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BRAND EQUITY AND BUSINESS PERFORMANCE

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Abstract: *A Brand is considered to be the most important intangible asset of the business. Building a brand requires careful planning and a great deal of long term investment. Companies spend a considerable amount of their revenue and time in brand building activities. The most distinctive skill of professional marketer is the ability to create, maintain, enhance and protect brands. Brand equity being the added value of a product by virtue of its brand has both psychological and financial value for firm. Brand equity and Business performance are the two concurrent topics of interest to both managers and academicians. The study includes why branding is required for different firms. This study also examines the relation between brand equity and business performance. The study includes understanding the dimensions of brand equity and the important contributors of brand equity. The study analysis what are the brand strategies of different firms and what is the model for industrial branding.*

Keywords*: Brand Equity, Business Performance, Brand Strategies, Industrial Branding.*

INTRODUCTION

Though branding has assumed greater significance in the last fifty years with increased consumption in both industrialized as well as emerging nations, it has been in existence since years. In ancient periods, kings and queens used to mint coins and seals with their faces on them or built memorials in their names. With the industrial revolution, commodities were branded in Europe and during the last nineteenth century, companies such as P&G and Unilever began to brand their products. Brands have the remarkable capacity to impact the way people perceive products. Consumers rarely just see a product or service; they see the product together with the brand. As a result, how they perceive the product is shaped by the brand. The brand represents enormously valuable pieces of legal property that can influence consumer behavior, be bought and sold, and provide the security of sustained future revenue to the firm. Therefore, measuring and understanding the drivers of brand strength and managing these are critical to sustained brand growth.

BRANDING: WHY IT IS REQUIRED?

A Brand, whether in the form of a name, logo or symbol, gives identity and recognition to a product. Once established in the market, it becomes an asset for the company because of the value it commands. High brand value not only denotes the quality and performance but also signifies the confidence and trust placed on it by the satisfied customers. Thus the organization makes every effort to successful position and promotes their brands so as to achieve growth and profitability. It becomes extremely important for the marketers to build and maintain their reputation as being reliable and trustworthy for the successfully positioning of their offerings. Several commodity exporters are branding their products to command premium prices in the overseas markets, while importers are sourcing cheaper products from China, Taiwan, etc. and marketing them under various brand names.

Branding is essential as it helps in generating repeat sales for the company and earning goodwill from the consumers. Many products or services, which are otherwise reasonably superior in performance or are cost-effective, simply fail because of improper branding or incorrect brand positioning. In industrial marketing too, branding is important because the brand might represent a large number of different products, serving various customer segments and industries.

LITREATURE REVIEW

A lot of research has happened in the field of building and managing brands. One of the terms which are of the interest to researchers in brand management is Brand Equity.

- **Measuring Brand Equity:** Brand equity is viewed from different perspectives by different researchers. Some researchers have suggested two types of Brand Equity: Organizational Brand Equity, which is based on the value of the brand to the firm and customer brand equity based on the value to the customers (Capon, Berthon, Hulbert and Pitt, 2001). Organizational Brand Equity focuses on using the financial market value of the firm as a basis for valuing brand equity (Simon & Sullivan, 1993). The most popular perspectives and approaches regarding the concept of Brand Equity are given by Aaker (1991) and Keller (1993). According to Aaker, Brand Equity is “a set of brand assets and liabilities linked to brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and / or to that firm’s customers”.

Keller (1993) considers brand equity from a customer based view as being the "differential effect of brand knowledge on customer's response to the marketing of a brand". According to Keller (1993), brand knowledge is the key to creating brand equity. Keller (1993) described a detailed conceptualization of brand knowledge, which is defined in terms of two components, brand awareness and brand image. Brand image can be measured by studying the brand associations of Aaker (1991). What Keller left out from Aaker's framework in defining brand equity is brand loyalty dimension. The brand equity for global brands can be measured under four dimensions: Perceived quality, Brand loyalty, Brand associations and Brand trust. Brand trust emerged as a new dimension instead of brand awareness (Atilgan, Akinci, Aksoy, & Kaynak, 2009). The study was done for McDonalds and Coca-cola. The consumer based brand equity approach is more practical as the information as the information offers a strategic vision of customer behavior, and managers can develop strategies accordingly (Kim, Jin-Sun & Kim, 2008). The conceptual definition of brand equity for this research is grounded by Aaker's (1991) comprehensive framework, where brand loyalty, perceived quality, brand awareness and brand association leads to brand equity. These established constructs are in various customer based brand equity models (Aaker, 1991; Keller, 1993; Yoo & Donthu, 2001). In the model by Aaker (1991), there is fifth component – other proprietary brand assets. The fifth component, other proprietary brand assets are not relevant to consumer perception. Hence, only the first four dimensions are included here.

- **Customer Based Brand Equity:** If brand has no meaning to consumers, none of the other perspectives of brand equity are meaningful (Keller, 2003; Cobb-Walgren & Ruble, 1995). There will be the value to investor, the manufacturer and retailer only if there is value to the customers (Cobb-Walgren & Ruble, 1995).

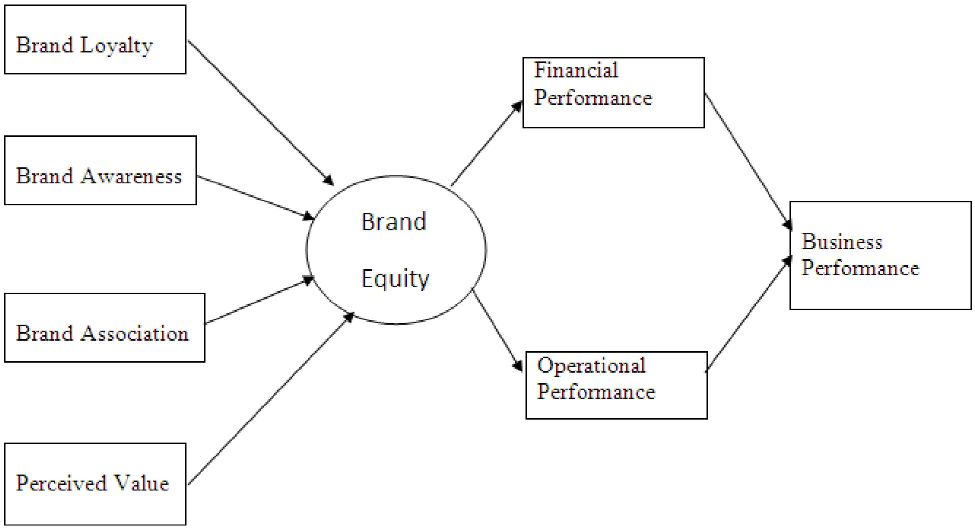
  According to Kim, Jin-Sun and Kim (2008), in the lodging industry (service industry), the model linking outcome variables with three factors of brand equity demonstrated a better fit than the proposed model with four factors of brand equity. The study of brand equity for online companies revealed for partial support for application of the offline brand equity theoretical framework based on brand awareness, brand associations and brand loyalty. Brand loyalty and brand value associations directly create brand equity for online companies (Rios & Riquelme, 2008).

- **Measuring Brand Equity:** Existing measures of brand equity can be divided into three categories. The first category is the customer mindset and focuses on assessing the customer based sources of brand equity. The second and third categories are called the firm and trade perspectives (Farquhar, 1989). Mahajan et.al. (1990) claimed that customer based brand equity can be measured by the level of consumer's perception. Customer based brand equity means the measurement of cognitive and behavioral brand equity at the individual consumer level through a consumer survey (Yoo & Donthu, 2001).
- **Business Performance**: According to Venkatraman & Ramanujam (1986), the conception of business performance centers on the use of simple outcome based financial indicators called – financial performance. A broader conceptualization of business performance would include emphasis on indicators of operational performance (i.e., non-financial) in addition to indicators of financial performance. According to Kaplon and Norton (1996), financial measures of performance alone cannot guide an organization to market dominance. Non-Financial performance indicators also have to be measured and improved. According to Prieto Isabel (2006), business performance includes financial performance (using perceptual measures) and non-financial performance. In a study conducted by Safon Vicente (2007), two types of business performance were identified – market and financial. According to him, financial performance is more complex than market performance.

CONCEPTUAL FRAMEWORK OF BRAND EQUITY

The customer-based brand equity model developed by David Aaker has five dimensions such as brand awareness, brand loyalty, brand association, perceived quality and other proprietary brand assets like patents, trademarks and channel relationships. The following figure 1 depicts how brand loyalty, brand awareness, brand association and perceived quality affect brand equity. The framework also shows the link between brand equity and financial performance and brand equity and financial business performance.

Figure 1: Conceptual Model of Relationship Between and Business Performance



Source: Literature Review

- **Brand Loyalty:** brand loyalty was defined by Aaker (1991) as "attachment that a customer has to a brand". Oliver (1997) defined it as "a deeply held commitment to rebuy a preferred product or service consistently in the future". Loyal customers are less likely to switch to a competitor solely because of price; they also make more frequent purchases than comparable non-loyal customers (Bowen & Shoemaker, 1998).
- **Brand Awareness**: brand awareness is the strength of a brand's presence in the customer's mind. Aaker (1991) defined brand awareness as the ability of potential buyers to identify and recall that a brand is a member of a certain product category. Brand awareness can be a sign of quality and commitment, letting consumers become familiar with a brand and helping them to consider it at the point of purchase.
- **Brand Association:** Brand association create value for the firm and its customers by helping to process/retrieve information, differentiate the brand, create positive attitude or feelings, and provide a reason to buy a brand and form a basis for extensions (Aaker 1991).
- **Perceived Quality:** According to Kotler (2007), "Superior quality perceptions that differentiate the firm's offering from the competitors can boost organizational

performance and customer relationship performance through revenue expansion, cost reduction, customer satisfaction and customer retention".

BRAND STRATEGIES OF DIFFERENT FIRMS

The brand strategies adopted by few industrial product manufacturers have been discussed in following paragraphs:

- **Tata Steel:** A major constituent of the established Tata Group is that it is among the oldest steel company in India, Tata Steel manufacturers and exports various variants, including long products, flat products, tubes, bearings and wires, catering to sectors such as auto & ancillaries, consumer durables, construction, infrastructure, capital goods and general engineering. The firm ensured that the umbrella brand - TATA is prefixed nearly on all the individual product brands. The blue colored Tata logo signifies flexibility and conveys itself as a foundation of knowledge or a tree of trust under which people can take refuge. Tata Wiron is the trusted brand for the galvanized wires having applications in the auto, infrastructure and power segments. Its tag line, '*baandhe rishton ki taar*' boast of a long associations with the customers. The Tata Steelium with the slogan, '*steeel with a soul*', is the first branded cold-rolled steel product in India. The Tata Code of Conduct (TCOC) has served as a manual for each employee on how to perform in personal and professional lives. The firm has a very comprehensive website, listing its various global operations. The site has link for customer query, complaint, feedback and opinions, depicting its intention and sincerity towards continuous improvement and quality service.
- **Bosch Limited:** Bosch Limited India's largest auto component manufacturer, and also one of the largest Indo-German companies in India. The red colored logo BOSCH and a slogan '*invented for life*' indicates firm's assurance of durability and reliability to its customers. The firm manufacturers and trades in three major business sectors. These are:

  a) Automobiles technology division that includes Blaupunkt Car Multimedia systems, chassis breaks, spark plugs and glow plugs. These are sold under the brand 'Bosch'.

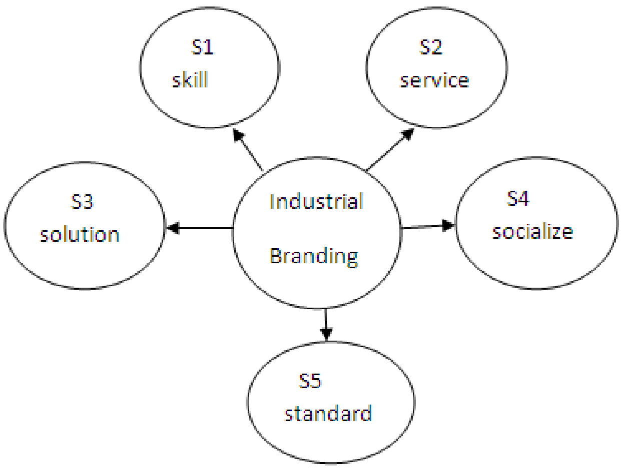
b) The industrial technology division consists of drive, control and motion technologies, special-purpose machines and high-precision tooling. These products are sold under the brand name “Rexroth”.

c) The consumer goods and building technology division offers a complete range of power tools for construction, woodworking and metalworking industry, and are again sold under the brand name “Bosch”.

5’S MODEL FOR INDUSTRIAL BRANDING

The following ‘5-S’ are extremely important for the successful positioning of any brand:

Figure 2: 5-S model for Industrial Branding



Source: Dr. Sumesh Raizada. (significance of branding in industrial marketing)

- **S1- Skill:** It relates to skills and competencies of the salesperson in resolving technical queries of the customers. A qualified and trained salesperson can help in promoting the brand considerably.
- **S2- Service:** Pre-sale and after-sale service is extremely important in satisfying an industrial customer. A satisfied customer can be the best brand ambassador and opinion leader of the product.
- **S3- Solution:** It involves attending to the specific requirement of the customer and providing him the required solution (product or service) within a reasonable time period and cost.
- **S4- Socialize:** Developing personal contracts and maintaining informal association with the buying organization members can help in long term growth of the brand. It

is very important for the marketers to socialize not only with the customers, but also with other stakeholders, including channel members and vendors.

- **S5- Standard:** Firms must establish its quality standards, product technology requirements & ethical norms to be followed and must sincerely adhere to them. By achieving agreed commitments, a firm can earn enough trust and loyalty for the brand.

CONCLUSION

Brand equity is an important topic in the field of marketing. Brands with positive brand equity provide various advantages to an organization. Companies are widely adopting various strategies in branding to capture a place in the minds of customers. Companies need to understand how brand equity can be leveraged to enhance business performance. Among the different dimensions of brand equity, companies need to understand which of the components of brand equity need to be focused more and which need not be.

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