Brand Personality and Values. Through consumer experience or marketing activities, brands may take on personality traits or human values and, like a person, appear to be "modern," "old-fashioned," "lively," or "exotic."[9] Five dimensions of brand personality (with corresponding subdimensions) are sincerity (down-to-earth, honest, wholesome, and cheerful), excitement (daring, spirited, imaginative, and up-to-date), competence (reliable, intelligent, successful), sophistication (upper class and charming), and ruggedness (outdoorsy and tough).[10]

How does brand personality get formed? Any aspect of a brand may be used by consumers to infer brand personality. One research study found that consumers perceived nonprofit companies as being "warmer" than for-profit companies but as less competent. Further, consumers were less willing to buy a product made by a nonprofit than a for-profit company because of their perception that the firm lacked competence, but those purchasing misgivings disappeared when perceptions of the competency of the nonprofit were improved, for example, by a credible endorsement such as from the *Wall Street Journal*.[11]

Although any aspect of the marketing program may affect brand personality, marketing communications and advertising may be especially influential because of the inferences consumers make about the underlying user or usage situation depicted or reflected in an ad. For example, advertisers may imbue a brand with personality traits through anthropomorphization and product animation techniques; through personification and the use of brand characters; and through user imagery, such as the preppy look of Abercrombie & Fitch models.[12] More generally, the actors in an ad, the tone or style of the creative strategy, and the emotions or feelings evoked by the ad can affect brand personality. Once brands develop a personality, it can be difficult for consumers to accept information they see as inconsistent with that personality.[13]

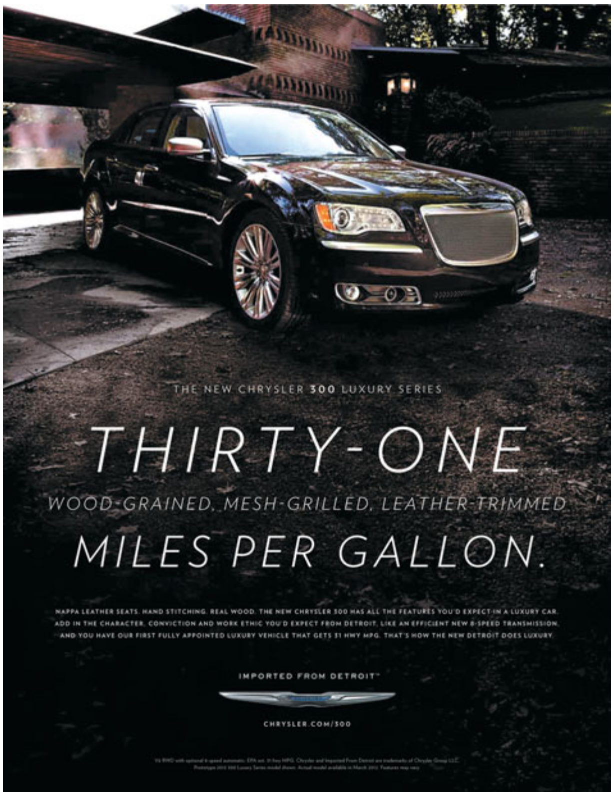
Still, user imagery and brand personality may not always be in agreement. When performance-related attributes are central to consumer decisions, as they are for food products, for example, brand personality and user imagery may be less closely related. Differences between personality and imagery may arise for other reasons too. For example, early in its U.S. brand development, Perrier's brand personality was "sophisticated" and "stylish," whereas its actual user imagery was not as flattering or subdued but "flashy" and "trendy."

When user and usage imagery are important to consumer decisions, however, brand personality and imagery are more likely to be related, as they are for cars, beer, liquor, cigarettes, and cosmetics. Thus, consumers often choose and use brands that have a brand personality consistent with their own self-concept, although in some cases the match may be based on consumers' desired rather than their actual image.[14] These effects may also be more pronounced for publicly consumed products than for privately consumed goods because the signaling aspect of a brand may be more important under those conditions.[15] Consumers who are high "self-monitors" and sensitive to how others see them are more likely to choose brands whose personalities fit the consumption situation.[16]

User and usage imagery is often an issue in the highly competitive automotive category. One company looking to sharpen its brand personality and imagery is Chrysler.

CHRYSLER

After a disastrous corporate marriage to Germany's Daimler had been dissolved, Chrysler's new partner Fiat set out to revitalize the brand, in part by injecting some Italian style and sex appeal. Determined to attract younger, hipper, and wealthier customers, Fiat developed new car designs similar to the quirky little cars most likely found in Rome. Fiat is not planning to walk away, however, from some of the equity in its existing brands such as the Dodge Ram pickup truck and Town & Country minivan. For the relatively new Chrysler 300, a $1 billion model makeover retained the powerful German-engineered transmission but added an elegant look and attitude. A two-minute, $9 million TV ad run during the Super Bowl used controversial rapper Eminem to boldly proclaim that the car was "Imported from Detroit."[17]



To create more brand imagery, Chrysler 300 is boldly marketed as "Imported from Detroit."

Source: Courtesy of Chrysler Group LLC

Brand History, Heritage, and Experiences. Finally, brands may take on associations to their past and certain noteworthy events in the brand's history. These types of associations may recall distinctly personal experiences and episodes or past behaviors and experiences of friends, family, or others. They can be highly personal and individual, or more well-known and shared by many people. For example, there may be associations to aspects of the brand's marketing program, the color 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 store in which it is sold, the events for which the brand is a sponsor, and the people who endorse the brand.

These types of associations can help create strong points-of-difference. In the midst of the recent major recession, Northern Trust used the fact that it was over 120 years old and had weathered many financial downturns through the years to reinforce trust and stability to its wealthy clientele.[18] In any case, associations to history, heritage, and experiences draw upon 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.[19]

Summary. A number of different types of associations related to either performance or imagery may become linked to the brand. We can characterize the brand associations making up the brand image and meaning according to three important dimensions—strength, favorability, and uniqueness—that provide the key to building brand equity. Successful results on these three dimensions produce the most positive brand responses, the underpinning of intense and active brand loyalty.

Creating strong, favorable, and unique associations is a real challenge to marketers, but essential to building customer-based brand equity. Strong brands typically have firmly established favorable and unique brand associations with consumers. Brand meaning is what helps produce ***brand responses***, or what customers think or feel about the brand. We can distinguish brand responses as either brand judgments or brand feelings, that is, in terms of whether they arise from the "head" or from the "heart," as the following sections describe.

Brand Judgments

Brand judgments are customers' personal opinions about and evaluations of the brand, which consumers form by putting together all the different brand performance and imagery associations. Customers may make all types of judgments with respect to a brand, but four types are particularly important: judgments about quality, credibility, consideration, and superiority.

Brand Quality. Brand attitudes are consumers' overall evaluations of a brand and often form the basis for brand choice.[20] Brand attitudes generally depend on specific attributes and benefits of the brand. For example, consider Hilton hotels. A consumer's attitude toward Hilton depends on how much he or she believes the brand is characterized by certain associations that matter to the consumer for a hotel chain, like location; room comfort, design, and appearance; service quality of staff; recreational facilities; food service; security; prices; and so on.

Consumers can hold a host of attitudes toward a brand, but the most important relate to its perceived quality and to customer value and satisfaction. Perceived quality measures are inherent in many approaches to brand equity. In the annual EquiTrend study by Harris Interactive, 20,000 consumers aged 15 or older rate a random selection of 60 brands from a total of 1,200 brands across 46 categories on several dimensions: Equity, Consumer Connection, Commitment, Brand Behavior, Brand Advocacy, and Trust. An Equity score is determined by a calculation of measures of Familiarity, Quality, and Purchase Consideration.[21]

Brand Credibility. Customers may also form judgments about the company or organization behind the brand. ***Brand credibility*** describes the extent to which customers see the brand as credible in terms of three dimensions: perceived expertise, trustworthiness, and likability. Is the brand seen as (1) competent, innovative, and a market leader (*brand expertise*); (2) dependable and keeping customer interests in mind (*brand trustworthiness*); and (3) fun, interesting, and worth spending time with (*brand likability*)? In other words, credibility measures whether consumers see the company or organization behind the brand as good at what it does, concerned about its customers, and just plain likable.[22]

FEDEX

From its earliest advertising, "When It Absolutely, Positively Has to Be There Overnight," FedEx has stressed its speed, skill, and dependability in shipping and delivery. Its most recent brand campaign, "We Understand," reinforces that FedEx is "the perfect enabler and facilitator of great service and partnership." Internationally, its "FedEx Delivers to a Changing World" ad campaign reinforces that "one of the constants in the world is FedEx." The company wants customers to think of it as a trusted partner, with a commitment to reliable but cost-effective shipping all over the world. Its advertising, however, often uses humor and high production values. FedEx ads that run during the Super Bowl are often rated among the most enjoyable by consumers. Through its flawless service delivery and creative marketing communications, FedEx is able to establish all three dimensions of credibility: expertise, trustworthiness, and likability.[23]

A brand like Fedex is seen as highly credible due to its expertise, trustworthiness, and likability.
Source: Adam Slinger/Alamy

Brand Consideration. Favorable brand attitudes and perceptions of credibility are important, but not important enough if customers don't actually *consider* the brand for possible purchase or use. As Chapter 2 introduced, consideration depends in part on how personally relevant customers find the brand and is a crucial filter in terms of building brand equity. No matter how highly they regard the brand or how credible they find it, unless they also give it serious consideration and deem it relevant, customers will keep a brand at a distance and never closely embrace it. Brand consideration depends in large part on the extent to which strong and favorable brand associations can be created as part of the brand image.

Brand Superiority. Superiority measures the extent to which customers view the brand as unique and better than other brands. Do customers believe it offers advantages that other brands cannot? Superiority is absolutely critical to building intense and active relationships with customers and depends to a great degree 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 to the brand. Brand feelings also relate to the social currency evoked by the brand. What feelings are evoked by the marketing program for the brand or by other means? How does the brand affect customers' feelings about themselves and their relationship with others? These feelings can be mild or intense and can be positive or negative.

For example, Kevin Roberts of Saatchi & Saatchi argues that companies must transcend brands to create "trustmarks"—a name or symbol that emotionally binds a company with the desires and aspirations of its customers—and ultimately "lovemarks." He argues that it is not enough for a brand to be just respected.

> Pretty much everything today can be seen in relation to a love-respect axis. You can plot any relationship—with a person, with a brand—by whether it's based on love or based on respect. It used to be that a high respect rating would win. But these days, a high love rating wins. If I don't love what you're offering me, I'm not even interested.[24]

A passionate believer in the concept, Roberts reinforces the point that trustmarks truly belong to the people who offer the love to the brand, and that an emotional connection is critical.[25]

The emotions evoked by a brand can become so strongly associated that they are accessible during product consumption or use. Researchers have defined ***transformational advertising*** as advertising designed to change consumers' perceptions of the actual usage experience with the product.[26] Corona Extra overtook Heineken as the leading imported beer in the United States via its "beach in a bottle" advertising. With a tagline "Miles Away from Ordinary," the campaign was designed to transform drinkers—at least mentally—to sunny, tranquil beaches.[27]

A brand that successfully injected some emotion into an industry is W hotels.

W HOTELS

Launched in the early era of boutique hotels, the Starwood-owned W hotel chain quickly gained a reputation as being the cool place for hipsters to visit, either as hotel guests or just as local residents looking for a fun night out. In a 2009 press release, Starwood described W Hotels as:

> "An innovative luxury lifestyle brand and the hotel category buster with 26 properties in the most vibrant destinations around the world. Inspiring, iconic, innovative and influential, W Hotels provides the ultimate in insider access to a world of 'Wow.' Each hotel offers a unique mix of innovative design and passions around design, architecture, fashion, music, entertainment, pop culture, and everything in between. W Hotels are unique and individual expressions of modern living, reflected in the brand's sensibility to a holistic lifestyle experience with cutting-edge design, contemporary restaurant concepts, glamorous nightlife experiences, and signature spas."

During Media Summit and Investor Day events held in 2006, Starwood management revealed that they positioned W as follows: "From San Diego to Seoul . . . and soon Hoboken to Hong Kong, W's flirty, insider, escape offers guests unique experiences around the warmth of cool." Clearly W Hotels are every bit as much about the emotions and experiences they create as they are about getting a comfortable night's rest.[28]

W Hotels pioneered the "lifestyle luxury hotel" category through its unique design elements and guest experiences.

Source: Starwood Hotels & Resorts Worldwide, Inc.

More and more firms are attempting to tap into more consumer emotions with their brands. The following are six important types of brand-building feelings:[29]

1. *Warmth:* The brand evokes soothing types of feelings and makes consumers feel a sense of calm or peacefulness. Consumers may feel sentimental, warmhearted, or affectionate about the brand. Many heritage brands such as Welch's jelly, Quaker oatmeal, and Aunt Jemima pancake mix and syrup tap into feelings of warmth.
2. *Fun:* Upbeat types of feelings make consumers feel amused, lighthearted, joyous, playful, cheerful, and so on. With its iconic characters and theme park rides, Disney is a brand often associated with fun.

3. *Excitement:* The brand makes consumers feel energized and that they are experiencing something special. Brands that evoke excitement may generate a sense of elation, of "being alive," or being cool, sexy, etc. MTV is a brand seen by many teens and young adults as exciting.
4. *Security:* The brand produces a feeling of safety, comfort, and self-assurance. As a result of the brand, consumers do not experience worry or concerns that they might have otherwise felt. Allstate Insurance and its "Good Hands" symbol and State Farm and its "Like a Good Neighbor" slogan are brands that communicate security to many.
5. *Social approval:* The brand gives consumers a belief that others look favorably on their appearance, behavior, and so on. 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. To an older generation of consumers, Cadillac is a brand that historically has been a signal of social approval.
6. *Self-respect:* The brand makes consumers feel better about themselves; consumers feel a sense of pride, accomplishment, or fulfillment. A brand like Tide laundry detergent is able to link its brand to "doing the best things for the family" to many homemakers.

These six feelings can be divided into two broad categories: The first three types of feelings are experiential and immediate, increasing in level of intensity; the latter three types of feelings are private and enduring, increasing in level of gravity.

Summary. Although all types of customer responses are possible—driven from both the head and heart—ultimately what matters is how positive they are. Responses must also be accessible and come to mind when consumers think of the brand. Brand judgments and feelings can favorably affect consumer behavior only if consumers internalize or think of positive responses in their various encounters with the brand.

Brand Resonance

The final step of the model focuses on the ultimate relationship and level of identification that the customer has with the brand.[30] ***Brand resonance*** describes the nature of this relationship and the extent to which customers feel that they are "in sync" with the brand. Examples of brands with historically high resonance include Harley-Davidson, Apple, and eBay.

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 (repeat purchase rates and the extent to which customers seek out brand information, events, and other loyal customers). We can break down these two dimensions of brand resonance into four categories:

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

Behavioral Loyalty. We can gauge ***behavioral loyalty*** in terms of 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? For bottom-line profit results, the brand must generate sufficient purchase frequencies and volumes.

The lifetime value of behaviorally loyal consumers can be enormous.[31] For example, a loyal General Motors customer could be worth $276,000 over his or her lifetime (assuming 11 or more vehicles bought and word-of-mouth endorsement that makes friends and relatives more likely to consider GM products). Or consider new parents. By spending $100 a month on diapers and wipes for 24–30 months, they can create lifetime value of as much as $3,000 for just one baby.

Attitudinal Attachment. Behavioral loyalty is necessary but not sufficient for resonance to occur.[32] Some customers may buy out of necessity—because the brand is the only product stocked or readily accessible, the only one they can afford, or other reasons. Resonance, however, requires a strong personal ***attachment***. Customers should go beyond having a positive attitude to viewing the brand as something special in a broader context. 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 favorite possessions, or view it as a "little pleasure" that they look forward to.

Prior research has shown that mere satisfaction may not be enough.[33] Xerox found that when customer satisfaction was ranked on a scale of 1 (completely dissatisfied) to 5 (completely satisfied), customers who rated Xerox 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."[34]

Similarly, loyalty guru 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 automobile the next time.[35] Creating greater loyalty requires creating deeper attitudinal attachment, through marketing programs and products and services that fully satisfy consumer needs.

Sense of Community. The brand may also take on broader meaning to the customer by conveying a sense of ***community***.[36] Identification with a brand community may reflect an important social phenomenon in which customers feel a kinship or affiliation with other people associated with the brand, whether fellow brand users or customers, or employees or representatives of the company. A brand community can exist online or off-line.[37] Branding Brief 3-1 profiles three company-initiated programs to help build brand communities. A stronger sense of community among loyal users can engender favorable brand attitudes and intentions.[38]

Active Engagement. Finally, perhaps the strongest affirmation of brand loyalty occurs when customers are ***engaged***, or willing to invest time, energy, money, or other resources in the brand beyond those expended during purchase or consumption of the brand.[39] For example, customers may choose to join a club centered on a brand, receive updates, and exchange correspondence with other brand users or formal or informal representatives of the brand itself. Companies are making it increasingly easy for customers to buy a range of branded merchandise so they can literally express their loyalty.

BMW

BMW's lifestyle business was started 15 years ago as a marketing initiative whose objectives were to broaden the brand's presence and strengthen loyalty. The lifestyle division focuses primarily on selling mobility products, including bicycles and skateboards for kids, and aims for a profit margin (7%) similar to what BMW generates from sales of its cars. More than 2,000 products are sold, from €39 ($52) Mini rain boots to the highly regarded €2750 ($3,620) lightweight M Carbon Racer bike from BMW's M performance unit. These are not your run-of-the-mill products, though. BMW's €79 ($105) Snow Racer sled has replaceable metal runners, a suspension-system in the red steering ski, and a horn to warn inattentive passersby. The battery-powered Baby Racer, designed internally by BMW Designworks, comes in three different models and costs €79 ($106). Winner of several design prizes and featured in the MOMA in New York, it sells 60,000 units a year. In China, which is now its third-largest market for car sales, BMW opened a store selling merchandise a year before it began assembling cars in the country and had more than 50 BMW stores there by the end of 2012.[40]

BMW has a highly successful licensing business—exemplified by this popular Baby Racer for kids—to help customers find more ways to experience the brand.
Source: BMW AG

Customers may choose to visit brand-related Web sites, participate in chat rooms, or post to discussions. In this case, customers themselves became brand evangelists and ambassadors and help 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 the brand to occur.

BRANDING BRIEF 3-1

Building Brand Communities

Apple

Apple encourages owners of its computers to form local Apple user groups. Over 800 groups exist worldwide, ranging in size from fewer than 25 members to over 1,000 members. Many groups offer monthly meetings, an informative newsletter, member discounts, special interest groups, classes, and one-on-one support. Larger groups offer extensive training programs, computer labs, and resource libraries. The user groups provide Apple owners with opportunities to learn more about their computers, share ideas, friendships with fellow Apple users, as well as sponsor special activities and events and perform community service. A visit to Apple's Web site helps customers find nearby user groups.

With 1.2 million members, Harley Owners Group is the quintessential example of a brand community.

Source: culture-images GmbH/Alamy

Harley-Davidson

The world-famous motorcycle company sponsors the Harley Owners Group (HOG), which by 2011 had 1,200,000 members in chapter groups all over the world sharing a very 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 called *Hog Tales,* a touring handbook, emergency road service, a specially designed insurance program, theft reward service, discount hotel rates, and a Fly & Ride program enabling members to rent Harleys while on vacation. The company also maintains an extensive Web site devoted to HOG, which includes information about club chapters and events and features a special members-only section.

Jeep

In addition to joining the hundreds of local Jeep enthusiast clubs throughout the world, Jeep owners can convene with their vehicles in wilderness areas across the United States as part of the company's official Jeep Jamborees and Jeep Rocks and Road. A tradition since 1953, Jeep Jamborees bring Jeep owners and their families together for two-day off-road adventures in 30 different locations throughout the United States from spring through autumn each year. Trails and obstacles are rated on a 1–10 scale in terms of difficulty. Promising to be "every bit as muddy," the 2010 Jeep Rocks and Road tour hit 11 different venues across the country to allow existing and prospective Jeep owners to put the 2011 vehicle lineup through their paces on and off road.

Sources: www.apple.com, www.harley-davidson.com, and www.jeep.com; accessed 9 December 2011.

Summary. In short, brand resonance and the relationships consumers have with brands have two dimensions: ***intensity*** and ***activity***. Intensity measures the strength of the attitudinal attachment and sense of community. Activity tells us how frequently the consumer buys and uses the brand, as well as engages in other activities not related to purchase and consumption.

Brand-Building Implications

The brand resonance model provides a road map and guidance for brand building, a yardstick by which brands can assess their progress in their brand-building efforts as well as a guide for marketing research initiatives. With respect to the latter, one model application aids in brand tracking and providing quantitative measures of the success of brand-building efforts (see Chapter 8). Figure 3-4 contains a set of candidate measures for the six brand building blocks.

The brand resonance model also reinforces a number of important branding tenets, five of which are particularly noteworthy. We discuss them in the following sections.

I. 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?

II. 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?

III. 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?

IV. Judgments

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?
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?

(Continued)

FIGURE 3-4
Possible Measures of Brand Building Blocks

Credibility *(cont.)*
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 favorite 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?

V. 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?

VI. 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 as if 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.
I am proud to have others know I use this brand.
I like to visit the Web site 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.

Customers Own the Brands. The basic premise of the brand resonance model is that the true measure of the strength of a brand is the way consumers think, feel, and act with respect to that brand. 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 power of the brand and its ultimate value to the firm reside with customers.*

It is through learning about and experiencing a brand that customers end up thinking, feeling, and acting in a way that allows the firm to reap the benefits of brand equity. Although marketers must take responsibility for designing and implementing the most effective and efficient brand-building marketing programs possible, the success of those marketing efforts ultimately depends on how consumers respond and the actions they take. This response, in turn, depends on the knowledge that has been created in their minds and hearts for those brands. The Science of Branding 3-2 describes some criteria to determine whether a company is truly consumer-centric.

Don't Take Shortcuts with Brands. The brand resonance model reinforces the fact that there are no shortcuts in building a brand. A great brand is not built by accident but is the product of carefully accomplishing—either explicitly or implicitly—a series of logically linked steps with consumers. The more explicitly marketers recognize the steps and define them as concrete goals, the more likely they will give them the proper attention and fully realize them so they can provide 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. Creating brand awareness is a step that an effectively designed marketing program often can accomplish in a relatively short period of time. Unfortunately, this step is the one that many brand marketers tend to skip in their mistaken haste to quickly establish an image for the brand. It is difficult for consumers to appreciate the advantages and uniqueness of a brand unless they have some sort of frame of reference for what the brand is supposed to do and with whom or what it is supposed to compete. Similarly, consumers cannot have highly positive responses without a reasonably complete understanding of the brand's dimensions and characteristics.

Even if, due to circumstances in the marketplace, consumers actually start a repeated-purchase or behavioral loyalty relationship with a brand without much underlying feeling, judgment, or associations, 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—it appeals to both the head and the heart. Thus, although there may be two different ways to build loyalty and resonance—going up the left-hand and right-hand sides of the pyramid—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 multiple access points while reducing competitive vulnerability. Rational concerns can satisfy utilitarian needs, whereas emotional concerns can satisfy psychological or emotional needs. Combining the two allows brands to create a formidable brand position. Consistent with this reasoning, a McKinsey study of 51 corporate brands found that having distinctive physical *and* emotional benefits drove greater shareholder value, especially when the two were linked.[41]

MASTERCARD

MasterCard is an example of a brand with much duality, because it emphasizes both the rational advantages of the credit card—its acceptance at establishments worldwide—as well as the emotional advantages—expressed in the award-winning "Priceless" advertising campaign. Ads depict people buying items to achieve both a very practical goal and a more important emotional goal. The first ad, for example, showed a father taking his son to a baseball game. As they made purchases on the way to their seats, superimposed on the screen and in a voiceover came the words:

> "Two tickets . . . $46,
> "Two hotdogs, two popcorns, two sodas . . . $27,
> "One autographed baseball . . . $50,
> "Real conversation with 11-year-old son . . . priceless."

THE SCIENCE OF BRANDING 3-2

Putting Customers First

At most companies, employees don't have any idea what their firm'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 authors Larry Selden and Geoffrey Colvin, a few companies, such as Dell, Best Buy, and Royal Bank of Canada, have been solid stocks for shareholders through the years because of their customer-centric approach.

According to these authors, ***customer-centricity*** means that all employees understand how their actions affect share price. Selden and Colvin 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 whether a company is truly customer-focused, Selden and Colvin suggest asking the following five questions:

7-Eleven Japan solicits employee input to devise new ways to better satisfy customers.
Source: REUTERS/Kim Kyung Hoon

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 companies 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 United States for homes and get a U.S. credit rating that reflected their Canadian record. They also wanted to be served by employees who knew the United States as well as Canada. To serve those customers, the bank opened a branch in Florida through its U.S. subsidiary. The results were exceptional: customers signed up in droves, and the new branch was profitable in months rather than the typical years. Opening new 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 who your various customer segments are, what each group wants, where the groups are shopping, and how to serve the customers individually. For example, Best Buy configures some stores to serve its "soccer-mom" customer segment and others to entice a segment of affluent entertainment lovers with stores that have home-theater demo rooms.
3. ***Is someone accountable for customers?*** At most companies, various departments own pieces of customer segments, but no one owns any specific one. At companies with customer-centric approaches, however, things are different. At Best Buy, for example, one manager is accountable for the "soccer-mom" segment across multiple 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. 7-Eleven Japan has done this well. Every week, employees from all over Japan would 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) were 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* (New York: Portfolio, 2003).

The ad ended with the tagline, "There Are Some Things Money Can't Buy; For Everything Else There's MasterCard" and "Accepted At Ballparks Coast-to-Coast." The ads reinforced the notion that the ultimate goal of MasterCard—a feeling, an accomplishment, or other intangible—was truly "priceless." The campaign has been so successful that it has run around the world, with appropriate cultural adaptation. The baseball spot, for example, was redone as a cricket ad for Australia. The campaign has received many awards, including four EFFIES from the American Marketing Association for effectiveness.[42]

Brands Should Have Richness. The level of detail in the brand resonance model highlights the number of possible ways to create meaning with consumers and the range of possible avenues to elicit consumer responses. Collectively, these various aspects of brand meaning and the resulting responses produce strong consumer bonds to the brand. The various associations making up the brand image may be reinforcing, helping strengthen or increase the favorability of other brand associations, or they may be unique, helping 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, typically marketers should first establish category identification in some way before considering strategies to expand brand breadth via needs satisfied or benefits offered. With brand performance, they may wish to first link primary characteristics and related features before attempting to link additional, more peripheral associations.

Similarly, brand imagery often begins with a fairly concrete initial articulation of user and usage imagery that, over time, leads to broader, more abstract brand associations of personality, value, history, heritage, and experience. Brand judgments usually begin with positive quality and credibility perceptions that can lead to brand consideration and then perhaps ultimately 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 behavioral 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. As Figure 3-1 shows, brand resonance is the pinnacle of the brand resonance model and provides important focus and priority for decision making about marketing. Marketers building brands should use brand 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 key dimensions of brand resonance—consumer loyalty, attachment, community, or engagement with the brand? Is marketing activity creating brand performance and imagery associations and consumer judgments and feelings that will support these brand resonance dimensions?

SHUTTERFLY

A brand that has explicitly considered how to build brand resonance is Shutterfly. Although known in particular for its online photographic services, Shutterfly defines itself more broadly as an "Internet-based social expression and personal publishing service" that "provides high-quality products and world-class services that make it easy, convenient and fun for consumers to preserve their digital photos in a creative and thoughtful manner." In a highly competitive marketplace, Shutterfly's flagship product, Photo Book, allows customers to create custom photo books in professionally bound coffee table form. The company's brand objective is to be a "Trusted Partner." To further that goal and to help create a strong personal connection with its users, brand marketing emphasizes social influence and being smart and fun. Shutterfly also offers social media services that allow users to share photos uploaded on their site with blogs and social networks like Facebook and Twitter.[43]

It is virtually impossible, however, for consumers to experience an intense, active loyalty relationship with *all* the brands they purchase and consume. Thus, some brands will be more meaningful to consumers than others, because of the nature of their associated product or service, the characteristics of the consumer, and so on. Some brands have more resonance potential than others. When it is difficult to create a varied set of feelings and imagery associations, marketers might not be able to obtain the deeper aspects of brand resonance like active engagement. Nevertheless, by taking a broader view of brand loyalty, they may be able to gain a more holistic appreciation for their brand and how it connects to consumers. And by defining the proper role for the brand, they should be able to obtain higher levels of brand resonance.

THE BRAND VALUE CHAIN

Developing a strong positioning and building brand resonance are crucial marketing goals. To better understand the ROI of marketing investments, however, another tool is necessary. The ***brand value chain*** is a structured approach to assessing the sources and outcomes of brand equity and the manner by which marketing activities create brand value.[44] It recognizes that many different people within an organization can affect brand equity and need to be aware of relevant branding effects. The brand value chain thus provides insights to support brand managers, chief marketing officers, managing directors, and chief executive officers, all of whom may need different types of information.

The brand value chain has several basic premises. Consistent with the brand resonance model, it assumes that the value of a brand ultimately resides with customers. Based on this insight, the model next assumes that the brand value creation process begins when the firm invests in a marketing program targeting actual or potential customers (stage 1). The associated marketing activity then affects the customer mind-set—what customers know and feel about the brand—as reflected by the brand resonance model (stage 2). This mind-set, across a broad group of customers, produces the brand's performance in the marketplace—how much and when customers purchase, the price that they pay, and so forth (stage 3). Finally, the investment community considers this market performance—and other factors such as replacement cost and purchase price in acquisitions—to arrive at an assessment of shareholder value in general and a value of the brand in particular (stage 4).

The model also assumes that a number of linking factors intervene between these stages. These linking factors determine the extent to which value created at one stage transfers or "multiplies" to the next stage. Three sets of multipliers moderate the transfer between the marketing program and the three value stages: the program quality multiplier, the marketplace conditions multiplier, and the investor sentiment multiplier. The brand value chain model is summarized in Figure 3-5. Next we describe the value stages and multiplying factors in more detail and look at examples of both positive and negative multiplier effects.

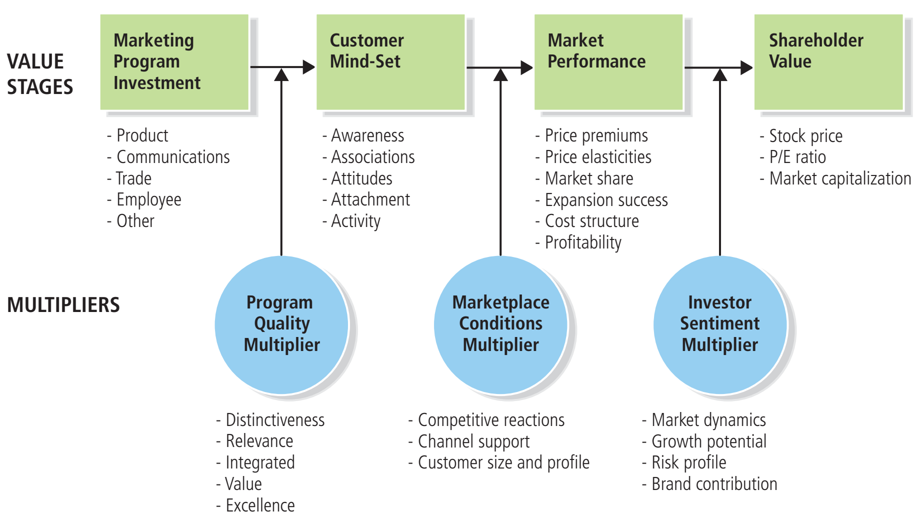


FIGURE 3-5
Brand Value Chain

Value Stages

Brand value creation begins with marketing activity by the firm.

Marketing Program Investment. Any marketing program investment that can contribute to brand value development, intentionally or not, falls into this first value stage. Chapters 4–7 outline many such marketing activities, like product research, development, and design; trade or intermediary support; marketing communications including advertising, promotion, sponsorship, direct and interactive marketing, personal selling, publicity, and public relations; and employee training. A big investment of course does not guarantee success. The ability of a marketing program investment to transfer or multiply farther down the chain depends on *qualitative* aspects of the marketing program and the program quality multiplier.

Program Quality Multiplier. The ability of the marketing program to affect the customer mind-set will depend on its quality. Throughout the book, we review a number of different means to judge the quality of a marketing program. One handy way to remember some key considerations is through the acronym DRIVE, as follows:

1. *Distinctiveness:* How unique is the marketing program? How creative or differentiating is it?
2. *Relevance:* How meaningful is the marketing program to customers? Do consumers feel the brand is one they should seriously consider?
3. *Integrated:* How well integrated is the marketing program at one point in time and over time? Do all aspects combine to create the biggest impact with customers as possible? Does the marketing program relate effectively to past marketing programs and properly balance continuity and change, evolving the brand in the right direction?
4. *Value:* How much short-run and long-run value does the marketing program create? Will it profitably drive sales in the short run? Will it build brand equity in the long run?
5. *Excellence:* Is the individual marketing activity designed to satisfy the highest standards? Does it reflect state-of-the art thinking and corporate wisdom as success factors for that particular type of marketing activity?

Not surprisingly, a well-integrated marketing program, carefully designed and implemented to be highly relevant and unique, is likely to achieve a greater return on investment from marketing program expenditures. For example, despite being outspent by such beverage brand giants as Coca-Cola, Pepsi, and Budweiser, the California Milk Processor Board was able to reverse a decades-long decline in consumption of milk in California through the well-designed and executed "Got Milk?" campaign.

On the other hand, numerous marketers have found that expensive marketing programs do not necessarily produce sales unless they are well conceived. For example, through the years, brands such as Michelob, Minute Maid, 7UP, and others have seen their sales slide despite sizable marketing expenditures because of poorly targeted and delivered marketing campaigns.

Customer Mind-Set. In what ways have customers been changed as a result of the marketing program? How have those changes manifested themselves in the customer mind-set?

Remember, the customer mind-set includes everything that exists in the minds of customers with respect to a brand: thoughts, feelings, experiences, images, perceptions, beliefs, and attitudes. In its totality, the brand resonance model captures a wide range of aspects of the customer mind-set. To provide a concise summary, a shorter "5 As" list can highlight important measures of the customer mind-set as suggested by the resonance model:

1. *Brand Awareness:* The extent and ease with which customers recall and recognize the brand and can identify the products and services with which it is associated.
2. *Brand Associations:* The strength, favorability, and uniqueness of perceived attributes and benefits for the brand. Brand associations often represent key sources of brand value, because they are the means by which consumers feel brands satisfy their needs.
3. *Brand Attitudes:* Overall evaluations of the brand in terms of its quality and the satisfaction it generates.

4. *Brand Attachment:* The degree of loyalty the customer feels toward the brand. A strong form of attachment, *adherence*, is the consumer's resistance to change and the ability of a brand to withstand bad news like a product or service failure. In the extreme, attachment can even become *addiction.*
5. *Brand Activity:* The extent to which customers use the brand, talk to others about the brand, seek out brand information, promotions, and events, and so on.

These five dimensions can be easily related to the brand resonance model (awareness relates to salience, associations relate to performance and imagery, attitudes relate to judgments and feelings, and attachment and activity relate to resonance). As in the resonance model, an obvious hierarchy exists in the dimensions of value: awareness supports associations, which drive attitudes that lead to attachment and activity. Brand value is created at this stage when customers have (1) deep, broad brand awareness; (2) appropriately strong, favorable, and unique points-of-parity and points-of-difference; (3) positive brand judgments and feelings; (4) intense brand attachment and loyalty; and (5) a high degree of brand activity.

Creating the right customer mind-set can be critical in terms of building brand equity and value. AMD and Cyrix found that achieving performance parity with Intel's microprocessors did not return benefits in 1998, when original equipment manufacturers were reluctant to adopt the new chips because of their lack of a strong brand image with consumers. Moreover, success with consumers may not translate to success in the marketplace unless other conditions also prevail. The ability of this customer mind-set to create value at the next stage depends on external factors we call the marketplace conditions multiplier, as follows.

Marketplace Conditions Multiplier. The extent to which value created in the minds of customers affects market performance depends on factors beyond the individual customer. Three such factors are:

1. *Competitive superiority:* How effective are the marketing investments of competing brands?
2. *Channel and other intermediary support:* How much brand reinforcement and selling effort is being put forth by various marketing partners?
3. *Customer size and profile:* How many and what types of customers are attracted to the brand? Are they profitable?

The value created in the minds of customers will translate to favorable market performance when competitors fail to provide a significant threat, when channel members and other intermediaries provide strong support, and when a sizable number of profitable customers are attracted to the brand.

The competitive context faced by a brand can have a profound effect on its fortunes. For example, Nike and McDonald's have benefited in the past from the prolonged marketing woes of their main rivals, Reebok and Burger King, which both have suffered from numerous repositionings and management changes. On the other hand, MasterCard has had to contend for the past decade with two strong, well-marketed brands in Visa and American Express and consequently has faced an uphill battle gaining market share despite its well-received "Priceless" ad campaign, as described earlier in this chapter.

Market Performance. We saw in Chapter 2 that the customer mind-set affects how customers react in the marketplace in six main ways. The first two relate to price premiums and price elasticities. How much extra are customers willing to pay for a comparable product because of its brand? And how much does their demand increase or decrease when the price rises or falls? A third outcome is market share, which measures the success of the marketing program in driving brand sales. Taken together, the first three outcomes determine the direct revenue stream attributable to the brand over time. Brand value is created with higher market shares, greater price premiums, and more elastic responses to price decreases and inelastic responses to price increases.

The fourth outcome is brand expansion, the success of the brand in supporting line and category extensions and new-product launches into related categories. This dimension captures the brand's ability to add enhancements to the revenue stream. The fifth outcome is cost structure or, more specifically, reduced marketing program expenditures thanks to the prevailing customer mind-set. When customers already have favorable opinions and knowledge about a brand, any aspect of the marketing program is likely to be more effective for the same expenditure level;

alternatively, the same level of effectiveness can be achieved at a lower cost because ads are more memorable, sales calls more productive, and so on. When combined, these five outcomes lead to brand profitability, the sixth outcome.

The ability of the brand value created at this stage to reach the final stage in terms of stock market valuation again depends on external factors, this time according to the investor sentiment multiplier.

Investor Sentiment Multiplier. Financial analysts and investors consider a host of factors in arriving at their brand valuations and investment decisions. Among them are the following:

- *Market dynamics:* What are the dynamics of the financial markets as a whole (interest rates, investor sentiment, supply of capital)?
- *Growth potential:* What is the growth potential or prospects for the brand and the industry in which it operates? For example, how helpful are the facilitating factors and how inhibiting are the hindering external factors that make up the firm's economic, social, physical, and legal environment?
- *Risk profile:* What is the risk profile for the brand? How vulnerable is the brand to those facilitating and inhibiting factors?
- *Brand contribution:* How important is the brand to the firm's brand portfolio?

The value the brand creates in the marketplace is most likely fully reflected in shareholder value when the firm is operating in a healthy industry without serious environmental hindrances or barriers, and when the brand contributes a significant portion of the firm's revenues and appears to have bright prospects.

The obvious examples of brands that benefited from a strong market multiplier—at least for a while—were the numerous dot-com brands at the turn of the century, such as Pets.com, eToys, Boo.com, and Webvan. The huge premium placed on their (actually negative) market performance, however, quickly disappeared—and in some cases so did the whole company!

On the other hand, many firms have lamented what they perceive as undervaluation by the market. For example, repositioned companies such as Corning have found it difficult to realize what they viewed as their true market value due to lingering investor perceptions from their past. Corning's heritage was in dishes and cookware; its more recent emphasis is on telecommunications, flat panel displays, and the environmental, life sciences, and semiconductor industries.

Shareholder Value. Based on all available current and forecasted information about a brand, as well as many other considerations, the financial marketplace formulates opinions and assessments that have very direct financial implications for the brand value. Three particularly important indicators are the stock price, the price/earnings multiple, and overall market capitalization for the firm. Research has shown that not only can strong brands deliver greater returns to stockholders, they can do so with less risk.[45]

Implications

According to the brand value chain, marketers create value first by making shrewd investments in their marketing program and then by maximizing, as much as possible, the program, customer, and market multipliers that translate that investment into bottom-line financial benefits. The brand value chain thus provides a structured means for managers to understand where and how value is created and where to look to improve that process. Certain stages will be of greater interest to different members of the organization.

Brand and category marketing managers are likely to be interested in the customer mind-set and the impact of the marketing program on customers. Chief marketing officers (CMOs), on the other hand, are likely to be more interested in market performance and the impact of customer mind-set on actual market behaviors. Finally, a managing director or CEO is likely to focus on shareholder value and the impact of market performance on investment decisions.

The brand value chain has a number of implications. First, value creation begins with the marketing program investment. Therefore, a necessary—but not sufficient—condition for value creation is a well-funded, well-designed, and well-implemented marketing program. It is rare that marketers can get something for nothing.

Second, value creation requires more than the initial marketing investment. Each of the three multipliers can increase or decrease market value as it moves from stage to stage. In other words, value creation also means ensuring that value transfers from stage to stage. Unfortunately, many factors that can inhibit value creation may be largely out of the marketer's hands, like investors' industry sentiment. Recognizing the uncontrollable nature of these factors is important to help put in perspective the relative success or failure of a marketing program to create brand value. Just as sports coaches cannot be held accountable for unforeseen circumstances such as injuries to key players and financial constraints that make it difficult to attract top talent, so marketers cannot necessarily be held accountable for certain market forces and dynamics.

Third, as we'll outline in Chapters 8–10, the brand value chain provides a detailed road map for tracking value creation that can make marketing research and intelligence efforts easier. Each of the stages and multipliers has a set of measures by which we can assess it. In general, there are three main sources of information, and each taps into one value stage and one multiplier. The first stage, the marketing program investment, is straightforward and can come from the marketing plan and budget. We can assess both customer mind-set and the program quality multiplier with quantitative and qualitative customer research. Market performance and the marketplace conditions multiplier appear in market scans and internal accounting records. Finally, we can estimate shareholder value and the investor sentiment multiplier through investor analysis and interviews.

Modifications to the brand value chain can expand its relevance and applicability. First, there are a number of feedback loops. For example, stock prices can have an important effect on employee morale and motivation. Second, in some cases, the value creation may not occur sequentially. For example, stock analysts may react to an ad campaign for the brand—either personally or in recognition of public acceptance—and factor those reactions directly into their investment assessments. Third, some marketing activities may have only very diffuse effects that manifest over the long term. For example, cause-related or social responsibility marketing activity might affect customer or investor sentiment slowly over time. Fourth, both the mean and the variance of some brand value chain measures could matter. For example, a niche brand may receive very high marks but only across a very narrow range of customers.

REVIEW

Brand planning is aided by three interlocking models that can both qualitatively guide and interpret possible marketing actions as well as quantitatively measure marketing effects (see Figure 3-6). Chapter 2 introduced the brand positioning model. This chapter described in detail the second and third brand planning tools—the brand resonance and brand value chain models.

The brand resonance model lists a series of steps for building a strong brand: (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 requires establishing breadth and depth of brand awareness; creating strong, favorable, and unique brand associations; eliciting positive, accessible brand responses; and forging intense, active brand relationships. Achieving these four steps, in turn, means establishing six brand building blocks: brand salience, brand performance, brand imagery, brand judgments, brand feelings, and brand resonance.

The strongest brands excel on all six of these dimensions and thus fully execute all four steps of building a brand. In the brand resonance model, the most valuable brand building block, brand resonance, occurs when all the other core brand values are completely "in sync" with respect to customers' needs, wants, and desires. In other words, brand 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 and actively seek means to interact with the brand and share their experiences with others. Firms that are able to achieve resonance and affinity with their customers should reap a host of valuable benefits, such as greater price premiums and more efficient and effective marketing programs.

Thus, the basic premise of the brand resonance 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 to the brand from customers. That, in turn, necessitates establishing brand identity

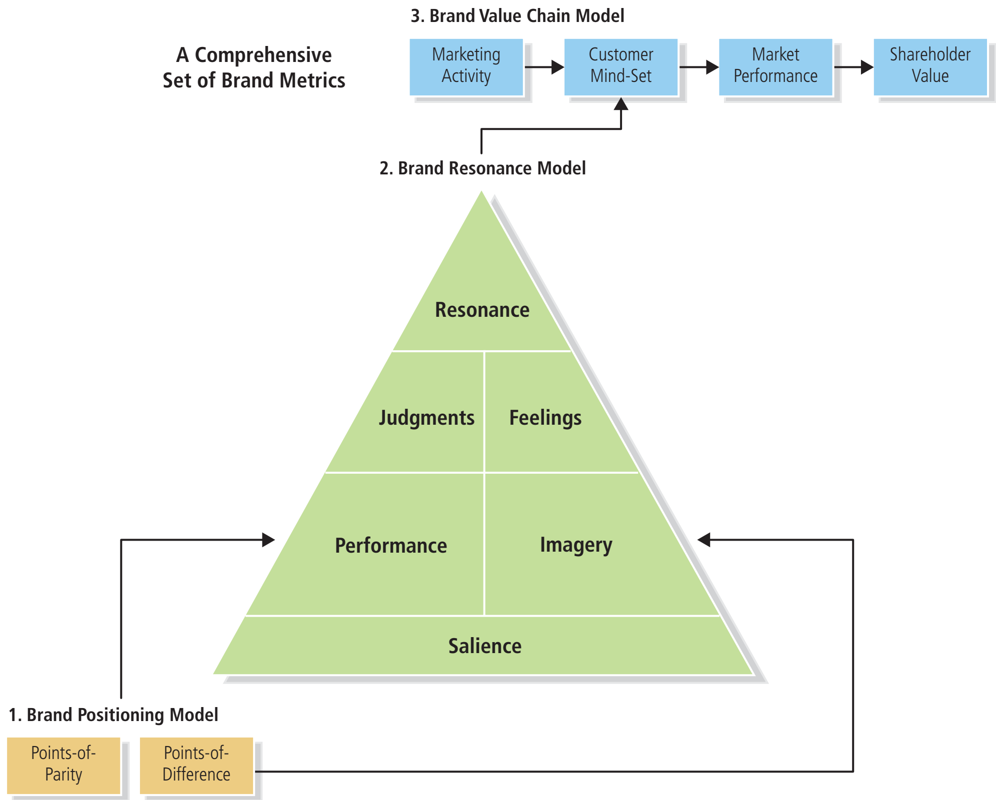


FIGURE 3-6
The Brand Planning Models

and creating the right meaning in terms of brand performance and brand imagery associations. A brand with the right identity and meaning can make a customer believe it is relevant and "my kind of product." 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 brand value chain is a means to trace the value creation process for brands to better understand the financial impact of brand marketing expenditures and investments. Taking the customer's perspective of the value of a brand, the brand value chain assumes that the brand value creation process begins when the firm invests in a marketing program targeting actual or potential customers. Any marketing program investment that potentially can be attributed to brand value development falls into this category, for example, product research, development, and design; trade or intermediary support; and marketing communications.

The marketing activity associated with the program then affects the customer mind-set with respect to the brand—what customers know and feel about the brand. The customer mind-set includes everything that exists in the minds of customers with respect to a brand: thoughts, feelings, experiences, images, perceptions, beliefs, attitudes, and so forth. Consistent with the brand resonance model, five key dimensions that are particularly important measures of the customer mind-set are brand awareness, brand associations, brand attitudes, brand attachment, and brand activity or experience.

The customer mind-set affects how customers react or respond in the marketplace in a variety of ways. Six key outcomes of that response are price premiums, price elasticities, market share, brand expansion, cost structure, and brand profitability. Based on a thorough understanding of the brand's past, current and future prospects, as well as other factors, the financial marketplace then formulates opinions and makes various assessments that have direct financial implications for the value of the brand. Three particularly important indicators are the stock price, the price/earnings multiple, and overall market capitalization for the firm.

The model also assumes that a number of linking factors intervene between these stages. These linking factors determine the extent to which value created at one stage transfers or "multiplies" to the next stage. Thus, there are three sets of multipliers that moderate the transfer between the marketing program and the subsequent three value stages: the program multiplier, the customer multiplier, and the market multiplier.

Once marketers have determined the brand planning, they can put into place the actual marketing program to create, strengthen, or maintain brand associations. Chapters 4–7 in Part III of the text describe some of the important marketing issues in designing brand-building marketing programs.

DISCUSSION QUESTIONS

1. Pick a brand. Attempt to identify its sources of brand equity. Assess its level of brand awareness and the strength, favorability, and uniqueness of its associations.
2. Which brands do you have the most resonance with? 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 the various benefits of brand equity.
5. Which companies do you think do a good job managing their customers? Why?

BRAND FOCUS 3.0

Creating Customer Value

Many firms are now more carefully defining the financial value of prospective and actual customers and devising marketing programs to optimize that value. Customer–brand relationships are the foundation of brand resonance and building a strong brand. Marketers have long recognized the importance of adopting a strong consumer and customer orientation. The customer-based brand equity concept certainly puts that notion front and center, making it clear that the power of a brand resides in the minds of consumers and customers.

Too many firms, however, still find themselves paying the price for lacking a customer focus. Even the biggest firms can stumble.

VOLKSWAGEN

After a remarkable revival in the 1990s when it enjoyed 50 percent growth for seven straight years, Volkswagen AG did not fare well around the turn of the century. By 2005, the company was experiencing stagnant sales and losing money in its critical U.S. market. The culprit? According to VW CEO 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 necessarily 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?" As an example of its new reemphasis on the consumer, VW changed the design of the 2011 Jetta it sold in the United States to better reflect U.S. preferences (and bigger bodies). Greater leg and trunk room and larger cup holders were added and costs savings were found to make it more affordable versus its Japanese import competitors.[46]

Volkswagen is not alone in recognizing the financial value of customer experiences. Many firms are now more carefully defining the financial value of prospective and actual customers and devising marketing programs to optimize that value.

Customer Equity

Many firms have introduced customer relationship marketing programs to improve customer interactions. Some marketing observers encourage firms to formally define and manage the value of their customers. The concept of customer equity can be useful in that regard. Although we can define customer equity in different ways, one definition calls it "the sum of lifetime values of all customers."[47] Customer lifetime value (CLV) is affected by revenue and by the cost of customer acquisition, retention, and cross-selling. Several different concepts and approaches have been put forth that are relevant to the topic of customer equity. Let's look at a few.

Blattberg and Colleagues. Blattberg and Deighton have defined customer equity as the optimal balance between what marketers spend on customer acquisition and what they spend on customer retention.[48] They calculated customer equity as follows:

> We first measure each customer's expected contribution toward offsetting the company's fixed costs over the expected life of that customer. Then we discount the expected contributions to a net present value at the company's target rate of return for marketing investments. Finally, we add together the discounted, expected contributions of all current contributions.

The authors offer the following observation:

> Ultimately, we contend that the appropriate question for judging new products, new programs, and new customer-service initiatives should not be, Will it attract new customers? or, Will it increase our retention rates? but rather, Will it grow our customer equity? The goal of maximizing customer equity by balancing acquisition and retention efforts properly should serve as the star by which a company steers its entire marketing program.

Blattberg and Deighton offer eight guidelines as a means of maximizing customer equity:

1. Invest in highest-value customers first.
2. Transform product management into customer management.
3. Consider how add-on sales and cross-selling can increase customer equity.
4. Look for ways to reduce acquisition costs.
5. Track customer equity gains and losses against marketing programs.
6. Relate branding to customer equity.
7. Monitor the intrinsic retainability of your customers.
8. Consider writing separate marketing plans—or even building two marketing organizations—for acquisition and retention efforts.

Rust, Zeithaml, and Lemon. Rust, Zeithaml, and Lemon define customer equity as the discounted lifetime values of a firm's customer base.[49] According to their view, customer equity is made up of three components and key drivers:

- *Value equity:* Customers' objective assessment of the utility of a brand based on perceptions of what is given up for what is received. Three drivers of value equity are quality, price, and convenience.
- *Brand equity:* Customers' subjective and intangible assessment of the brand, above and beyond its objectively perceived value. Three key drivers of brand equity are customer brand awareness, customer brand attitudes, and customer perception of brand ethics.
- *Relationship equity:* Customers' tendency to stick with the brand, above and beyond objective and subjective assessments of the brand. Four key drivers of relationship equity are loyalty programs, special recognition and treatment programs, community-building programs, and knowledge-building programs.

Note that this definition of brand equity differs from the customer-based brand equity definition proposed in this text, which puts the focus on the beneficial differential response to marketing activity that strong brands produce.

These authors propose that the three components of customer equity vary in importance by company and industry. For example, they suggest that brand equity will matter more with low-involvement purchases involving simple decision processes (like facial tissues), when the product is highly visible to others, when experiences associated with the product can be passed from one individual or generation to the next, or when it is difficult to evaluate the quality of a product or service prior to consumption. On the other hand, value equity will be more important in business-to-business settings, whereas retention equity will be more important for companies that sell a variety of products and services to the same customer.

Rust and colleagues advocate customer-centered brand management to firms with the following directives that, they maintain, go against current management convention:

1. Make brand decisions subservient to decisions about customer relationships.
2. Build brands around customer segments, not the other way around.
3. Make your brands as narrow as possible.
4. Plan brand extensions based on customer needs, not component similarities.
5. Develop the capability and the mind-set to hand off customers to other brands in the company.
6. Take no heroic measures to try to save ineffective brands.
7. Change how you measure brand equity to make individual-level calculations.

Kumar and Colleagues. In a series of studies, Kumar and his colleagues explore a number of questions concerning customer lifetime value and how firms should allocate their marketing spending to customer acquisition and retention efforts.[50] The authors show that marketing contacts across various channels influence CLV nonlinearly. Customers who are selected on the basis of their lifetime value provide higher profits in future periods than do customers selected on the basis of several other customer-based metrics. Kumar and his colleagues show how each customer varies in his or her lifetime value to a firm, and how customer lifetime value computations require different approaches depending on the business application. They also demonstrate how their framework, which incorporates projected profitability of customers in the computation of lifetime duration, can be superior to traditional methods such as the recency, frequency, and monetary value framework and past customer value.

Relationship of Customer Equity to Brand Equity. Brand equity management can be related to customer equity management in different ways. One way to reconcile the two points of view is to think of a matrix where all the brands and sub-brands and variants that a company offers are rows, and all the different customer segments or individual customers that purchase those brands are columns (see Figure 3-7). Effective brand and customer management would necessarily take into account both the rows and the columns to arrive at optimal marketing solutions.

Differences Between the Two Points of View. As they have been developed conceptually and put into practice, however, the two perspectives tend to emphasize different aspects (see Figure 3-8). The customer equity perspective puts much focus on the bottom-line financial value created by customers. Its clear benefit is the quantifiable measures of financial performance it provides. In its calculations, however, the customer equity perspective largely ignores some of the important advantages of creating a strong brand, such as the ability of a strong brand to attract higher quality employees, elicit stronger support from channel and supply chain partners, create growth opportunities through line and category extensions and licensing, and so on.

The customer equity perspective also tends to be less prescriptive about specific marketing activities beyond general recommendations toward customer acquisition, retention, and cross-selling. The customer equity perspective does not always fully account for competitive response

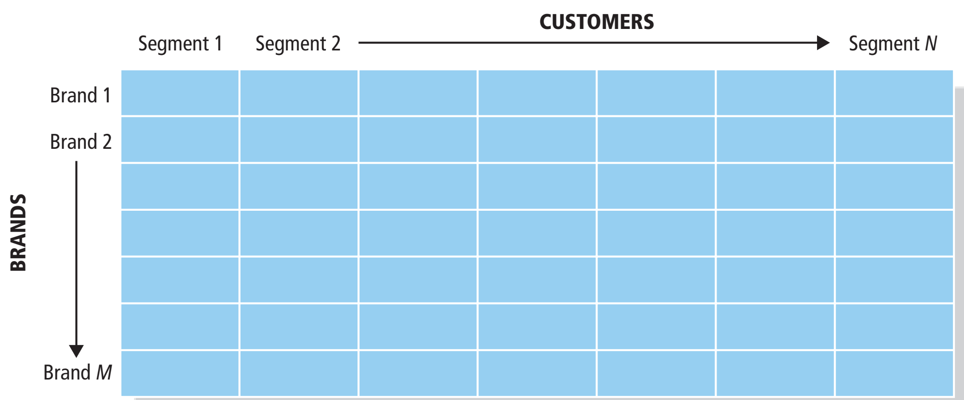


FIGURE 3-7
Brand and Customer Management

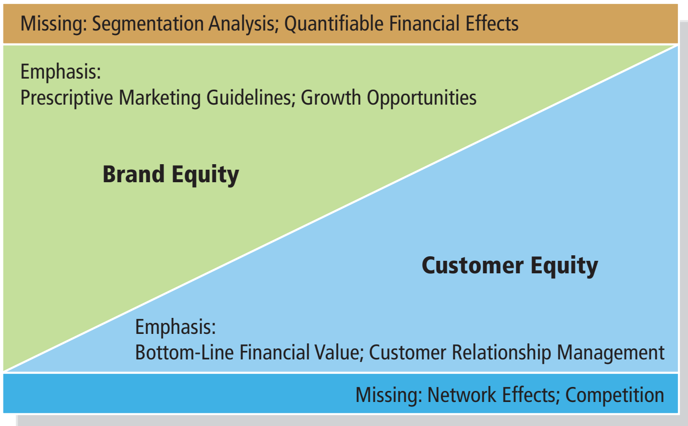


FIGURE 3-8
Brand Equity vs. Customer Equity

and the resulting moves and countermoves, nor does it fully account for social network effects, word of mouth, and customer-to-customer recommendations.

Thus, customer equity approaches can overlook the "option value" of brands and their potential impact on revenues and costs beyond the current marketing environment. Brand equity, on the other hand, tends to put more emphasis on strategic issues in managing brands and how marketing programs can be designed to create and leverage brand awareness and image with customers. It provides much practical guidance for specific marketing activities.

With a focus on brands, however, managers do not always develop detailed customer analyses in terms of the brand equity they achieve with specific consumers or groups of consumers and the resulting long-term profitability that is created. Brand equity approaches could benefit from sharper segmentation schemes.

Reconciling the Two Points of View. There is no question that customer equity and brand equity are related. In theory, both approaches can be expanded to incorporate the other point of view and they are clearly inextricably linked. Customers drive the success of brands, but brands are the necessary touchpoint that firms have to connect with their customers. Customer-based brand equity maintains that brands create value by eliciting differential customer response to marketing activities. The higher price premiums and increased levels of loyalty engendered by brands generate incremental cash flows.

Many of the actions that will increase brand equity will increase customer equity and vice versa. In practice, customer equity and brand equity are complementary notions in that they tend to emphasize different considerations. Brand equity tends to put more emphasis on the "front end" of marketing programs and intangible value potentially created by marketing programs; customer equity tends to put more emphasis on the "back end" of marketing programs and the realized value of marketing activities in terms of revenue.

The two concepts go hand in hand: customers need and value brands, but a brand ultimately is only as good as the customers it attracts. As evidence of this duality, consider the role of the retailer as "middleman" between firms and consumers. Retailers clearly recognize the importance of both brands and customers. A retailer chooses to sell those brands that are the best "bait" for those customers it wants to attract. Retailers essentially assemble brand portfolios to establish a profitable customer portfolio. Manufacturers make similar decisions, developing brand portfolios and hierarchies to maximize their customer franchises.

But effective brand management is critical, and it is a mistake to ignore its important role in developing long-term profit streams for firms. Some marketing observers have perhaps minimized the challenge and value of strong brands to overly emphasize the customer equity perspective, for example, maintaining that "our attitude should be that brands come and go—but customers . . . must remain."[51] Yet, that statement can easily be taken to the logical, but opposite, conclusion: "Through the years, customers may come and go, but strong brands will endure." Perhaps the main point is that both are really crucial, and the two perspectives can help improve the marketing success of a firm. The customer-based brand equity concept is an attempt to do just that.

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