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Towards an identity-based brand equity model ☆

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ABSTRACT

In the context of increasingly interchangeable product and service offerings, brands are crucial drivers for product purchasing and usage decisions. Thus, they constitute a substantial intangible asset for most companies. In order to maximize this asset, current research has developed various brand equity models. However, the majority of these base their approach on an outside-in perspective by focusing on buyer perceptions of the brand and their related buying behavior. An integrated approach including for example employees as an important internal source of brand equity, has so far received little attention. The following paper aims to close this gap by developing a new integrated brand equity model. This research explores the sources of brand equity from both internal and external perspectives at the behavioral and financial level in order to achieve a more accurate and sustainable brand equity measurement approach.

1. Introduction

Since the late 1980s and the rise of the value-based management philosophy, brand equity has developed into one of the key marketing concepts throughout management theory and practice (Srinivasan et al., 2005). The need for convincing evidence of brand-based equity creation has led to the development of a wide range of different brand equity models. To date probably more than 300 different models exist worldwide (Amirkhizi, 2005). Most of these models focus on the perspective of the buyer (e.g., Aaker and Joachimsthaler, 2000). Following predominantly an outside-in approach, their authors argue that brand equity originates from the brand knowledge of buyers (Keller, 2003). However, an integrated brand equity approach which includes an inside–out approach has so far been scarce. Nevertheless, the creation of brand equity from inside the company is extremely relevant: Not only do employees represent an important stakeholder group (Joachimsthaler, 2002; Jones, 2005; Fiedler, 2007), they also constitute the original source of brand equity.

This paper develops a new integrated approach, thus seeking to improve the measurement of brand equity and thereby managerial quality. The proposed model utilizes an identity-based brand management approach as its starting point. This model incorporates external as well as internal perspectives of brand equity creation. Behavioral and financial variables are integrated in order to facilitate both a control system for brand management as well as an economic evaluation of the brand as an intangible asset: firstly, the authors describe the theoretical groundwork of the model (identity-based brand management and the definition of brand equity). Secondly, they introduce the identity-based brand equity model and finally the discussion of future research and managerial implications follows.

2. Theoretical background

Despite the substantial body of brand equity models (Leone et al., 2006), most brand equity models lack a sufficiently rigorous theoretical basis (Raggio and Leone, 2006). In particular, commercial approaches barely present a conceptual framework for explaining the selection and weighting of their determinants. However, this basic theoretical groundwork is necessary in order to prevent arbitrariness. The proposed approach towards identity-based brand management represents such a theoretical foundation for the brand equity model presented in this paper.

2.1. The identity-based brand equity management framework

This framework relies on two dominant strategic management paradigms: firstly, the market-based view, and the competence-based view of the firm (Porter, 1998; Freiling, 2004; Teece et al., 1997). Secondly, the brand identity philosophy of branding (Kapferer, 1992b; Meffert, 1994; Schmitt and Pan, 1994; Upshaw, 1995; Aaker, 1996; Meffert and Burmann, 1996). In contrast to the outside–in perspective of various brand equity management approaches, this approach attributes equal importance to the inside–out perspective (De Chernatony, 1999, 2006). Proponents of this approach argue that brand identity precedes and therefore represents the basis for brand

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image (Kapferer, 2004). Brand image approaches focus on the receiver side of the brand and analyze how external stakeholders perceive the brand. In contrast, brand identity approaches start their analyses with the sender of brand communication. Hence they analyze the role of internal stakeholder groups first. (Burmann and Meffert, 2005). This approach implies that active management of the brand is only possible through the management of brand identity.

In this context various approaches have emerged which explore the nature of brand identity (see Table 1). Despite minor conceptual differences the authors agree on the direct influence of the identity of a brand for the customer's perception (i.e., the brand image).

The second facet of the identity-based brand management approach is the image of the brand. The image represents a multidimensional, holistically perceived system of attitudes (Foscht and Swoboda, 2005) and is based on buyer perceptions of brand-induced signals. These associations result in a positive perception if the brand is able to satisfy the functional and emotional needs of buyers. Current research presents various approaches to the concept of brand image (Nandan, 2005). Keller's (1993) four dimensions of brand image is one of the most important and widely used models. This model introduces brand awareness, brand attributes and the brand-induced functional and symbolic benefits as the main pillars of brand image.

O'Shaughnessy (1987) summarizes the apparent interdependence between the two constructs (brand identity and brand image) by stating that "brand identity constitutes a necessary condition for maintaining buyer's trust, which in turn is the basis for long-term customer relationship and brand loyalty."

2.2. Defining identity-based brand equity

The ongoing interaction of brand identity and brand image forms the basis for the development of brand equity. In the present paper, the authors define brand equity as present and future valorization derived from internal and external brand-induced performance. This definition includes three major categories: psychological brand equity, behavioral brand equity and financial brand equity. The conceptual proximity of the first two categories leads to a comprehensive and widely accepted term: brand strength (Owen, 1993; Francois and MacLachlan, 1995; Walser, 2004). In general, brand strength comprises the internal behavioral significance of a brand for internal stakeholders (e.g., employees) and the external behavioral importance of a brand for its external stakeholders (Kranz, 2002; TAIKN, 2006).

The following example demonstrates the relevance of this definition of brand strength. In this context, internal and external brand strength represent two dimensions of a four-field-matrix, from which four general brand strength types can be derived (see Fig. 1).

Table 1
Conceptualizations of brand identity

Author (s)	Year	Conceptualizations of brand identity
Kapferer, J.-N.	1992	Hexagonal brand identity prism reflecting the brand's physique, personality, culture, relationship, reflection, self-image
Aaker, D. A.	1996	Entity-based categorization with four dimensions: the brand as a product reflects the product-related associations; the brand as an organization focuses on organizational associations; the brand as a person includes the brand personality; the brand as a symbol includes the visual imagery, metaphors and brand heritage
De Chernatony, L.	1999	Six brand identity dimensions: brand personality, culture and relationship, vision, brand positioning, the brand presentation
Meffert, H. and Burmann, C.	2005 1996	Six brand identity dimensions: heritage, organizational capabilities, values, personality, vision and core offering

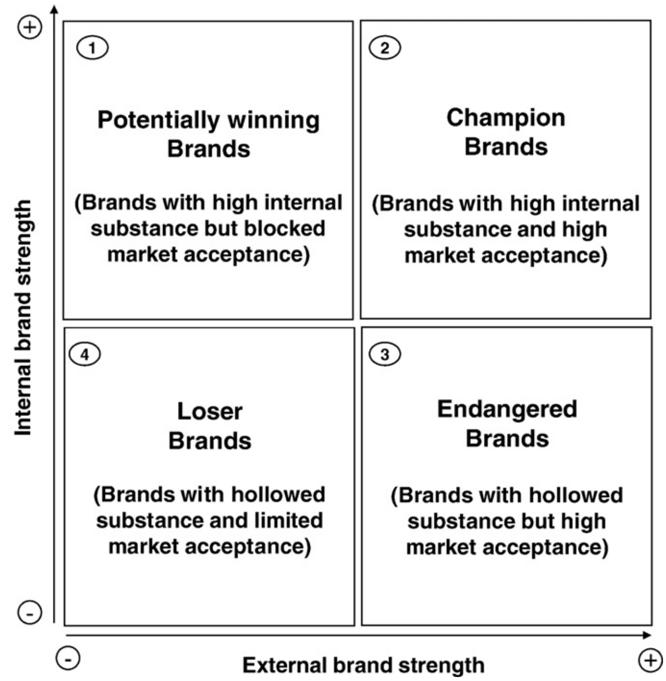

Fig. 1. Brand strength categorization scheme.

2.2.1. Potentially winning brands

Brands with a high level of internal, but low level of external brand strength prevail in this brand strength category. This domain often represents the starting point for companies creating brand equity. The attitudes and behaviors of highly brand-committed employees (Burmann and Zeplin, 2005) are not reflected on the external market side, hence impacting on the brand's present and future equity development in a negative way. A prominent example is the Apple brand in its early stages. Although equipped with highly brand-committed employees the company lacked broad market success due to the market dominance of Microsoft. Therefore, Apple was a brand with considerable internal substance but limited market acceptance. However, the introduction of the iPod enabled Apple to circumvent these market barriers and obtain broader market success.

2.2.2. Champion brands

This category contains brands exhibiting high levels on both internal and external brand strength dimensions. These brands reveal considerable internal substance. Furthermore, buyers exhibit an attractive mental brand image. Hence the brand offers outperforming growth potential. Starbucks represented a prominent example for this category: Starbucks staff showed a high level of brand commitment and brand citizenship behavior and the market exhibited a high level of external brand strength. One major reason for the past success was likely to result from the thorough selection and intense training of Starbuck baristas. This training formed the basis for external brand acceptance and the related growth of the brand.

2.2.3. Endangered brands

This brand category represents brands with a low level of internal strength, but a (still) high level of external strength. From an external perspective, these brands tend to be strong and well accepted, but the brand's internal substance has been severely damaged. Low levels of internal brand strength indicate that employees exhibit only a low level of brand commitment and thus little brand citizenship behavior (Burmann and Zeplin, 2005). Deutsche Telekom, for instance, shows low levels of market-orientation, brand commitment and brand citizenship behavior. Furthermore, several decisions of the new CEO