A Study of Brand Equity in a Commodity Market

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Abstract

Most previous studies of the factors that influence brand equity have focused on non-commodities. This study examines the factors that influence brand equity for a commodity – branded beef. Branding remains in a fairly nascent state within the Australian domestic beef market. Several brands have begun to emerge in recent years including Certified Angus, 1824, Hereford Prime, Stockyard Beef and Diamantina. However, these primarily cater for the food service markets rather than household trade. This is in contrast to other countries, such as the US, where branded beef makes up a large proportion of the domestic market. Using conditional and random parameter logit models, we examine the willingness of consumers to pay for one type of branded beef, as well as specific beef attributes, in a regional area of NSW. We find that there is evidence that segments of the population would be willing to pay for branded beef. We also investigate whether brand equity for beef is moderated by self-image congruence, perceived quality and consumer involvement. Both perceived quality and self-image congruence were found to significantly moderate brand equity.

Keywords: Brands, Brand equity, Choice modelling, Agricultural marketing

1. Introduction

Virtually all of the testing of the factors influencing brand equity has examined consumer goods that are not commodities (e.g. sports shoes, sweaters, jeans, jewellery). This raises the question of whether it is possible to develop brand equity for commodities such as agricultural produce (Carter and Shaw 1993, Beverland 2001, Parker, Evans and Bridson 2005), and what are the factors that influence brand equity for commodities? In this article, we investigate the factors that influence brand equity for a single commodity, branded beef.

Beef has traditionally been marketed as a commodity. However, there are advantages to suppliers from attempting to differentiate their products through branding. As Aaker (1991, p.8) noted, brand associations "reduce the primacy of price upon the purchase decision", potentially allowing higher prices to be charged and larger profit achieved. In recent years, several brands have been launched in Australia, which include 1824, Certified Angus, Hereford Prime, Diamantina, and Stockyard. In the initial stages of brand development the focus has been on the food service market segment, with select retail markets developed. Cawood (2003) indicated that the branded beef presently only accounts for 5% sales in the Australian domestic beef market.

There has been little research about the potential value of brand equity in this market, and the factors that contribute to brand equity. This contrasts with research conducted overseas regarding consumer preferences for branded beef and beef attributes (Lusk and Fox, 2001). This research indicates that there is potentially a substantial market for differentiated beef. Similar research in Australia would be expected to be of value for understanding consumers' willingness to pay for specific beef attributes (which may be culturally specific), potential market segments for target marketing, and consumers' additional willingness to pay for differentiated beef.

This paper presents empirical evidence about the value of brand equity, and the factors that influence it in the

Australian domestic beef market. Before going on, it is worth clarifying the meaning of brand equity. Broadly, brand equity can be defined as "the added value with which a given brand endows a product" (Farquhar, 1990, p.RC-7). This value is evident in consumers' choices. Yoo, Donthu and Lee (2000) noted that brand equity is manifested in the difference in choice between products that are identical in terms of their features, but differ only in brand name. In some respects, brand equity can be considered to be an intangible. As Biel (1992, p.RC-7) suggested, brand equity is the value "beyond the physical assets associated with its manufacture or provision".

Brand equity is derived from several sources. According to Aaker (1991), brand equity results from brand loyalty, name awareness, perceived quality, brand associations and other proprietary brand assets (e.g. patents, channel relationships). The development of each of these aspects of a brand will result in increased brand equity. Keller (2003) identifies several similar bases of brand equity, but organises them according to what he describes as the Customer-Based Brand Equity Pyramid (see Figure 1). On the bottom of the pyramid is Brand Salience, which reflects brand awareness. On the next level is Brand Performance and Brand Imagery. Brand performance reflects the actual features of a brand, while imagery reflects the intangible aspects of a brand and is similar to what Aaker describes as associations. On the next level is Customer Judgements and Customer Feelings. Customer Judgements reflect customers' opinions and evaluations of a brand. Aaker's perceived quality is part of Customer Judgements, but it also includes other aspects such as credibility, consideration and superiority. Customer Feelings reflect consumers' emotional responses to a brand, which can include excitement, self-assurance, social approval and self-respect. The pinnacle of the pyramid is Consumer-Brand Resonance, which reflects consumers' loyalty, attachment, identification and engagement with a brand. Keller (2003) contended that building brand equity involves first developing brand salience, then brand meaning (via performance and imagery), which then influences brand response (via customer judgements and feelings) and the relationships of consumers with a brand (i.e. resonance).

Many studies have empirically investigated the factors that influence brand equity described by Aaker (1991) and Keller (2003). Some of these studies have focused on estimating the influence of perceived quality, brand loyalty and brand attitudes on brand equity or brand preference (eg Morton 1994, Chaudhuri 1999, Faircloth, Capella and Alford 2001, and Hellier et al 2003). These studies have been consistent in demonstrating the importance of these factors in creating brand equity.

Figure 1: Keller's Customer Based Brand Equity Pyramid