CHAPTER 2:
CUSTOMER-BASED BRAND EQUITY

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Customer-Based Brand Equity

- "The differential effect that brand knowledge has on consumer response to the marketing of that brand."

Keller, 1993

Customer-Based Brand Equity

- Differential effect
  - Differences in consumer response
- Brand knowledge
  - A result of consumers' knowledge about the brand
- Consumer response to marketing
  - Choice of a brand
  - Recall of copy points from an ad
  - Response to a sales promotion
  - Evaluations of a proposed brand extension

Brand Equity as a "Bridge"

- Reflection of *past* investments in the marketing of a brand
- Direction for *future* marketing actions or programs

Making a Brand Strong: Brand Knowledge

- Brand knowledge is the key to creating brand equity.
- Brand knowledge consists of a brand node in memory with a variety of associations linked to it.
- Brand knowledge has two components: brand awareness and brand image.

Sources of Brand Equity

- Brand awareness
  - Brand recognition
  - Brand recall
- Brand image
  - Strong, favorable, and unique brand associations

Brand Awareness Advantages

- Learning advantages
  - Register the brand in the minds of consumers
- Consideration advantages
  - Likelihood that the brand will be a member of the *consideration set*
- Choice advantages
  - Affect choices among brands in the consideration set

Establishing Brand Awareness

- Increasing the familiarity of the brand through repeated exposure (for brand recognition)
- Forging strong associations with the appropriate product category or other relevant purchase or consumption cues (for brand recall)

Creating a Positive Brand Image

- Brand Associations
  - Does not matter which source of brand association
  - Need to be favorable, strong, and unique
  - Marketers should recognize the influence of these other sources of information by both *managing* them as well as possible and by adequately *accounting for* them in designing communication strategies.

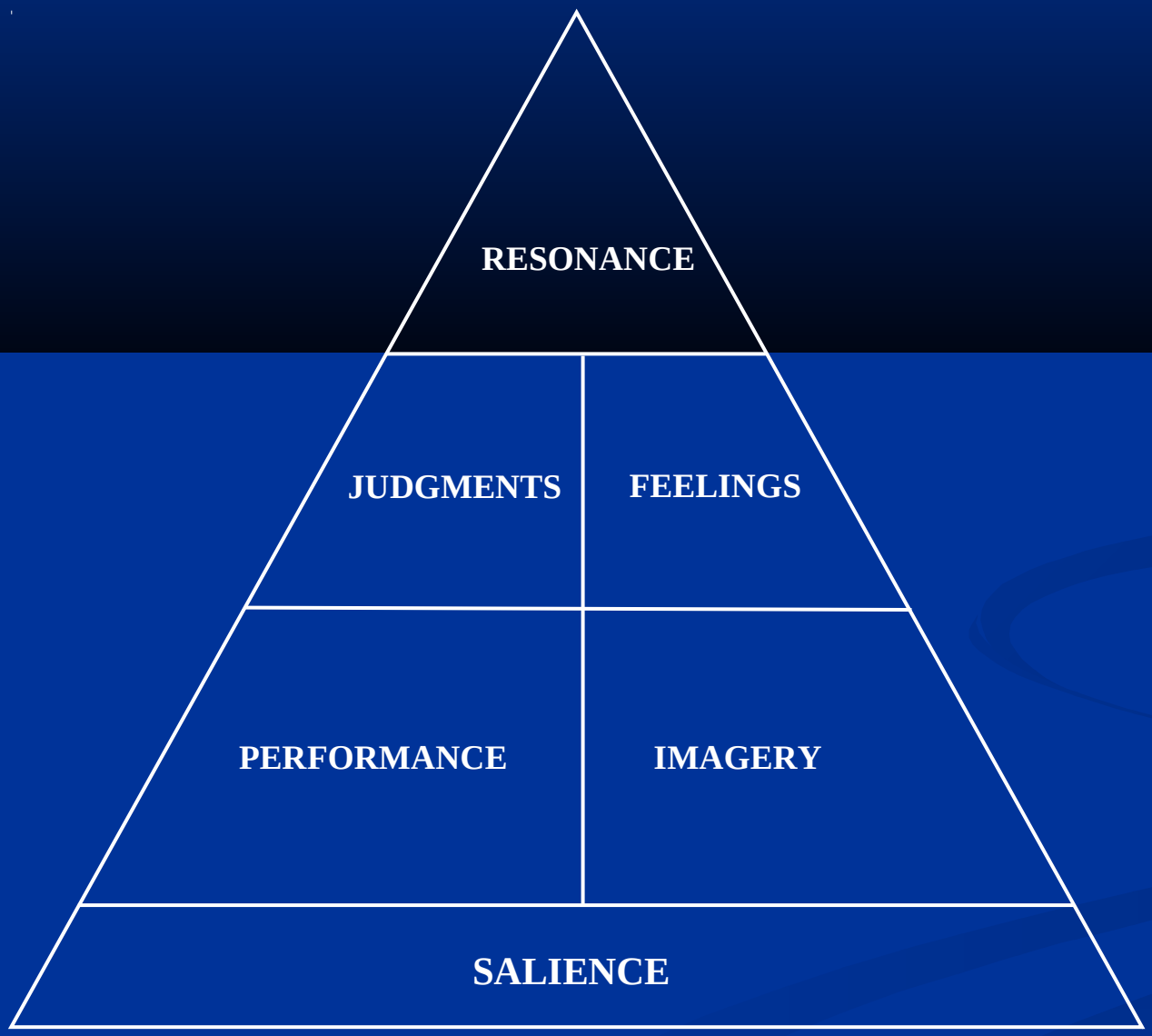
The Four Steps of Brand Building

1. Ensure identification of the brand with customers and an association of the brand in customers' minds
2. Establish the totality of brand meaning in the minds of consumers
3. Elicit the proper customer responses to the brand identification and brand meaning
4. Convert brand response to create an intense, active loyalty relationship between customers and the brand

Four Questions Customers ask of Brands

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)

Customer-Based Brand Equity Pyramid



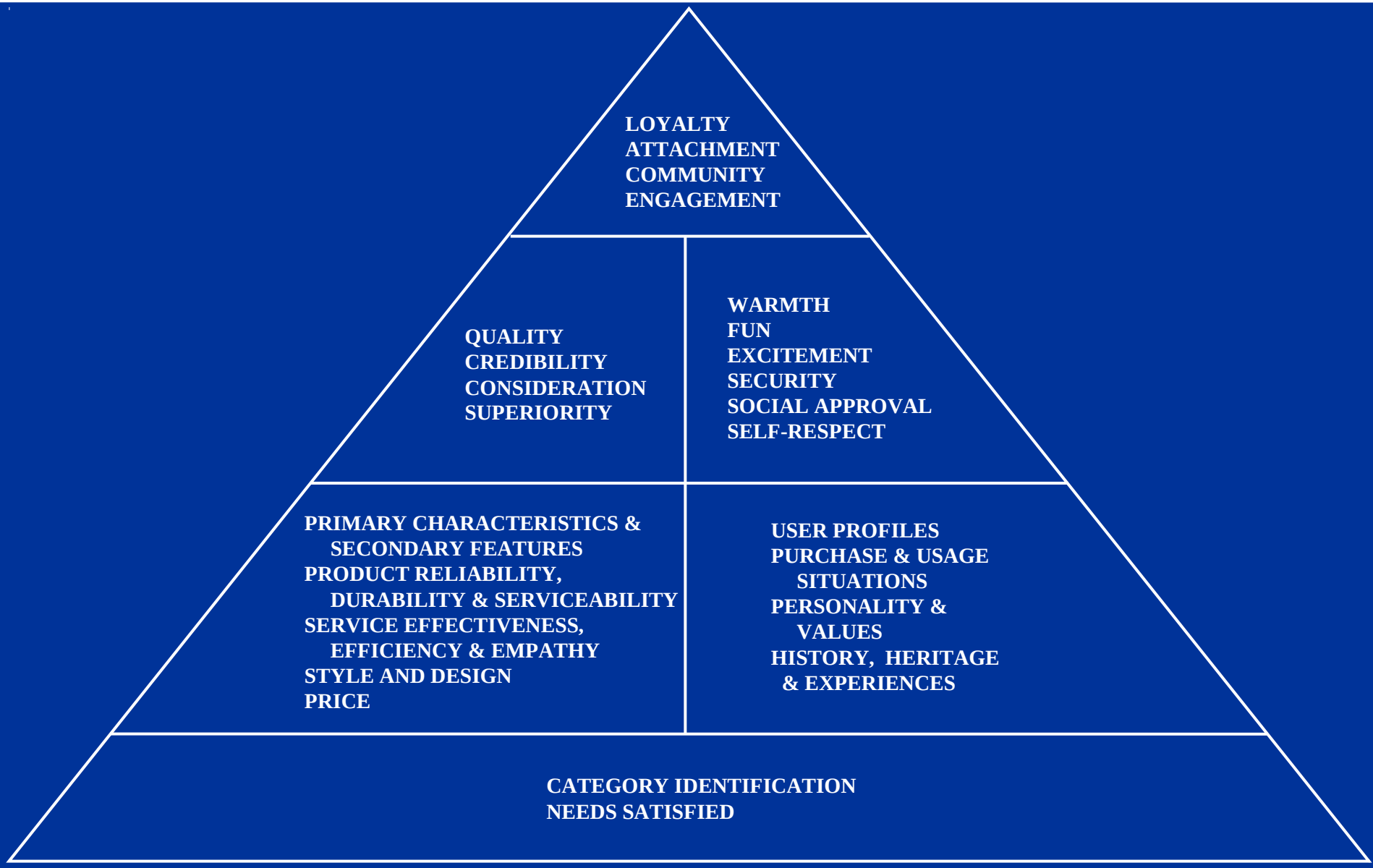
4. RELATIONSHIPS = What about you and me?

3. RESPONSE = What about you?

2. MEANING = What are you?

1. IDENTITY = Who are you?

Sub-Dimensions of CBBE Pyramid



Salience Dimensions

- *Depth* of brand awareness
  - Ease of recognition and recall
  - Strength and clarity of category membership
- *Breadth* of brand awareness
  - Purchase consideration
  - Consumption consideration

Depth and Breadth Importance

- The product category hierarchy shows us not only the depth of awareness matters but also the breadth.
- 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.*

Product Category Structure

- To fully understand brand recall, we need to appreciate *product category structure*, or how product categories are organized in memory.

Performance Dimensions

- Primary characteristics and supplementary features
- Product reliability, durability, and serviceability
- Service effectiveness, efficiency, and empathy
- Style and design
- Price

Imagery Dimensions

- User profiles
  - Demographic and psychographic characteristics
  - Actual or aspirational
  - Group perceptions—popularity
- Purchase and usage situations
  - Type of channel, specific stores, ease of purchase
  - Time (day, week, month, year, etc.), location, and context of usage
- Personality and values
  - Sincerity, excitement, competence, sophistication, and ruggedness
- History, heritage, and experiences
  - Nostalgia
  - Memories

Judgment Dimensions

- Brand quality
  - Value
  - Satisfaction
- Brand credibility
  - Expertise
  - Trustworthiness
  - Likeability
- Brand consideration
  - Relevance
- Brand superiority
  - Differentiation

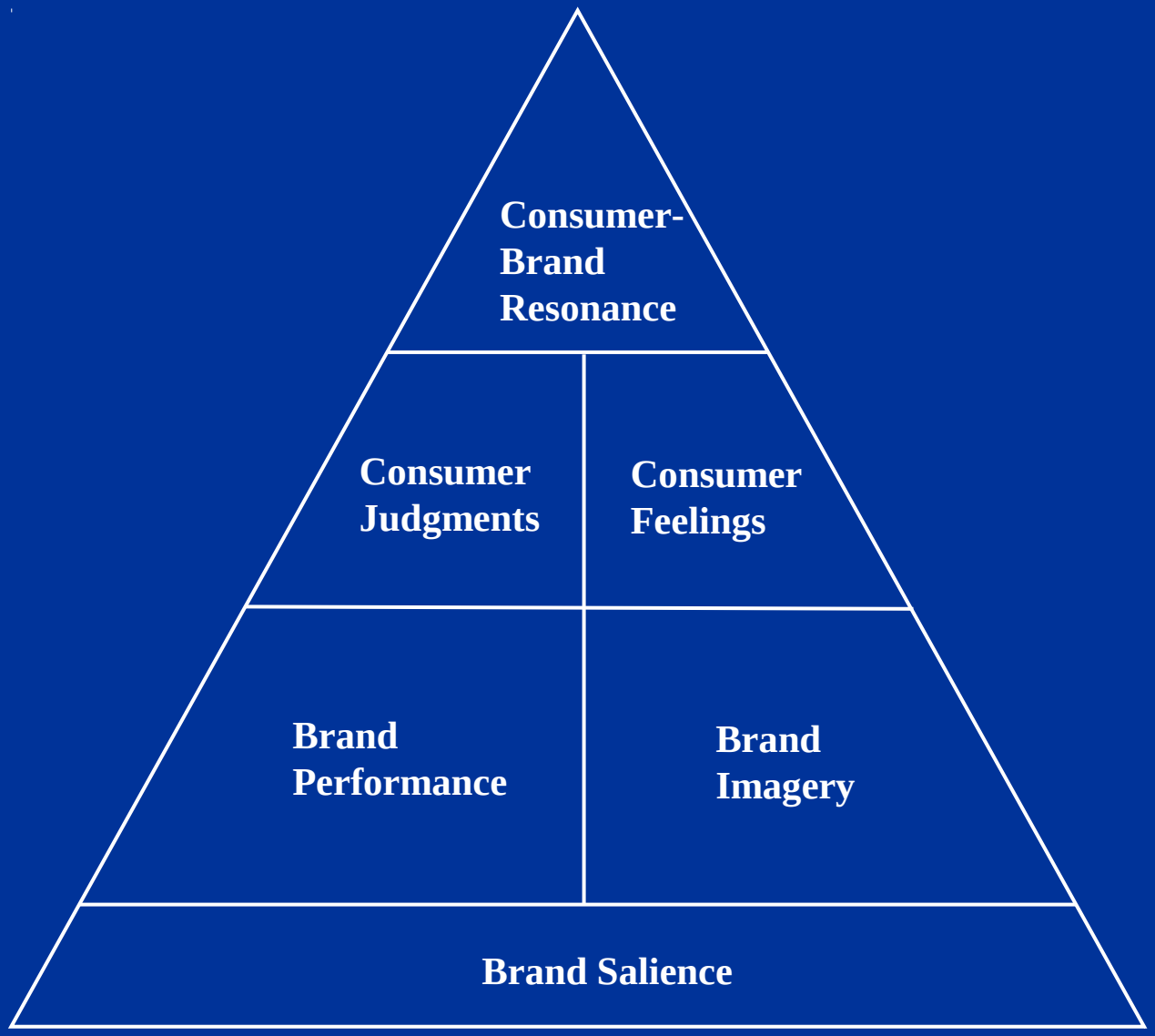
Feelings Dimensions

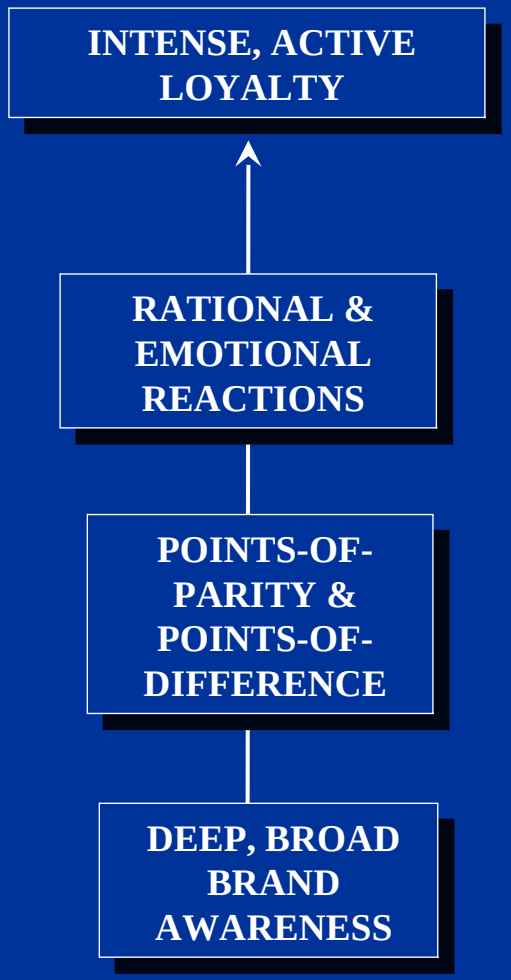
- Warmth
- Fun
- Excitement
- Security
- Social Approval
- Self-respect

Resonance Dimensions

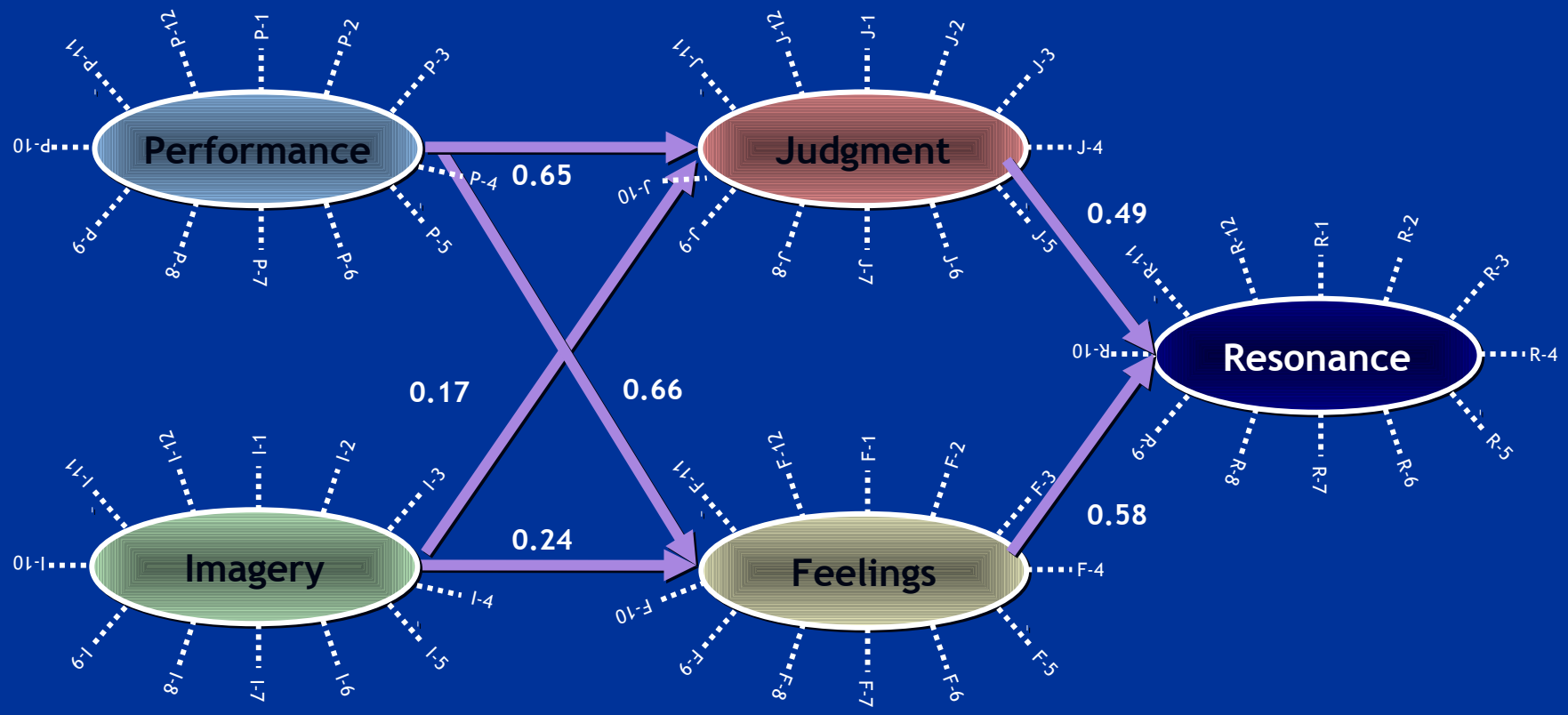
- Behavioral loyalty
  - Frequency and amount of repeat purchases
- Attitudinal attachment
  - Love brand (favorite possessions; "a little pleasure")
  - Proud of brand
- Sense of community
  - Kinship
  - Affiliation
- Active engagement
  - Seek information
  - Join club
  - Visit website, chat rooms

Customer-Based Brand Equity Model





Application:
Identify the Key Drivers of Brand Equity



Brand Building Implications

- Customers own brands.
- Don't take shortcuts with brands.
- Brands should have a duality.
- Brands should have richness.
- Brand resonance provides important focus.

Creating Customer Value

- Customer-brand relationships are the foundation of brand resonance and building a strong brand.
- The customer-based brand equity model certainly puts that notion front and center.

Is a company consumer-centric?

1. Is the company looking for ways to take care of you?
2. Does the company know its customers well enough to differentiate between them?
3. Is someone accountable for customers?
4. Is the company managed for shareholder value?
5. Is the company testing new customer offers and learning from the results?

Sources: Larry Selden and Geoffrey Colvin, 2004.

Customer Relationship Management (CRM)

- Uses a company's data systems and applications to track consumer activity and manage customer interactions with the company

Customer Equity

- Blattberg and Deighton (1996) offer eight guidelines as a means of maximizing customer equity:
  - Invest in highest-value customers first
  - Transform product management into customer management
  - Consider how add-on sales and cross-selling can increase customer equity
  - Look for ways to reduce acquisition costs
  - Track customer equity gains and losses against marketing programs
  - Relate branding to customer equity
  - Monitor the intrinsic retainability of your customer
  - Consider writing separate marketing plans—or even building two marketing organizations—for acquisition and retention efforts

Customer Equity

- The sum of lifetime values of all customers
- Customer lifetime value (CLV) is affected by revenue and by the cost of customer acquisition, retention, and cross-selling
- Consists of three components:
  - Value equity
  - Brand equity
  - Relationship equity

Rust, Zeithamal & Lemon, 2004

Relationship of Customer Equity to Brand Equity

- 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.