Reflections about Brand Equity, Brand Value and their Consequences

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Abstract
Although brand equity is a widely accepted concept, its definition is frustratingly elusive (Knowles, 2008). Our aim thereby is to point the direction for future research on the conceptualization of brand equity, as well as to encourage theoretical and empirical studies that assess its possible consequences. We argue for the need to distinguish between brand equity and brand value, which, although related, are discrete concepts. The essay also discusses how brand equity is able to generate value for customers and the company, whereas brand value is able to generate value only for the company and its shareholders.
Introduction

The marketing literature shows increased studies about the productivity of marketing; at the same time, however, marketing practitioners and scholars are under increased pressure to show how marketing expenditure adds to shareholder value (Doyle, 2000; Srivastava, Shervani, & Fahey, 1998; Rust, Ambler, Carpenter, Kumar, & Srivastava, 2004; Gupta & Zeithaml, 2005). Stockholders require managerial action to result in positive outcomes for the organization, and the economic recession and financial crisis are increasing this pressure on practitioners and scholars. Consequently, the challenge to identify the value created through marketing initiatives, and to thus demonstrate the effectiveness and efficiency of this business area, has risen both during and after the crisis. Indeed, the demand for better marketing performance has only tended to grow.

In a highly competitive environment, a strong and positive brand becomes an important differentiating factor for the company (Bendixen, Bukas, & Abratt, 2004). In this sense, brands become, for customers, a distinguishing factor between competing offers, and thus can be crucial for the success of companies (Wood, 2000). Recently, intangible assets, such as brands, are being seen as value-generating assets of a company. Brands, for example, represent a “potential to increase sales, capture markets, to transmit values and establish a mutual trust relationship between the consumer and the business” (Barretto & Famá, 1998, p. 56).

In this context, brand equity becomes an important asset for most companies (Srivastava, Shervani, & Fahey, 1998; Rust, Lemon, Zeithaml, 2004; Fisher, 2007), one that is difficult for competitors to imitate or substitute, and possibly a competitive advantage (Baldauf, Cravens, & Binder, 2003; Slotegraaf & Pauwels, 2006) and a future source of income for the company (Baldauf, Cravens, & Binder, 2003; Mortanges & Riel, 2003).

Crescitelli and Figueiredo (2009, p. 102) affirm that “there is broad consensus among academics and practitioners of marketing about the importance of brands in the current scenario”. However, although brand equity is a widely accepted concept, its definition is frustratingly elusive (Knowles, 2008). Despite the importance of the topic and the increasing number of studies on the subject, there is no complete consensus about the concept and terminology of brand equity.

“Among research in the brand equity area, a single, uniformly accepted theoretical foundation still has not emerged,” suggest Raggio and Leone (2007, p. 384). Despite the substantial number of brand equity models (Leone et al., 2006), most lack a sufficiently rigorous theoretical base (Raggio & Leone, 2006), which is necessary to prevent arbitrariness (Burmann, Jost-Benz, & Riley, 2009).

Based on the preceding discussion, this essay propounds the argument that the literature lacks a consensus on the definition of brand equity despite there being diverse perspectives on the issue. Furthermore, the essay argues, this disagreement is caused by the lack of empirical evidence of the constructs and the vagueness of their conceptualization. Thus, in this essay we reflect on the understanding of brand equity, considering the various perspectives on this construct, by addressing questions of terminology. Moreover, we seek to establish theoretically study possible brand equity consequences. Our aim thereby is to point the direction for future research on the conceptualization of brand equity, as well as to encourage theoretical and empirical studies that assess its possible consequences.

1 Brand Equity’s Perspectives

Brand equity is an extremely important construct for marketing, yet it lacks theoretical consensus and clarity in its conceptualization, mainly because the researchers defining it come
from different philosophies and perspectives (Wood, 2000). Besides the lack of conceptual agreement, the construct has been subject to varying terminology. There are also different ways of measuring the construct, due to the different goals that researchers seek to achieve in measuring the value of the brand (Keller, 1993). Given this context, it is suitable to seek a greater conceptual understanding of the value of the brand, aiming for a larger theoretical sedimentation.

Although the exact origins of the term brand equity are unclear, it has been traced back to the mid-1980s (Barwise, 1993; Feldwick, 1996; Brodie, Glynn, & Sleep, 2002). Seeking to convince directors of companies to turn back to long-term value creation through investments in brand advertising and other marketing tools, researchers argued that the market needed financial measures on the value of these investments (Knowles, 2008). That decade saw a lot of mergers and acquisitions between companies, where the purchase price of a firm was often greater than the sum of its tangible assets, the monetary difference being attributed to the role of the intangible assets (Martins, 2006). Companies holding significant brands had better positions and benefits in negotiations. A classic example of the importance of brand equity is that of Philip Morris buying Kraft in 1988 for $12.6 billion, which was six times the accounted value of the company (Pinho, 1996; Aaker, 1998; Caputo, Walnut, & Macedo, 2008).

Since then, definitions of brand equity have abounded, and several studies have been conducted on this topic (Brodie, Glynn, & Sleep, 2002). In the last 15 years (Raggio & Leone, 2007), brand equity has become a focus of academic research and administrative practice (Aaker, 1996a; Keller, 1993; Shankar, Azar, & Fuller, 2007).

Despite the increasing number of studies, there is no absolute consensus about the relation between the concept and terminology of brand equity. The term brand equity, as well as the concepts of brand value and added value, has rapidly acquired multiple meanings (Wood, 2000) and is seen “through a variety of perspectives” (Keller, 1993, p. 1); some of these definitions are presented in Table 1. Some researchers, like Lassar, Mittal and Sharma (1995), Simon and Sullivan (1993), Schiffman and Zanuk (1994), Winters (1991), and Farquhar (1989), agree that brand equity is everything that a brand has, tangible and intangible, that contributes to the sustained growth of profits (Martins, 2006). Aaker (1998, p. 16) agrees with that statement when he states that “brand equity is a set of assets and liabilities linked to a brand, its name, and its symbol that add or subtract from the value provided by a product or service to a company and/or to that firm’s customers.” However, as Table 1 shows, there is no total consensus on the definition since there are different perceptions about brand equity, some more connected to a financial perspective, others more related to a consumer’s view, and yet others incorporating both.

Table 1:

<table>
<thead>
<tr>
<th>Brand Equity Definitions</th>
<th>Studies</th>
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<tbody>
<tr>
<td>The set of associations and behavior on the part of a brand’s customers, channel</td>
<td>Marketing Science Institute - MSI</td>
</tr>
<tr>
<td>members, and parent corporation that permits the brand to earn a greater volume or</td>
<td>(1980)</td>
</tr>
<tr>
<td>greater margins than it could without the brand name and that gives a strong,</td>
<td></td>
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<tr>
<td>sustainable, and differentiated advantage over competitors.</td>
<td></td>
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<tr>
<td>The added value to the firm, the trade, or the consumer with which a given brand</td>
<td>Farquhar (1989)</td>
</tr>
<tr>
<td>endows a product.</td>
<td></td>
</tr>
<tr>
<td>Brand equity is a set of assets and liabilities linked to a brand, its name and symbol,</td>
<td>Aaker (1991)</td>
</tr>
<tr>
<td>that add or subtract from the value provided by a product or service to a company and/or to that firm’s customers.</td>
<td>Brodsky (1991)</td>
</tr>
<tr>
<td>The sale and profit impact enjoyed as a result of prior year’s marketing efforts versus a</td>
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comparable new brand.

Brand equity subsumes brand strength and brand value. Brand strength is the set of associations and behavior of consumers, distributors, and corporate owner of the brand allowing the brand to enjoy sustainable competitive advantages. Brand value is the net financial result of the ability of management to leverage the strength of the brand through tactical and strategic actions in support of current and future profits to reduce risks.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Reference</th>
</tr>
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<tbody>
<tr>
<td>Measurable financial value of transactions accumulated on the product or service due to successful programs and activities.</td>
<td>Smith (1991)</td>
</tr>
<tr>
<td>Value related to a product by consumer associations and perceptions of a particular brand.</td>
<td>Winters (1991)</td>
</tr>
<tr>
<td>Incremental cash flows that accrue to branded products over unbranded products.</td>
<td>Simon and Sullivan (1993)</td>
</tr>
<tr>
<td>Value of a well-known brand. It contributes to the acceptance of new products, shelf space allocation, perceived value, perceived quality, ability to charge premium price, and even the value of assets in the balance sheet.</td>
<td>Schiffman and Zanuk (1994)</td>
</tr>
<tr>
<td>Additional value that lies beyond its physical assets. This value comes from the position that the company has in the market, compared to that obtained in the absence of the brand.</td>
<td>Dimitriadis (1994)</td>
</tr>
<tr>
<td>Increase in the perceived usefulness and level of attractiveness that a brand gives to a product.</td>
<td>Lassar, Mittal and Sharma (1995)</td>
</tr>
<tr>
<td>The differential effect that brand knowledge has on customer response to the marketing of that brand.</td>
<td>Keller (1998)</td>
</tr>
</tbody>
</table>

### Note

Table 1 demonstrates that there are various concepts and perspectives of brand equity. Some perspectives are more finance related and the value of the brand is seen as giving good financial results (Srivastava & Shocker, 1991), as measurable financial value of a transaction (Smith, 1991), as better performance of the company’s offer compared to that of its competitors (Brodsky, 1991), and as the incremental cash flow or market position the brand provides compared to the offer of those companies without brands (Simon; Sullivan, 1993; Dimitriadis, 1994). Some definitions, such as that of Winters (1991), Lassar, Mittal, and Sharma (1995), and Keller (1998) are focused on the consumer’s perspective, focusing on their associations, perceptions, loyalty, and the brand’s perceived usefulness. Others, like the definition of the Marketing Science Institute (MSI) and that of Luthsser (1998), relate consumers’ associations, perceptions, and behavior with the performance of the company (e.g., through sales volume, higher margins, higher profits, and competitive advantages). And there are still others that relate to an accounting perspective, for example, how to state the value of the brand on the balance sheet, such as that of Schiffman and Zanuk (1994).

Thus, although brand equity has been widely studied in the literature, there is no consensus as to its definition (Villanueva & Hanssens, 2007). One reason for this difference in opinion is the diverse perspectives from which the brand can be analyzed and the different purposes a brand’s value serves for each perspective (Keller, 1998). Moreover, the concept of brand equity has been discussed in the finance, accounting, and marketing literatures (Wood, 2000), providing different views on the subject.

Keller and Lehmann (2006) believe in the existence of three major and distinct perspectives in the study of brand value: customer based, company based, and finance based. From the customer’s point of view, brand equity is part of the attraction or repulsion to a particular product from a particular company, generated by the “nonobjective” part of the product offering (Keller & Lehmann, 2006, p.15). Yet, brand equity from the company’s perspective is the additional value (i.e., discounted cash flow) that accrues to the firm because of the brand’s value, which would not accrue from an equivalent unbranded product (Keller & Lehmann, 2006, p.15). From a finance point of view, brands are assets that, like the plant and
equipment, can be, and frequently are, bought and sold. The financial worth of a brand is therefore the price it brings, or could bring, in the financial market.

Kapferer (2004) suggests that brand equity is seen from only two main views: a consumer-based one, which focuses exclusively on the relationship between consumers and brands, and another that seeks to assign a monetary value to the brand. The latter discusses the financial value that brand equity creates for the company; the former would be what Keller (1998) calls brand equity based on the consumer (consumer-based brand equity), defined by him as the differential effect of brand knowledge in consumer response to marketing actions (Christodoulides & Chernenatony, 2009).

Yet Feldwick (1996) classifies the different meanings of brand equity as: the total value of a brand as a separable asset when it is sold or when it is included on a balance sheet; a measure of the strength of consumers’ attachment to a brand; and as a description of the associations and beliefs the consumer has about the brand. The author further classifies these different meanings. The first of these is often called brand valuation or brand value, and it is this meaning that is generally adopted by financial accountants (Wood, 2000). The concept of measuring the consumers’ level of attachment to a brand can be called brand strength (synonymous with brand loyalty) (Wood, 2000). The third could be called brand image, though Feldwick (1996) used the term brand description. However, when marketing practitioners use the term “brand equity” they tend to mean brand description or brand strength (Wood, 2000). Brand strength and brand description are sometimes referred to as “consumer based brand equity” to distinguish them from the asset valuation meaning.

Feldwick (1996) notes that besides the different perspectives on and conceptualizations of brand equity in the literature, there are also different terminologies used. Many practitioners and academics perceive brand value and brand equity as two different concepts (Feldwick, 1996; Kerin & Sethuraman, 1998; Raggio & Leone, 2006, 2007, 2009). Brand value involves the financial evaluation of the brand (Raggio & Leone, 2007). Yet brand equity is “the incremental effect of the brand in all aspects of the consumer’s evaluation and choice processes” (Erdem et al., 1999, p. 301). And although many scholars distinguish between the terms “brand value” and “brand equity,” some do not make that differentiation at all (Keller & Lehmann, 2006; Krishnan, 1996, p. 390; Rust, Zeithaml, & Lemon, 2004, p. 118; Simon & Sullivan, 1993, p.29; Shankar, Azar & Fuller, 2007). They distinguish only between the adopted perspectives, whether it is the consumer or the firm’s perspective, and the financial or accounting perspective. In other words, besides the lack of theoretical consensus, there is also no consensus on the terminology used in the treatment of brand equity. Raggio and Leone (2007, p. 383) believe that one of the “primary reasons no generally accepted measure of brand equity has surfaced in the past 15 years is that brand equity and brand value frequently are treated as the same construct.”

Analyzing these terminologies and the different perspectives that shape them gives us the opportunity to see how different constructs of what is known as brand equity overlap. For instance, Kapferer’s (2004) view of brand equity as consumer-based—that focuses exclusively on the relationship between the consumers and the brand—has a conceptual overlap with Raggio and Leone’s (2006, 2007) view of brand equity. And Kapferer’s (2004) view of brand equity as a monetary measure coincides directly with the definition of brand value.

Overall, the literature provides enough evidence for us to group existing theories into two main views on brand equity: brand equity based on the consumer, which is the value based on a consumer’s perceptions, memories, associations, feelings, etc. about the brand, which in this paper is called brand equity; and the financial view of the brand, which concentrates on the monetary value that the brand creates for the firm, which we now call “brand
value.” Therefore, we propose that brand equity and brand value are different concepts (see Figure 1).

Figure 1. Proposition 1: Brand equity and brand value are different concepts

The need for a regular and consistent use of terminology is essential for scientific research (Stern, 2006), which is particularly pertinent to the word “brand” itself, as it is a term that is often imbued with different meanings. In the following sections, we explain these two distinct concepts in more detail.

1.1 Brand value: Financial value of the brand

The idea of defining brands by their monetary value for a firm has had many nomenclatures: value of the brand (Feldwick, 1996), brand value (Feldwick, 1996), brand equity oriented for the company (Wood, 2000), or brand equity oriented for accounting (Morgan, 2000). In this paper, this construct will be known as brand value. Hence, we could say “Interbrand estimated the brand value of Petrobras as R$10.805 million in 2010” (Interbrand, 2010).

This construct of brand value is studied not only by marketing practitioners but also by professionals in finance and accounting. They see the brand as an intangible asset, possibly capitalized, giving brands considerable stature as equity during a brand purchase. The brand here represents an asset, which can be purchased or sold at a certain value. Indeed, there are many reasons to view brands as such: to set a price when the brand is sold (Feldwick, 1996); to be an asset that needs managing (Morgan, 2000), to include the brand as an intangible asset on the company’s balance sheet (Feldwick, 1996), to enable the incremental value in cash flow resulting from the sale of a branded offering as opposed to the sale of an unbranded offering (Morgan, 2000; Fischer, 2007), and to increase market share (Morgan, 2000).

In terms of how brand value is measured, we highlight the method of cost-based assessment, a method where “expenses [are] incurred to consolidate the brand as a possible way to measure their value” Damodaran (2007, p. 286). Cost-based assessment extracts the value of a brand by examining how the market prices a company with and without the brand (Damodaran, 2007. According to Martins et al. (2010), brand value can still be calculated based on historical profits. However, “the discussion in the accounting department about the measurement and accounting of intangible assets arouses concern about the subjectivity of methods used” (Martins et al., 2010, p.5). According to Barth et al. (1998, p. 43), “Generally Accepted Accounting Principles (GAAP) consistently failed to recognize intangible assets such as financial assets.” The main reason brands are not recognized as financial assets because of the concern over whether their brand value calculations are valid (Barth et al., 1998).

However, Fisher (2007) found that in recognition of the growing importance of intangible assets for investors and creditors, the Financial Accounting Standards Board (FASB) revised its rules regarding the treatment of intangible assets in financial reports from 2001 (FASB 141, 142 and 144 of FASB 2001a, 2001b and 2001c). The revised standards require that brand equity be identified as intangible assets in business acquisition and mergers.
In Brazil, Law 11.638/07 introduced an asset item called “intangible” for corporate accounting, allowing the accounting for intangible assets acquired at the cost of production (Martins et al., 2010). Although Law 11.638 does not allow a formal recognition of the value of intangible assets generated internally, with brand value, there are circumstances in which this information is essential—for example, mergers and acquisitions, or spin-offs.

1.2 Brand equity (consumer based brand equity)

According to American Marketing Association (2010), from “the consumer[’s] perspective, brand equity is based on consumer attitudes about the positive attributes of the brand and favorable consequences of the use of the brand”. Keller and Lehmann (2006, p.14) hold that “brand equity is derived from the words and actions of consumers”. To Aaker (1996), brand equity is a set of resources and deficiencies inherent to a brand that increase or reduce the product value. Therefore, from the viewpoint of the customer, brand equity is part of the attraction or repulsion to a product of a particular brand (Aaker, 1996a). Rego, Billett and Morgan (2009) take this view in their study, assuming that any brand vision is, ultimately, a function of the value that the brand delivers to its customers.

Research on brand equity usually involves collecting data on the measures of consumers’ approach toward a brand, using the data to evaluate consumer perceptions, feelings and attitudes toward the brand (Karton & Rao, 2005). However, there is no single theory about brand equity, as theorists present different dimensions to this construct. So, for example, even though it is clear that the dimensions of brand awareness and brand associations (associations with the brand) are important components of brand equity as based on the consumer (Christoulides & Chernatony, 2009), there is no consensus on the dimensions of consumer-based brand equity (Table 2). For instance, Netemeyer et al. (2004) find four dimensions of brand equity—perceived quality, perceived value of cost, uniqueness, and compliance in paying a premium price—but do not take brand awareness or brand associations into consideration at all.

Table 2:
Brand Equity Dimensions

<table>
<thead>
<tr>
<th>Brand equity Dimensions</th>
<th>Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand relationship (trust, customer satisfaction with the brand)</td>
<td>Blackston (1992)</td>
</tr>
<tr>
<td>Brand knowledge (brand awareness, brand associations)</td>
<td>Keller (1993)</td>
</tr>
<tr>
<td>Brand awareness and Brand Meaning</td>
<td>Berry (2000)</td>
</tr>
<tr>
<td>Brand benefit clarity, Perceived brand quality, Brand benefit uniqueness, Brand sympathy and Brand trust</td>
<td>Burmann, Jost-Benett and Riley (2009)</td>
</tr>
</tbody>
</table>


For Aaker (1996b, 1998), brand equity has five dimensions: brand loyalty, brand awareness, perceived quality, brand association, perceived quality and assets of the brand owner (such as patents, trademarks, relations with distribution channels, etc.).
(1993), consumer-based brand equity is the differential effect of brand awareness on a consumer’s response to the brand’s marketing. Keller (1993, 1998) defines brand awareness by its two components: memory and brand image. Memory is related to recognition and brand awareness; brand image refers to the set of associations linked to the brand which consumers retain in their memory.

Besides the lack of theoretical consensus on the dimensions of consumer-based brand equity, we find that many of these dimensions are not supported by any empirical evidence. One exception is Yoo and Donthu (2001), who developed a multidimensional scale based on Aaker (1998) and Keller (2003) to estimate brand equity. Yoo and Donthu (2001) were able to empirically identify the dimensions of brand loyalty and perceived quality. However, the dimensions of brand awareness and brand associations were verified as a single dimension. Washburn and Plank (2002) assessed the scale developed by Yoo and Donthu (2001) and confirmed the results obtained, but they too combined the dimensions of brand awareness and brand associations into a single dimension. In sum, in this essay, the dimensions of consumer-based brand equity are taken to be brand loyalty, brand perceived quality, and brand awareness/brand associations.

1.3 Reflections on the understanding of brand equity and brand value

Raggio and Leone (2007) support the idea that brand equity and brand value are different constructs, but have a unique perspective on the issue. According to them, brand equity moderates the impact of marketing activities on consumer actions and represents one of many factors that contribute to brand value, which the authors define as value of a brand sale or a replacement.

Brand value is extremely relevant for the measurement of intangible assets of the company and the value of the company itself. “However, it is important to understand how brand equity is created and sustained in the minds of consumers and how this translates into purchase behavior and consumption” (Crescitelli & Figueiredo, 2009, p. 103). In other words, it is not possible to have brand value without first having brand equity. Thus, we propose that brand equity is a driver of brand value.

![Figure 2. Proposition 2: Brand equity is one of the drivers of brand value.](image)

Researchers, such as Aaker and Jacobson (1994, 2001), demonstrated the existence of a relationship between measures of consumer perceptions about the brand and the brand’s financial performance (Karton & Rao, 2005). Some institutions and consultancies that specialize in measuring brand performance, such as Interbrand and Brand Finance, use performance indicators in the financial market to measure the financial value of brands, to then publish their rankings of the most valuable brands. These firms use both brand equity and the point of view of consumers as performance measures to calculate brand value.

The next section focuses on the consequents of brand equity and brand value.
2 Consequences of Brand Equity and Value

Brand equity is considered a key asset of marketing (Ambler, 2003), one that is able to generate a positive impact for businesses and their customers. However, building a valuable brand requires a large investment. Hence, inevitably, to one of the main questions that practitioners have about the consequences of brand value: What is the potential impact of and return on these investments? Several authors have stressed the need to measure the return on investments made in marketing products and services, and the need to divulge this information in order to legitimize the importance of marketing within businesses (Sheth & Sisodia 1995a, Sheth & Sisodia, 1995b; Srivastava et al. 1998; Doyle, 2000; Sheth & Sisodia, 2002; Rust et al. 2004; Madden, Fehl & Fournier, 2006; Stewart, 2008); especially since this department often has the highest discretionary spending power in most companies (Sheth & Sisodia, 2002, p. 262).

This concern about the consequences of brand equity is amplified due to the fact that the “competitive terrain for most brands today [ranges from] difficult to brutal” (Aaker, 2003, p. 2) and it is increasingly difficult for consumers to differentiate between similar offers from competitors. Aaker (2003) points to the fact that it is also increasingly difficult to create and maintain points of differentiation. Moreover, the financial investment required to create a brand is extremely heavy, and although building a new brand would cost close to $100 million, as many as half meet with failure (Cobb-Walgren, Rubles, & Donthu, 1995). In this context, it is vital to know whether investments in the brand generate positive results and adequate returns in order to justify the actions of the marketing department (Yeung & Ramasamy, 2007).

Although on one hand marketing practitioners feel pressured to prove the success of their marketing decisions, on the other, companies are increasingly recognizing the positive returns being brought in by brands. As brand equity increases, firms are expected to benefit from positive financial return and customers are expected to benefit from greater perceived value (Aaker, 1991; Aaker & Jacobson, 1994; Keller, 1998; Baldauf, Cravens, & Binder, 2003). Aaker (1996b) argues that brand equity can lead to value for the customer as well as to value for the company. Yoo, Donthu and Lee (2000) confirm this in their study. Keller and Lehmann (2006) also state that brands have different value functions: at their most basic level, brands serve as markers for the offerings of a firm. For customers, brands can simplify choice, promise a particular quality level, reduce risk, and/or engender trust. Brands are built on the product itself, the accompanying marketing activity, and the use (or nonuse) by customers as well as others (Keller & Lehmann, 2006).

In keeping with this statement, Crawford and Benedetto (2006, p. 381) recognize that “the best brand names—Coca-Cola, Levi’s, Campbell, AT&T, among others—are important assets that provide value for both companies and for their customers.”

2.1 Value for the customer

Much of the research on brand equity mentions that when a brand is seen as valuable, consumers have stronger and more favorable associations with it, as well as a higher familiarity with it (Keller, 2003; Slotegraaf & Pauwels, 2006). It would seem that brands increase the perceived value of products (Mizik & Jacobson, 2009). Brands facilitate information processing and interpretation of customer, create trust for consumers in making purchases, and provide consumers with the satisfaction of use (Aaker, 1991, 1996b, 1998). Brands are seen as adding value, to the extent that they also socially qualify the buyer (Kapferer, 2004). The above shows that brand equity can bring value to the customer. In this
essay we consider “customers” as being both the end consumers and the business/industry clients.

![Brand equity](image1)

**Figure 3. Proposition 3: Brand equity can cause value to customers**

In addition to value for customers, some theorists, such as Aaker (1991, 1996b, 1998), Keller (2001), and Chernatony and Christodoulides (2009), among others, mention that brands can also provide value to businesses, as discussed further in the next section.

### 2.2 Value for the company

In this section we argue that brand equity and brand value can both bring value to the company. Brand equity is valuable for the company because it allows improvements in the efficiency and effectiveness of marketing programs (Aaker, 1991, 1996b; Crawford & Benedetto, 2006), facilitates the acceptability of the company’s communications (Bendixen, Bukas, & Abratt, 2004), and makes advertising and other methods of promotion more efficient (Crawford & Benedetto, 2006). Brand equity increases consumer preference and purchase intent (Cobb-Walgren et al. 1995; Christodoulides & Chernatony, 2009), brand loyalty (Aaker, 1991, 1996; Crawford & Benedetto, 2006), and demand from customers (Bendixen, Bukas, & Abratt, 2004). It also helps to increase market share (Agarwal & Rao, 1996; Crescitelli & Figueiredo, 2009) and is an instrument for leveraging sales and profitability (Aaker, 1991, 1996; Kapferer, 2004; Bendixen, Bukas, & Abratt, 2004; Crescitelli & Figueiredo, 2009). It provides a sustainable competitive advantage for organizations, that is, an advantage that can be maintained over time and which can be difficult to imitate by competitors (Crawford & Benedetto, 2006). Therefore, a company that has brand equity will be less vulnerable to the marketing activities of competitors (Aaker, 1996b; Keller, 1998; Wood, 2000; Bendixen, Bukas & Abratt, 2004). In all, we conclude that brand equity can bring value to a company.

According to Raggio and Leone (2007), brand value reverses benefits to the company from sources that are not directly related to consumers. For example, patents, trademarks (registered brand), channel relationships, and talent (managers, creative people, etc.) are brand assets that contribute to brand value but which are not derived directly from consumers, thus should not be considered a component of brand equity. They allow the company to eliminate or reduce competition. According to Raggio and Leone (2007, p. 389), brand value “could contribute value to their firms through relationships with capital markets (e.g., more attractive credit terms), governmental or regulatory agencies (e.g., more attractive tax incentives) and the channel (e.g., easier access to shelf space).”

The benefits that brand equity and brand value bring to companies can result in the creation of shareholder value, as detailed in the next section.

### 2.3 Shareholder value

Increasingly, senior management requires marketing to have only one ultimate purpose: to contribute to increasing returns to shareholders (Day & Fahey, 1988; Srivastava, Shervani, & Fahey, 1998; Grucu & Rego, 2005). However, marketing executives are still challenged to demonstrate the value of branding in clear financial terms (Madden, Fehl, & Fournier, 2006).
Several studies have tried to establish a relationship between brand equity, both from the perspective of brand equity and brand value, and shareholder value. Although most of these studies are theoretical, empirical research has also been carried out, such as studies by Aaker and Jacobson (1994), Kerin and Sethuraman (1998), Barth et al. (1998), Simon and Sullivan (1999), Madden, Fehler, Fournier (2006) and Shankar, Azar and Fuller (2007).

In order for brand equity and brand value to bring value to shareholders, it is firstly necessary to provide benefits to companies. For example, brand value can bring value to the company through sales volume and profitability (Raggio & Leone, 2007). Although shareholder value could be taken as a benefit to the company, we preferred to differentiate the two because not all benefits to the company result in shareholder value.

Figure 4. Essays Propositions 4 to 7

Figure 4 shows the propositions 4 to 7: brand equity can cause value for company (proposition 4); brand value can cause value for company (proposition 5); brand equity can cause shareholder value (proposition 6); and brand value can cause shareholder value (Proposition 7).

Although there is scholarly support for the fact that marketing activities dedicated to the fortification of the brand create shareholder value, some authors claim that there is need for still more empirical evidence to support this relationship (Kerin & Sethuraman, 1998; Madden, Fehl, & Fournier, 2006), a view that this essay fully adopts.

Final Considerations

In order to further theoretical research on brand equity, we argue for the need to distinguish between brand equity and brand value, which, although related, are discrete concepts. Brand equity would be understood as based on the consumer’s perspective, whereas brand value would have a more financial base that aimed to show the brand’s monetary value. This difference is necessary to empirical research and tests about brand equity and its consequences, as well as to help to improve theoretical aspects about this topic.

The essay also discusses how brand equity is able to generate value for customers and the company, whereas brand value is able to generate value only for the company. Value to shareholders could be created from the value generated for the company both from brand equity and brand value. Such propositions are presented in Figure 5:
This figure simply aims to foster discussion about the differences in understanding brand equity and brand value, and their potential outcomes. Thus, we emphasize that this essay is not intended to provide definitive answers about the construct of brand equity and brand value. Rather, its intention is to encourage reflection and discussion on this topic since this issue requires further sedimentation, and more theoretical and empirical evidence.

REFERENCES


