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THE BENEFITS OF HIGHER BRAND EQUITY

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Abstract

This study demonstrates the positive effects of that building brand equity can have on consumer's perceptions of brands. Using a survey subjects' ratings for two brands of soft drinks were examined. The results indicate that consumers' perceptions are more favorable predisposed towards brands with higher brand equity. The implications of developing brand equity are discussed.

The Benefits of Higher Brand Equity

Introduction

William Shakespeare once wrote, "What's in a name? That which we call a rose by any other name would smell as sweet." On the contrary, the name of an object may have important perceptional implications. In marketing, consumers' perceptions about products are often influenced by the brand names (Tom, Barnett, Lew & Selmants, 1987). In many cases a brand is more than just a name, a log, a symbol, an identity or a trademark, it represents all that a business stands for (Prasad, 2000).

Consumers form perceptions about products based upon cues, such as brand names, packaging, and colors. For example, Toro Corporation found that consumers' perception of the lightweight snow thrower, "Snow Pup" lacked an image of power; therefore, sales were disappointingly lower than projected. After Toro switched the name from "Snow Pup" to "Snow Master", sales drastically increased (Tom et al., 1987).

Brands that capture the imagination of consumers have increased value or equity. In other words, brand equity is the overall perceptions of quality and image attributed to a product, independent of its physical features. A brand is an expectation of certain benefits between a company and its customers. For example, Mercedes and BMW have established their brand names as synonymous with high-quality, luxurious automobiles. Years of marketing, image building, brand nurturing, and quality manufacturing has lead consumers to assume a high level of quality in everything they produce. Consumers are likely to perceive Mercedes and BMW as providing superior quality to other brand name automobiles, even when such a perception is unwarranted. Therefore, brand equity adds value to products; consequently, consumers develop more favorable perceptions of well-known brands. Surprisingly, the actual contents, formula or qualities of products are not as important to consumers as their perception of the brand. That is, brand equity built up by years of advertising and cultural encrustation is important for marketing success. After all “Coca-Cola and Kentucky Fried Chicken by any other name would just be sugar-water and gizzards,” (Pendergrast, 2001, Sec. A, p.22).

Brand equity/value is an important tool in the marketing effort. Although we are familiar with the four “Ps” of the marketing mix – product, price, promotion, and place, the importance of another “P”, perception, cannot be overemphasized in this consumer savvy, message-saturated age (Dignam, 2000). Many companies are spending more on advertisements to enhance the equity of their offerings such as, delivering the message clearly, communicate quickly, project credibility, and striking an emotional chord with the consumer (Frankle, 2001). Brands must gain general awareness, evoke acceptance, and sustain commitment, in order to be credited with valuable brand equity. It is affected positively or negatively by the intentional and unintentional messages form the company, but it cannot be arbitrarily changed, improved, or “managed” without the participation of the customer, (Frankle, 2001).

The advantage of having high brand equity is evident. Consumers often choose pick the same brands on a repetitive basis. A good example is ways consumers purchase soft drinks. Coca-Cola is a very well known manufacturer of soft drinks. They produce many different types and lines of drinks. There are also many different brands of cheaper generic soft drinks with very similar contents. Consumers tend to purchase the brands with high brand equity because they perceive the product as a greater value.

The overall description of brand equity incorporates the ability to provide added value to a company’s products and services. This added value can be used to the company’s advantage to charge price premiums, lower marketing costs and offer greater opportunities for customer purchase.

The purpose of this study is to demonstrate the positive effect of higher brand equity on consumers’ ratings of products. Past research (Mason and Bequette, 2002) indicates that consumers evaluate products with higher brand equity more favorably than lower brand equity products. Therefore, in the current study we expected the following:

H1: Brands with higher equity are rated as higher in quality than brands of lesser equity.

H2: Brands with higher equity are more socially acceptable than brands of lesser equity.

H3: Consumers prefer to purchase brands with higher equity than brands of lesser equity.

Methods

To examine the effects of brand equity on consumer perceptions, a survey was conducted were one hundred eight-teen students at a mid-size Southern University rated two brands of soft drinks. Soft drinks were chosen as objects to be rated because even across brands they are fairly homogeneous in terms of how they are produced, ingredients composition and how they are used by consumes. One brand was chosen as the brand with high brand equity (Coca-Cola) because it is well-known and widely accepted and another brand was chosen as having low brand equity (Big K Cola) because it is lesser-known and lesser established in the marketplace.

Specifically, the subjects rated each soft drink brand in terms of its quality, social acceptance, as well as the subject's likelihood of purchase the brand. Subjects rated the brands on nine point systematic differential scales where higher values indicated more favorable evaluations (i.e. higher quality, higher social acceptance, greater likelihood to purchase).

Results

Means were computed for each of the dependent measures (quality, social acceptance and likelihood of purchase) for the high brand equity soft drink (Coke) and the lower brand equity product (Big K). In addition, Analysis of Variance was performed to identify the significance mean differenced between the soft drinks brands for each dependent measure, respectively. These results are present in Table 1. As shown in Table 1, the Coke was rated significantly higher than the Big K for each of the dependent measures. That is, consistent with H1 and H2, consumers rated the soda drink with higher equity (Coke) more favorably than its lower brand equity counterpart (Big K) in terms of their quality, social acceptance. In addition, consumers' responses indicate that Coke is the brand of purchase preference, thus supporting H3.

Table: 1 Dependent Measure Outcomes by Brands

n = 118

Dependent Measure	***Coke***	***Big K***	***ANOVA F-Value***	***P-Value***
Brand Quality	7.53	4.32	183.71	<.0001
Brand Social Acceptance	7.72	3.28	277.93	<.0001
Likelihood of Brand Purchase	6.81	3.78	87.03	<.0001

Discussion

Overall, the survey provides evidence that consumers have predisposed notions about well-known brands. It appears that consumers are less critical of well known brands, or brands of higher equity, than of lesser-known, low equity brands. Therefore, products with higher brand equity may have a number of marketing advantages over their lower equity counterparts including:

- Allowing the marketer to charge higher prices.

- The marketer can command advantageous shelf space from the retailer.

- The product maintains higher market awareness, thus increasing product trials and repeat purchase behavior..

- Consumers may perceive the brand as being higher quality.

- Consumers have a decreased perceived risk of the product.

Marketers must identify the attributes that are of most important to the consumer, and implement those qualities into their product and into their advertising strategy. To build stronger brands, marketing managers need to make brand value one of the company's key concerns, on par with profits and customer satisfaction. Examining the brand value of a marketer's offering inevitably will raise fundamental questions about brand strategy: is the company striving to dominate the right dimensions? Is it deploying sufficient resources to the activities that will enable it to dominate those dimensions? Should the company settle for being best in class or does it need to push the brand value horizon to increase brand value? To be able to increase the value of its brand, a company must develop a fact-based understanding of the underlying drivers of brand value. In the end it is the consumer's perceptions about the brand that will ultimately decide which product they consume.

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