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Managing Brand Equity

The concept of brand equity emerged in the early 1990s. Brand equity can be regarded as a managerial concept, as a financial intangible asset, as a relationship concept or as a customer-based concept from the perspective of the individual consumer.

The purpose of this study is to discuss and elaborate the main issues encountered in managing brand equity. In order to achieve this purpose, we first analyse the concept of brand equity; second, we provide a comprehensive framework for managing brand equity; and finally, we distinguish different ways to leverage and measure brand equity.

The main asset dimensions of brand equity can be grouped into brand loyalty, brand awareness, perceived quality and brand associations.

Brand loyalty represents a favourable attitude toward a brand resulting in consistent purchase of the brand over time. Brand awareness is the ability of a potential buyer to recognise or recall that a brand is a member of a certain product category. Perceived quality can be defined as the customer’s perception of the overall quality or superiority of a product or service relative to alternatives. Brand associations can affect the processing and recall of information, provide a point of differentiation, provide a reason to buy, create positive attitudes and feelings and serve as the basis of brand extensions.

There are three alternative ways to leverage brand equity: firstly building it, secondly borrowing it, or thirdly buying it.

Brand equity can be built by creating positive brand evaluations with a quality product, by fostering accessible brand attitudes to have the most impact on consumer purchase behaviour, and by developing a consistent brand image to form a relationship with the consumer. Many firms borrow on the brand equity in their brand names by extending existing brand names to other products. The third way to leverage brand equity is to buy it through acquisition or licensing.

Brand equity imparts competitive advantages to the firm. These aspects of brand equity typically involve uncertainties that are difficult to quantify in brand valuation studies. First, a strong brand provides a platform for new products and for licensing. A strong brand can serve as an umbrella under which to launch new products or to license existing ones. The strategic potential of a brand platform should be a part of measuring brand equity. Second, a strong brand has a resiliency to endure crisis situations, periods of reduced corporate support or shifts in consumer tastes. Thus, another important component of brand equity is brand resiliency to survive difficult times. Third, strong brands provide resistance from competitive attacks. A dominant brand name can be a barrier to entry into some markets. Thus, brand dominance is the third strategic component of brand equity.