Brand as a Source of Value for Its Buyer and Owner

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Abstract

Purpose: This article deals with the creation of the brand and what kind of value it creates for the owner and the customer.

Methodology: The article describes an insight on how to create strong brands, why many companies that based their success on a product now decide to create a branded product and how a brand adds value to both the owner of the brand as well as the customer.

Findings: The article presents that brands create value for the customers as well as the company or brand owner. Furthermore, the article deals with the creation of strong brands and the underlying factors.

Originality/value: This article helps to advance brand marketing theory as well as offers valuable implications and recommendations for practitioners, brand and marketing managers.

Keywords: brand, brand equity, brand building

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Introduction

In the literature, increased attention has been devoted to the topic of redefining modern marketing aims. It has been shown that traditional marketing indicators such as customer awareness, customer loyalty, market share and others, do not clearly translate into financial results. The objective of marketing should be to maximize shareholder value and consequently, marketing strategies should be evaluated on this basis (Doyle, 2003). According to Doyle (2000), the whole concept of marketing is to deliver value for the shareholders.

The financial crisis after 2008 sparked criticism of these views, but it did not question the role of marketing and the resources that it creates in increasing the value of a company.

Marketing is viewed by Rappaport in a similar way (Rappaport, 2000). Srivastava, Shervani and Fahey (1998) stated that market-based assets[3] are the principal link between marketing and shareholder value. According to them, the goal of marketing is to create and increase the value of the company's assets[4] and consequently deliver value for the shareholders. The most referred to categories of assets linked with marketing activities (Doyle, 2003) are brand value, customer satisfaction and the management of strategic relationships. Doyle (2003) distinguishes two categories of assets created by marketing: customer loyalty due to good relations and strong product brands.

The aim of the study is to show the relationships between creating the brand supported by marketing activities and generating value for the owners. More specifically, the goals of this study are threefold:

1. Articulate the role of the brand as the primary generator of value for the buyer (user) and the owner (manager) of the brand.
2. Illustrate what factors determine the strength of a brand.
3. Indicate broadly the approaches to brand valuation.

Brand as a source of value for buyers

In the historical evolution of the concept of customer value creation/delivery, it was initially believed that the manufacturing process created value and was therefore responsible for the end results. This approach assumed a passive role of the customer service processes as well as the product usage processes[5] in the creation of customer value. Currently it is assumed that the

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[3] An asset can be defined broadly as any physical, organizational, or human attribute that enables a company to generate and implement strategies which lead to improvement of efficiency and effectiveness in the market (Barney, 1991).

[4] Or market-based assets such as customer relationships, channel relationships or partner relationships (Srivastava et al., 1998).

[5] Consumption.

customer obtains value from the product solutions[6] and also directly from the ownership or consumption of specific goods. Modern marketing conceptualizes customer value as the sum of all values, either created by the product elements, the form of financing, customer advice, consumption experiences or the brand itself (Taranko, 2013).

Altkorn (2001) concluded that a brand is a name, term, symbol, package, formula or a combination of these five used to differentiate a product from the competitors' products. A brand is also defined as an alliance of functional, economic and psychological benefits that are created by the user of the product and identified with a particular name or symbol (also called brand identifiers) (Urbaniak, 2004). Kall (2001) understood the brand in a broader context as a potential source of customer value: a combination of the product, brand name, packaging and advertising as well as accompanying activities in the field of distribution and price. This mixture differentiates a marketer's offering from those of competitors, provides the customers with distinguishing functional and/ or symbolic benefits and therefore creates a loyal customer base and a leading position in the market (Kall, 2001).

According to these definitions, a brand is a set of benefits offered to the customer, who based on them subjectively assesses the value of the brand. These benefits are built on strictly physical elements such as the usefulness of the product, its functionality, technical parameters, durability, emotional and visual elements. Functionality and product usage features may have a different meaning for each customer. Hence, manufacturers try to maximize the offered value and emotions involved in their products by creating various categories. The perceived quality and the brand experience bring the customer joy and satisfaction from the product usage or service. Staszyńska (2013) stated that brand personality differentiation may be an important factor in the choice of the customer, however consciously weak. Moreover, consumers will be willing to choose such a brand whose personality is consistent with their own, or to which they aspire to (Staszyńska, 2013). Keller (2008) stated that "consumers often choose and use brands that have a brand personality consistent with their own self-concept, although in some cases the match may be based on consumers' desired rather than their actual image." As customers play various roles in society, they need different symbols and these symbols are brands.

When marketing is treated in a broader context as a system, a brand is regarded primarily as a component part of a wider understood product, for example packaging or design. But it is the only factor that gives the product a unique character regardless of the similarity of its functional characteristics (Kijek, 2003). Ogilvy (1985) defined a brand as "the intangible sum of a product's attributes: its name, packaging, and price, its history, its reputation, and the way it's advertised." Furthermore, a brand can be defined through consumer feelings and brand experiences. The use of the brand is a shortcut, a substitute symbol representing all specified characteristics of the good, settled in the mind of the customer in such a way that the brand is permanently associated

[6] A result of the manufacturing processes like features or product characteristics.

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with the specific characteristics of the product. To create specific associations, very often it is not necessary to perceive a particular product but only its trademark (Ogilvy, 1985).

For instance, Kapferer (1999) also highlighted the ability of a brand to build associations. Kotler and Armstrong (2010) stated that "brands represent consumers' perceptions and feelings about a product and its performance – everything that the product or service means to consumers." These associations can bring to mind certain things like attributes[7], benefits[8], values represented by the producer and brand distributor[9], culture[10], user[11] and personality[12]. Kotler (2010) called the brands that cause positive associations for the customer "deep brands" based on these attributes. On the other hand, he called brands that create only minor associations "flat brands". Witek-Hajduk (2001) identified three associations with the brand: values, culture and personality. These define the essence of the brand and are its most durable assets.

The brand can deliver value for the buyers through the increase of the offered benefits and/or the lowering of the costs of realizing their aspirations and satisfying their needs. A summary of the potential values of a brand for the buyers are shown in Table 1.

In order for the brand to be a real source of value for the customer, it needs consistency in quality and brand asset management[13] and cannot be reduced only to the name on the label. These actions should be based on:

- High quality standards of the offered products and services.
- Continuous improvement of the solutions offered to customers in accordance to their changing expectations and growing demands.
- Actions in the field of after-sales service (service, repair, handling of complaints, etc.) build customers' trust for the brand and makes them believe that they can rely on the products and services offered under a particular brand.
- Responsible and consistent with the actual features and advantages of the products and services the way they are communicated.
- Honesty and ethics in the marketing actions (communication, pricing policy, payment terms, etc.), which builds confidence for the brand and its reputation.

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7 A brand brings to mind certain attributes. Volvo suggests safe, Swedish, simple aesthetic designed, luxury automobiles.

8 Attributes must be translated into emotional and functional benefits.

9 Body Shop stands for passionately against animal testing while Wal-Mart stands for everyday low price.

10 The brand may represent a certain culture. Even after being acquired by Unilever in 2000, Ben and Jerry's maintained the culture of being devoted to social activism and sustainability.

11 The brand suggests the kind of customer who buys or uses a certain product. Harley Davidson riders are expected to be independent, free-spirited, and rebellious associations.

12 A brand can project a certain personality. Red Bull may suggest a rebel who is adventurous and brave.

13 For example: appointed managers that maintain and protect the brand's image, associations etc. and prevent short-term actions that could depreciate or hurt the brand.

Table 1 | How brands can create value for the customer

Potential benefits for the buyer	Potential source of cost savings for the buyer
➢ Identifies the product, its origin, history, source of quality, the culture of the manufacturer, its mission, etc.	➢ Helps in the interpretation and storage of information about products and their offered benefits ➢ Simplifies the buying process decisions by shortening the selection time ➢ Minimizes the risk in the purchase of the product ➢ Facilitates the purchase regardless of the place
➢ Guarantees consistent quality of the product and the brand owner's responsibility for the quality	➢ Allows the identification of the manufacturer and the determination of its legal and economic responsibility
➢ Supports the buyer in the product usage, service, warranties etc.	➢ Minimizes the functional and economical risk during product usage
➢ Allows creation of emotional ties between the brand and its owner (foundation of loyalty) and with other users of the brand (social bonds)	
➢ Provides additional benefits linked with the ability to emphasize the social status or membership in a particular group	

Source: own research based on Taranko (2010).

- Providing information (educational support, training, etc.) needed to make the decisions that best fit the needs of the customer and the best possible use of the product.
- Concern for reliability, durability and safety of the products offered under the brand.
- Developing, producing and bringing onto the market products that enrich the lives of the buyers, allowing their personal development and realization of their aspirations.
- Taking into consideration the environmental protection requirements in the offered products and business activities such as the content of hazardous materials, labeling concerning recycling as well as energy saving, etc.
- Ethics and a high degree of professionalism during the process of verifying and obtaining certificates of quality for products and services offered under the brand.
- Consistency of standards in the products offered under the brand, and in the company's way of doing business and its marketing communications. On these grounds, the brand should be recognized in the market.

Though these activities are not an exhaustive list of activities of a company, it can be the basis of building a strong brand.

Factors determining the strength of the brand

The concept of brand power or brand strength is understood as the unique brand personality of the brand based on image, consistent communication and brand identity (Szymczak and Urbaniak,

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2009). On the other hand, Kapferer (2013) stated that ”brand strength is captured by behavioral competitive indicators: market share, market leadership, loyalty rates and price premium.” Kall (2001) characterized strong brands as those that offer their customers more than an average brand and are willingly bought by many buyers, who even forget for a moment about the high price. A strong brand is the starting point to build a loyal customer base. Loyalty in this case means the willingness to pay higher prices for a branded product and repeatability of the purchases, as well as abstaining from purchasing substitute products (Altkorn, 1999). The brand consulting company Interbrand, which is specialized in brand valuation, defined brand strength as “the ability of the brand to create loyalty and, therefore, to keep generating demand and profit into the future” (Interbrand, 2014). The factors that influence this defined brand strength are illustrated in Table 2.

Table 2 | Brand strength factors

Internal Factors	External Factors
Clarity Clarity internally about what the brand stands for and its values, positioning, and proposition. Clarity further about target market, customer insights, and drivers. It is vital that these are articulated and shared through the company.	**Authenticity** The brand is soundly based on an internal truth and capability. It has a defined heritage and a well-grounded value set. It can deliver against the high expectations that customers have of it.
Commitment Internal commitment to the brand and a belief internally in the importance of the brand. Moreover, the extent to which the brand receives support in terms of time, influence and investment.	**Relevance** The fit with customer/consumer needs, desires and decision criteria across all relevant demographics and geographies.
Protection How secure the brand is across a number of dimensions: legal protection, proprietary ingredients or design, scale or geographical spread.	**Differentiation** The degree to which customers/consumers perceive the brand to have a differentiated positioning distinctive from the competition.
Responsiveness The ability to respond to market changes, challenges and opportunities. Hence, the brand should have a sense of leadership internally, and a desire and ability to constantly evolve and renew itself.	**Consistency** The degree to which a brand is experienced without fail across all touchpoints or formats.
Understanding The brand is not only recognized by customers, but there is also an in-depth knowledge and understanding of its distinctive qualities and characteristics. Where relevant, this will extend to consumer understanding of the company that owns the brand.	**Presence** The degree to which a brand feels omnipresent and is talked about positively by consumers, customers, and opinion leaders in both traditional and social media.

Source: Interbrand (2014).

Brand as source of value for its owners

The positive impact of strong brands to create value for their owners is reflected in the results of many empirical studies, both foreign as well as Polish (see for example: Mizik and Jacobsen, 2005; Madden, Fehle and Fournier, 2006; Urbanek, 2010; Urbanek, 2011). In the literature, there are two perspectives on how brands create value for its owners:

- The perspective of marketing (market) where there is the need of a relationship between the expenditures on marketing and the generation of assets to achieve financial effects for the investors. In this approach, brand equity is used to show the role of the brand in the consumer decision-making process, allowing the increasing effectiveness of marketing activities. The building of strong brands is seen as yet another platform to create a competitive advantage in times of fierce competition and demand constraints.
- The financial perspective where the creation of a strong brand is considered as part of the company's financial capital, i.e. the creation of value for the purpose of acquisition or sale of companies and the added value accumulated in trade and brand marks.

As Oliveira and Luce (2012) suggest these two views should be seen as different concepts. The concept based on the consumer's perceptions, memories, feeling etc. should be called brand equity, whereas the financial view should be labelled brand value. The brand represents here solely an asset, which can be sold or purchased. Brand equity is the sum of all the characteristics, attributes, associations and views concerning the brand, influencing the decisions of customers and distribution channels (Chmielewski, 2013). Aaker (1991) defined brand equity as "a set of assets and liabilities linked to a brand, its name and symbol that adds to or subtracts from the value provided by a product or service to a firm and/or to that firm's customers." Urbanek (2002) identified five categories that create brand equity directly for the owner of the brand:

- Strong brand name awareness.
- High brand loyalty.
- High perceived quality of the branded products.
- Positive brand associations of the brand in the target audience (positive image).
- Other proprietary brand assets (patents, trademarks, distribution channel relationships, etc.).

The Marketing Science Institute defines brand equity as "the set of associations and behavior on the part of a brand's customer, channel members and parent corporation that permits the brand to earn greater volume or greater margins that it could without the brand name" (Leuthesser, 1988). The common point of the cited definitions is the higher profit generated by the additional value for the market participants, along with the statement that brand equity is added value that is obtained by the use of trademarks and consequently brand value. From the company's (brand owner) point of view, it means increased market competitiveness. New products can be easier introduced and provide a platform for brand extensions or licensing. Furthermore, it is easier to survive crises, for instance, sudden changes in consumer behavior or aggressive attacks from competitors. Established brands are significant barriers to entry into an industry. For the owner (manufacturer of the brand), it is a protection against the copying of their innovation. By creating an original and unique brand, the branded product can maintain a high market share, creating a kind of patent in the mind of the customers that allows the manufacturer to maintain the exclusivity in the given category.

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For the manufacturer, the brand is an important factor in the marketing strategy because it generates the opportunity to create diverse activities. Depending of the market segment, the producer can offer products under various brands that will meet the needs of these customers. Elements of the brand identity (offered functional and emotional values) are the starting point for positioning the company's products, consequently helping the creation of marketing communications. Furthermore, the brand can also offer the opportunity of building customer brand loyalty. This is possible due to the consistent suggestions of specific benefits that in the end lead to the commitment of the company towards its customers, which is a factor that builds loyalty.

Urbanek (2000) stated that the income for the owner of a strong brand is protected because the brand is a functional and emotional barrier for the competitors in relation to customer loyalty. Further, a strong brand allows the manufacturer to sell the products/services at a higher price than similar products/services of competitors, which are sold under weaker brands. The brand increases the motivation to buy a particular product/service because the customer buys with the product/service certain elements of its image. Consequently, the company can devote less effort to achieve the same effects (e.g. interest of new customers for the company’s offer without having to strive for them) (Urbanek, 2000).

A strong brand can also provide a platform for growth or brand prolonging (lengthened product life cycle) via brand extension. In the case where the brand can increase the scale of activity to a level that creates economies of scale, the brand becomes the source of additional cost reductions. In the distribution channel (retailers and other channel members), a brand can favorably affect the bargaining power and enable the development of this relationship in a more favorable way than would be possible without having such a brand. This can provide a beneficial effect for the level of invested capital of the brand owner. Table 3 summarizes the potential value for the owner contained in the brand.

The level of brand equity is the foundation of brand value and therefor generating financial income for the brand owner and directly affects the financial value of the brand. The measurement of this value is particularly important in the following situations (Marcinkowska, 2000):

- In the event of a merger with another company or acquisition of one organization by another (consolidation or change of ownership).
- In the case of licensing the brand to external entities to establish the royalties for the use of the rights to the brand.
- For the purpose of brand management, i.e. allocation of the company’s resources, planning of the marketing strategy and brand portfolio management.
- To assess the effectiveness of marketing activities (primarily the effectiveness of implemented actions and evaluating the impact of the brand on the company's future revenues).
- To demonstrate to shareholders and analysts the difference between the market capitalization of the company and the net value of its assets.

Table 3 | How brands create value for the brand owner

Potential advantages for the brand owner	Potential source of lowering costs for the brand owner
➢ Identifies the product and provides the basis for communicating its origin, history, quality, the reputation of the manufacturer, its mission, etc.	➢ Bargaining power of the brand owner over suppliers and the distribution channels that allows reduction of the cost of achieving market objectives.
➢ Allows for product differentiation against competitors' products and demonstrates its quality.	➢ Allows for higher margins (premium pricing) and reduced reliance on promotions (lower price sensitivity of the buyers toward a product labeled with a recognizable brand).
➢ Additional product (or offer) differentiation by offering emotional benefits associated with the brand.	
➢ Unique attributes of the brand limits product substitution.	
➢ Due to legal protection, the brand protects the product against competitors' copies.	
➢ Brand loyalty as a barrier of entry (created by brand awareness and loyalty) for potential competitors entering the industry or segment.	
➢ Platform for new product introduction (faster and cheaper), brand extension or licensing.	

Source: own research based on Taranko (2010).

- For the purpose of estimating the value of the losses (determine the amount of the claim) suffered on intangible assets as a result of unfair practices by competitors; for example, counterfeiting a brand.
- To provide a platform within the company for effective communications between the financial and the marketing departments.

Four methods to brand valuation can be identified: cost, future earnings, present earnings and multiple methods (Sawicki and Matys, 2008; Kapferer, 2013). Each of them, as their names suggest, take into account other factors that determine the value of the brand. It is important to bear in mind that various approaches to brand valuation can result in different values of the same brand. Consequently, when a certain brand is being evaluated, the method should be used that reflects the most important elements from the point of view of a given transaction (Sawicki and Matys, 2008; Kapferer, 2013). To sum up, it can be stated that value is in the eye of the beholder.

The article presents a selection of views on the topic of the potential possibilities of creating value for the buyers and owners of brands. It has been pointed out that a brand can be an effective way of creating and delivering value to customers, which is the basis of modern marketing. The numerous benefits for the buyers, contained in a brand with high equity, determine why it is selected from among competing brands. This way the owner can achieve better results in the market. High equity brands can also be a valuable intangible asset, allowing their owners to

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achieve better results. A brand, as an intangible asset of a company, may be subject to financial valuation and, as a component of the balance sheet of the company, increase its market value. The analysis contained in the article is purely theoretical. Further research of this issue requires, among other things:

- in-depth theoretical studies on the role of brands as an intangible asset of a company in building its market position in relation to buyers, sales agents, suppliers and competitors;
- research studies on the perception of the values that are delivered by a brand to its buyers in various categories of products and in various markets;
- research studies on the significance of building brand equity in the strategic decisions of companies (especially in Poland);
- in-depth empirical studies on the relationship between brand equity and the effects achieved by the brand owner in various markets.

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