

Success in Business-A Brand Equity Perspective

Sheng Chung Lo
Department of Travel Management,
Tourism Hospitality School, Hsing Wu Institute of Technology, Taiwan

Abstract: Problem statement: The study has been mainly attempted to find out the impact of the brand equity in overall success of the firm. The research has primarily been created to present a study on the significance of brand equity and its relevance in affecting the financial performance of the organization. **Approach:** The study has been conducted on the basis of secondary resources. The researches of different authors and theorists on the subject of brand equity and its relevance in affecting the financial performance of the organization have been consulted and analysed to present a research study through this report. **Results:** The study studies the various research activity carried out on brand equity and its link with the financial performance of the organization. It has been accepted that branding has significant contribution to increase the profitability and the shareholders value which directly leads to the success of the business. **Conclusion:** The study has provided with a detailed understanding of brand equity. It also represents an original piece of work based on the studies and researches conducted by different researchers made earlier and the information gathered have been analysed to reach to a conclusion as well as open opportunities for further studies and researches.

Key words: Brand equity, business performance, marketing strategies

INTRODUCTION

The concept of branding is a popular technique used by the marketing professionals across various industries. The presence of the brand value to a product helps in providing a good competition on the market and the perception of the consumers towards the product changes leading to an overall rise in performance of the organizations. The concept of brand equity deals with the results of the marketing effects of the branding and the comparison of the results of the marketing effort of the same product without the presence of the brand value. The study discusses the brand factor associated with the success of the business and various other aspects of the branding and its outcome.

MATERIALS AND METHODS

The study has been conducted on the basis of secondary resources. Literature review and discussions provide constructs in relation to brand equity and business performance.

Brand equity and success in business: Branding has been more popular in recent times as organizations have found out that other than providing a value in the marketing aspect it has become one of the significant intangible assets (Bick, 2009; Liu *et al.*, 2010). The role

of the brands has been significant in creating a competitive edge over the rival and in fetching substantial financial values for the organization (Wang, 2010). Brand equity provides the leverage option for the organizations which helps in the overall improvement of the performance. The major constituents of the brand equity are the awareness regarding the brand name, the level of brand loyalty existing among the customers, the quality associated with the brand and the various brand associations (Korkofingas and Ang, 2011). The concept of brand equity is largely product oriented but at the same time it helps in the value creation among the customers regarding the products they associate with (Park *et al.*, 2010; Peterson and Jeong, 2010; Chatzitheodoridis *et al.*, 2006). The brand valuation involves the cost based approach in which the cost of the brand creation is taken into account along with the associated replacement cost in launching of a fresh new brand. (Bick, 2009) A lot of misconceptions can generate among the customers regarding the origin of the brand and would result in decrease performance by the brands. It affects the purchase intentions of the customers and leads to poorer evaluation of the brands (Balbanis and Diamantopoulos, 2011).

Empirical study of brand equity: Brand equity deals with the marketing activity of the product by stressing on the brand factor. In order to create a long lasting

effect of the brand among the prospects and the customers, organizations have used various marketing techniques. Among the marketing techniques used, advertising has been one of the most popular methods (Wang *et al.*, 2009; Madden *et al.*, 2006). However it is noted that the initial effect of the advertising of the brand values disseminates within a period of three to fifteen months. In order to educate the customers regarding the brand knowledge advertising is the most efficient tool and it helps in creating and reinforcing the values attached with the brand of a product. However much debate has been raised the effectiveness of the consumer based brand equity. In order to find out the significance of the advertising of the brands in respect of their outcomes various models have been devised. The models in practice studies the role played by advertising in changing the mindset of the customers. The advertisement of brand helps to increase the overall competitiveness in the market and helps in targeting the market segment (Burke, 2011).

The importance of advertising helps in making the brand familiar with the people which leads to easy recognition of the brand and also acts as a catalyst in improving the effectiveness of the future advertising programs (Ay *et al.*, 2010). The effect of the advertisement also varies depending upon the brand of the product used. The highly involved brand products have more retained effect in comparison to the products of low involvement. A research carried out by Wang *et al.* (2009) finds another implication of advertising of the brand is that advertisement has significant contribution to the brand equity. In order to find out the effect of the advertising and the amount of expenditure allocated for the research and development on corporate brand and also on the level of the firm's performance a research was conducted by Peterson and Jeong (2010). The research conducted by them helps to critically find out the implication of the varying degree and the nature of the advertising in contributing to the brand value. The help of an economic framework was taken in order to link the expenditures for the advertisement and the R and D expenditures to that of the brand value. Further a link was also created between the brand value and the financial performance of the organization. The overall result which was interpreted from the research suggest that the marketing related activities regarding the aspect of the brand value has a contribution on enhancing the financial performance of the organization under different conditions. However the limitation of the research was that no broad inferences could be interpreted from the research as there was a significant difference in the outputs. The findings of the research came out with average results and provided less

practical meaning in reaching a concrete decision (Peterson and Jeong, 2010).

Another research has been conducted to find out the impact of the brand equity on the financial performance by Kim *et al.* (2003). The research studied the financial performance of the 12 luxury brand hotels. The data collected from the research suggested that various components of the brand equity have a significant impact on the overall financial performance of the brand. The results were of the view that presence of the brand factor creates a level of satisfaction among the customers and creates an intention among them to visit the hotel again and refer it to their friends and relatives, which in turn benefits the hotels. Other than measuring the financial performance of the organization researches have also been carried out to measure the corporate social performance and the brand equity. Research on the secondary data comprising of global brands was conducted by Wang (2010) to find out the relation. The findings of the research were that more amount of social performance by the organizations has a positive impact only of the brand equity on large firms but the effect is sub duce in smaller firms. It was also recommended that brand equity can be increased by more and more social performance. In order to strengthen the brand equity organizations also look for the Information technology alignment and the integration of the overall supply chain management, which will result in their better performance of the organizations (Seggie *et al.*, 2006). In order to find out the link between the shareholders value and the brand equity a research was conducted by Madden *et al.* (2006). Results showed that companies with higher focus on the brand values performed exceptionally well and have fetched better results in respect of the monthly returns than the lesser brand concerned organizations. The results of the research also showed that a considerable amount of shareholders value creation was possible as reflected through the regression analysis (Madden *et al.*, 2006).

Research conducted by Yeung and Ramasamy (2008) also aimed at finding out a significant relation of brand value with that of the firm's performance. The research was conducted on 50 companies from US during the period of 2000 and 2005. The price and models used in the research revealed the result that brand value also helps in predicting the future share price of an organization. The result proved the existence of the link between the brand value and the various profitability ratios and on the performance of the stock market. The results showed that organizations using the brand factors have more consistent internal profit. However results found no impact of brand value

on the market return of the organization (Yeung and Ramasamy, 2008). Research by Srinivasan and Hansen (2009) also tried to link between the effects of marketing and the value of the firm. In his research he analyzed the investor's decisions in coming to a conclusion regarding the positive effect of the strategy of branding.

Measuring brand equity: A research conducted by Christodoulides and Chertatony (2010) derived various methods for the measurement of the brand equity. According to the research they were of the view in order to measure the performance of the brand equity several factors need to be considered. Various measures should be incorporated rather than sticking to a single measure of the evaluation. During the measurement process the brand vision needs to be considered. The contribution of the brand in the overall product experience of the customers should be taken into account. Researchers were also of the view that the brand category is also significant in the measurement of the brand equity as different category of brand achieves varied result. In the measurement of the brand equity, factors like performance and the emotional aspect of the brands needs to be considered for a fair judgment. The research also highlighted two main segment of the brand equity measurement. Brand equity can be measured either directly or indirectly. The indirect method of brand equity measurement involves measurement with the help of various demonstrable dimensions of the brand or through the help of the price premiums. Whereas the direct measures studied different aspects like the importance of the brand and the overall perceived value of the brand. Price premium method involves the calculation of the profit difference arising from the sale of a branded product and a non branded product. The research study conducted also suggests the use of neuroscience in determining the feelings of the brand customers which can be significant in measuring the effectiveness of the brands (Christodoulides and Chertatony, 2010).

Further use of brand equity: In order to gain the maximum benefit of using the brand values organizations often tend adopt the policy of brand extension. Brand extension deals with facilitating the use of the parent brand equity to another category of extended product. The transfer of the brand value has higher effect when the relevancy of such extensions is high. However the brand extension derives the best result when both the expectancy and the relevancy of the transfer are at its highest (Liu *et al.*, 2010). Another popular approach which has been noticed in the recent

time is the leveraging of the corporate brand. Corporate brand is most popular among the various information technology companies where all products are sold in the market by the name of the organization itself. It helps in gaining a lot of synergy and clarity from the business point of view (Aaker, 2004). The concept of branding has been so popular over the years that it has also led to the product recall under some popular brand name. However it has negative effects on the already established brands and it significantly hampers the choice of the brand in future by the customers (Korkofingas and Ang, 2011).

RESULTS

The study studies the importance of the brand equity as marketing tool which leads to the financial empowerment of the organizations. The study studies the various research activity carried out on brand equity and its link with the financial performance of the organization. It has been accepted that branding has significant contribution to increase the profitability and the shareholders value which directly leads to the success of the business. The positive impact of branding has also been highlighted over here.

DISCUSSION

The research focuses on the study of the brand equity takes into consideration of the different methods of the evaluation of the brand equity and its effect on the performance of the organization. The importance of brand attitude and attachment of the brand has been significant in determining the overall brand efficiency (Park *et al.*, 2010). Various researches were studied to identify that overall branding has a positive effect in the performance of the company. The importance of the concept of brand equity has been so significant that organizations tend to use the brand equity in order to increase the value of the shareholders with an aim to be more accountable towards them. Due to the stiff business environment, many organizations are reducing the long term investment with an aim of focusing on the short term goals. As result of this strategy the intangible assets in marketing are taking a major setback and harming the value of the shareholders. Thus brand equity helps the organization in building shareholder value. Some methods or steps are also suggested for the organizations to increase their brand equity which acts as an intangible asset gaining profitability in the long run. The brand equity should be more into practice by the organization seeking maximum profitability in the current business environment.

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