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The role of brand logos in firm performance

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ABSTRACT

This research demonstrates that the positive effects of brand logos on customer brand commitment and firm performance derive not from enabling brand identification, as is currently understood, but primarily from facilitating customer self-identity/expressiveness, representing a brand's functional benefits, and offering aesthetic appeal. This study examines whether brand names or visual symbols as logos are more effective at creating these benefits and whether or not the impact of the three aforementioned brand logo benefits on customer brand commitment and firm performance is contingent on the extent to which a firm leverages its brand (i.e., employs brand extensions to different product categories).

1. Introduction

> "Design moves things from an existing condition to a preferred one." (Graser, 2000, p. 8)

Brands are important intangible assets that significantly impact firm performance (Morgan & Rego, 2009; Rao, Agarwal, & Dahlhoff, 2004). Indeed, customers can develop deep, meaningful relationships with a brand (Fournier, 1998; Park, Jaworski, & MacInnis, 1986; Schau, Muñiz, & Arnould, 2009; Thomson, MacInnis, & Park, 2005), which result in increased brand purchase (Park, MacInnis, Priester, Eisingerich, & Iacobucci, 2010), reduced customer price sensitivity (Ailawadi, Lehmann, & Neslin, 2003), and lower marketing costs (Mizik & Jacobson, 2008). Yet, the harsh business reality for firms remains that customers view many brands as indistinguishable and commonplace.

A brand's logo has typically served as a means for resolving the problem of indistinguishability. As one of the most salient visual elements of a brand (Wallace, 2001), logos facilitate the identification of the brand and its differentiation from competing alternatives (Janiszewski & Meyvis, 2001; MacInnis, Shapiro, & Mani, 1999). Throughout history, logos have enabled the efficient identification of individuals (e.g., in ancient China, emperors used the dragon as a symbol of imperial power) and groups or movements (e.g., the cross is used on top of church buildings and the swastika on some Buddhist temples). However, logos can be more than simple tools for identification and differentiation. The Christian cross symbolizes sacrifice and life's victory over death, while in Buddhism the swastika embodies auspiciousness and good luck—hence suggesting that logos can, among others, convey key information about the brand they stand for.

In fact, prior research on branding notes that logos act as the primary visual representation of a brand's general image and meaning (Henderson & Cote, 1998; MacInnis et al., 1999; Swartz, 1983). As a result, logos can shape the brand's reputation (Baker & Balmer, 1997; Olins, 1989; Van den Bosch, de Jong, & Elving, 2005) along with consumers' attitudes, their purchase intentions (Woo, Chang-Hoan, Hyuck Joon, 2008) and their brand loyalty (Müller, Kocher, & Crettaz, 2011). Brand logos also have an impact on the financial value of a company (Schechter, 1993; Van Riel & Van den Ban, 2001). However, no available research investigates the specific nature of these relationships. This paper builds on extant research by examining the impact of brand logos on customer commitment and firm performance and extends current research in three critical ways.

First, this study investigates the mechanism(s) through which logos, as the summary representation of what a brand stands for, strengthen customer commitment and firm performance above and beyond the mere brand identification benefit noted in past work.

Second, since no prior work studies when logos are more effective at engaging customers beyond enhancing brand identification, this study explores the role of brand logo type in offering benefits to customers.

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Specifically, logos may show the brand name alone (e.g., Intel, Ford, Samsung, IBM), or in combination with a unique visual symbol (e.g., McDonald's golden arches, Mercedes-Benz's three-pointed star). In this latter case the symbols serve as the actual brand logos, such that the brand names appear as complements alongside the symbols, or may even be dropped altogether in favor of the visual sign (e.g., Apple, Target). This study assesses whether or not logos showing brand names alone and brand names accompanied by separate visual symbols have differential effects on providing customer benefits that go beyond mere brand identification.

Third, given that brands frequently use extensions to other product categories to leverage their current customer base and parent brand image (e.g., Aaker & Keller, 1990; Broniarczyk & Alba, 1994), this study addresses the question of how the frequency of such extensions influences the positive effects of brand logos. In sum, the overall purpose of this study is to identify *how* brand logos contribute to customers' brand commitment and firm performance, and *when* such impact is most pronounced.

An important caveat to the present study exists. Specifically, this study does not assume brand logos' effects to be independent of a brand's marketing efforts, nor does it intend to test the contribution of logos relative to other marketing strategy elements (such as product quality, distribution power, pricing). Instead, the study relies on the assumption that a firm's marketing activities are reflected in consumers' understanding of the firm's brand logo(s).

The following sections discuss the purpose and conceptual background of this study and then introduce a set of formal hypotheses. Afterward, the research method and results follow. Finally, a discussion of the findings' implications for management practice and future research ensues.

2. Conceptual background and hypotheses: brand logos and customers' brand commitment and firm performance

This study posits that from the customers' viewpoint, brand logos reflect the meaning of a brand and therefore serve as summary information about a brand's marketing efforts (Henderson & Cote, 1998; MacInnis et al., 1999; Van Riel & Van den Ban, 2001). How this summary information affects customers' relationship with a brand and subsequent firm performance is the key issue addressed in this research (see Fig. 1).

Brand commitment and firm performance are two dependent variables theoretically linked to each other. Strong customer relationships are critical drivers of a firm's future cash flow, which in turn impacts the firm's financial performance and shareholder value (Srivastava, Shervani, & Fahey, 1998). Commitment, measured as the willingness of customers to stay with a brand and to sustain their brand relationship in the future, has been noted by prior research as one of the key measures of strong customer relationships (De Wulf, Odekerken-Schröder, & Iacobucci, 2001). Thus, this study expects customers' commitment to a brand to mediate the impact of strong brand logos on firm performance.

To the extent that brand logos (names only or with symbols) are the key visual representations of a brand, customers' understandings and judgments of a logo will affect their relationships with a brand in several ways. First, brand imagery bombards today's customer and a barrage of different and sometimes contradictory marketing messages surrounds customers (Luo & Bhattacharya, 2006). In such an environment, logos often create value to customers by making brand identification easier and enabling faster decision-making (Henderson & Cote, 1998; Janiszewski & Meyvis, 2001).

In addition to the well-documented benefit of enhanced brand identification, this study identifies the following three related but distinct mechanisms through which a brand logo creates value for customers, hence enhancing customers' brand commitment and strengthening firm performance: the facilitation of customer self-identity/expressiveness benefits, the communication of a brand's functional benefits to customers, and the provision of aesthetic appeal. The study discusses these three distinct mechanisms in greater detail below.

2.1. Brand logos and customer self-identity/expressiveness benefits

Brands have the ability to help express or define individuals' actual or desired selves (Chaplin & Roedder John, 2005; Escalas & Bettman, 2005) and to differentiate customers' selves from those of others (Kleine, Kleine, & Allen, 1995). For instance, a brand may reflect various parts of customers' identities, such as core beliefs/values

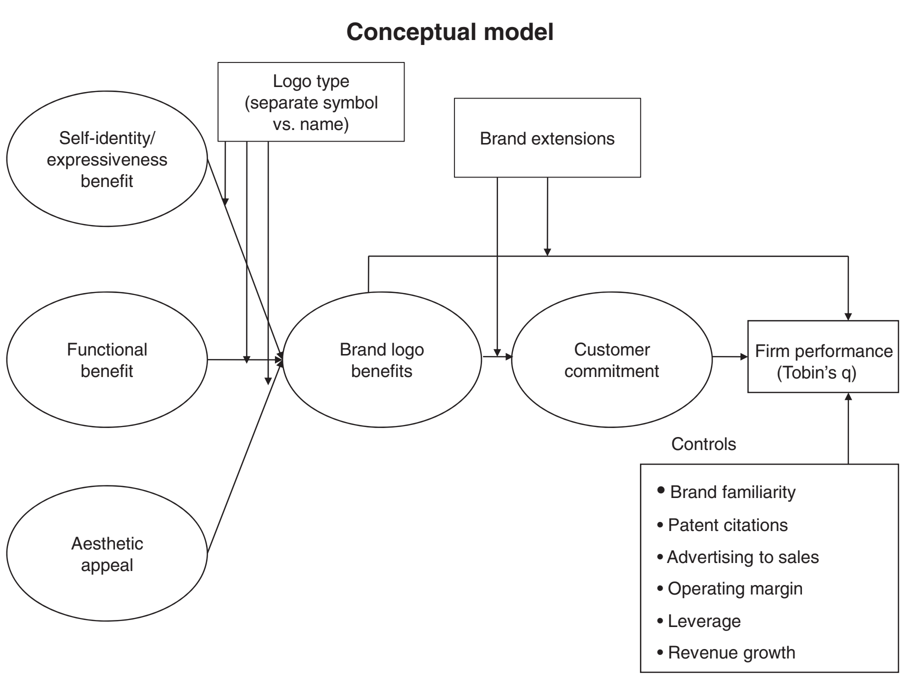

Fig. 1. Conceptual model.