EXPLORING BORROWED BRAND EQUITY

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In the study, borrowed brand equity is introduced as a construct, which is supposed to have a strong effect on brand equity leveraging and hence could be an important source of competitive advantage for companies. It is suggested that the brand image and awareness of brands associated with the focal brand impact the effectiveness of marketing programs. The introduction of the borrowed brand equity construct to the customer-based brand equity model also makes it possible to explore the impact of brand symbolism and customer value propositions and with that contribute to closing the theoretical gap between customer value and brand equity.

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Exploring Borrowed Brand Equity

Introduction

Following increasing competition in the global market place, firms are increasingly active in searching for the sources of competitive advantage. Focus at the internal organizational resources and capabilities does frequently provide the only way to improve own performance and outcompete other market players. Managing own brand and shaping unique advantage through increasing brand equity has been considered as one of the main directions to develop and maintain competitive advantage, both locally and globally. Not occasionally, the brand rankings as Interbrand, Brand Finance and others, do illustrate increasing growth and value of strong brands over some economies.

Indeed, one of the longest existing challenges in marketing research is finding a uniformly accepted brand equity model that could describe and explain how to leverage brand equity to create value. Specifically, in this research brand equity is conceptualized from the perspective of the consumer as the study applies to the customer-based approach to brand equity (CBBE) (Keller 1993, 2003; Aaker 1991, 1996; Cobb-Walgren et al. 1995; and Yoo and Donthu 2001). The paper utilizes Aaker and Keller's theoretical framework by applying insights from the theory of value on the CBBE model with that contributing to solving the long existing gap between customer value and branding theories.

The customer-based brand equity model, which currently represents the dominant approach to conceptualizing brand equity has been treating associations with external brands (or secondary brand associations) as just another element of brand equity, even though there are not under control of the brand manager, who is not free to qualitatively change them and is only limited to either linking or unlinking these associations to the brand. The study suggests that these associations should be rather considered as elements of the borrowed brand equity.

Borrowing brand equity have been originally proposed as a brand leveraging strategy opposed to building brand equity and ever since have been to the most part neglected by marketing research. When it has been brought up, it usually figures in discussions of brand extensions strategies. We believe that the topic of brand extensions takes up far less then it's real scope and that borrowing brand equity as a brand leveraging strategy deserves further investigation.

Though the customer-based view of brand equity implies the importance of the customer value underlying the brand, it is not explained how the firm’s choice of value proposition actually affects customers’ brand valuations and whether offering a more «sophisticated» customer value yields to greater brand equity. In the study it is suggested that by introducing the borrowed brand equity construct to the customer-based brand equity model it would be possible to explore the impact of brand symbolism and customer value propositions and with that contribute to closing the theoretical gap between customer value and brand equity.

1. Theoretical background

1.1 Conceptualizing and measuring brand equity

The concept of brand equity is a subject of ongoing discussions both in the accounting and marketing literatures, which address the question of whether it should be thought of from a consumer-oriented, or a firm-oriented perspective (e.g., Wood 2000; Tolba & Hassan 2009). Correspondingly, two terms, “customer-based brand equity” and “brand value”, also referred to as the firm-based brand equity (Christodoulides & de Chernatony, 2010), are often used instead by marketers in order to separate the prospectives (Raggio & Leone, 2007). Despite the fact that a distinction between brand equity and brand value was suggested more than 15 years ago, researchers continue to use the terms interchangeably.
The customer-based brand equity (CBBE) is defined by Keller as the differential effect that the customer knowledge about a brand has on his response to the marketing of that brand (1993). This differential effect results from moderating the impact of marketing activities (or inputs) on consumer’s mindsets and eventually, their actions (or outputs) (Raggio and Leone 2007). The CBBE subsumes brand strength and brand description dimensions of brand equity as defined by Feldwick (1996) and explains the extent of consumer attachment to a brand. Its sources are the customer’s associations with the brand elements (name, symbol, logo, slogan, package) and the overall level of familiarity with that brand (Keller, 1993).

**Brand value**, on the other hand, describes the total impact of a brand on the financial outlook of a company (Srivastava & Shocker, 1991). It is considered to be a larger construct that subsumes the CBBE (Rust, Lemon, & Zeithaml, 2004; Raggio & Leone, 2007) as beyond the degree of consumer attachment brand value also considers: the cost to the brand-owner of replacing the brand with an equivalent one; the price which other firms have paid by for similar brands; and the impact which the brand has on future earnings for the brand-owner. Comparing two brands in terms of their value in this case would force to consider the investors sentiment (Keller and Lehman 2003), i.e., the external factors that are not intrinsic to the brand owner, such as: perceived growth potential, licensing and extension opportunities, risk profile, existing tax incentives and current loan rates attractiveness. Therefore, in order to leave out those factors, which would effect brand value, but would not follow directly from the firm’s marketing activities, this paper takes a consumer-oriented prospective on brand equity.

### 1.2 The customer-based brand equity model

Although the details of various customer-oriented metrics of brand equity differ, they all either implicitly or explicitly focus on brand knowledge structures in the minds of consumers as the source or foundation of brand equity. Drawing from the associative network memory model, Keller conceptualizes brand knowledge as consisting of a brand node in memory to which a variety of associations are linked. Brand associations are understood as anything "linked" in memory to a brand (Aaker, 1991) and they can be seen in all forms and reflect aspects independent of the product itself (Chen, 2001). According to the CBBE model, the relevant dimensions that distinguish brand knowledge and affect consumer response are the awareness of the brand and the brand image characterized by the favorability, strength and uniqueness of the brand associations in consumer memory.

**Brand image** is the perceptions about a brand as reflected by the brand associations held in consumer memory. According to Aaker, brand associations create value for the firm and its customers by helping to retrieve information (1991). Keller (1993) offers to distinguish among brand associations by their level of abstraction: attributes (descriptive features), benefits (personal value), and attitudes. Brand attitudes could be understood as overall brand evaluations, which are dependent on the perceived benefits but as well encompass all possible beliefs consumers might have regarding to the product.

The favorability, strength, and uniqueness of brand associations are the dimensions distinguishing brand knowledge (Keller, 1993). The favorability of brand associations refers to the extent to which the consumers believe the brand is able to satisfy their needs and wants. The strength of brand associations is related to the perceived degree of significance of the product or service information. Uniqueness of brand associations describes the extent to which an association is shared with other brands and thus the degree of it being a source of differentiation. Hence the presences of strongly held, favorably evaluated associations that are unique to the brand are expected to imply superiority over other brands. The degree to which a brand association will contribute to the brand image would depend on how important the consumer perceives the association in general for the brand category.

Positive evaluations are necessary for building a strong brand; however, inducing positive attitudes is not in and of it sufficient to have much influence upon consumer behavior.
The general principle offered by the attitude behavior process model is that attitudes must be accessible from memory in order to influence subsequent perceptions and behavior (Farquhar, 1990). *Brand awareness* relates to the strength of the brand node or trace in memory, as reflected by consumers’ ability to identify the brand under different conditions (Rossiter and Percy 1987). Stored evaluations can be retrieved from memory in two ways (Herr and Fazio 1988): recall (controlled activation) and recognition (automatic activation). *Brand recognition* occurs spontaneously from memory upon the mere observation of the attitude object. The process is inescapable and effortless. *Brand recall* requires the active attention of the individual to retrieve a previously stored evaluation or to construct a summary evaluation of the attitude object. In other words, brand recall requires that consumers correctly generate the brand from memory.

It is thus asserted that any potential encounter with a brand – marketing initiated or not – has the opportunity to change the mental representation of the brand and the kinds of information that can appear in consumer memory. Such an encounter may occur when a consumer sees only the name, logo, or packaging of the brand and may generate a certain amount of brand equity as a result of the associations automatically generated (Raggio & Leone, Chasing brand value: Fully leveraging brand equity, 2009).

1.3 Two approaches to measuring brand equity

Drawing from literature on attitude strength (e.g., Petty and Krosnik 1995) Raggio and Leone suggest that the consumer response on brand knowledge may result in either *individual-level* or *market outcomes*. The classification can be used to differentiate such responses with regard to brand equity, which concern a mere change in the mindset of consumers (e.g., persistent attitudes and change resistant beliefs) from the consequences of the actual changes in the consumers’ purchasing behavior on the brand performance (e.g., loyalty, price premium, market share). Accordingly, the measurements of brand equity can also be differentiated with regard to what type of outcomes they employ (Aaker 1991; Keller 1993). Because researchers don’t always separate between the two types of brand equity outcomes in many cases a mixed approach to measuring brand equity is applied.

*The direct approach* tries to assess the added value of the brand (Farquhar 1990; Keller 1993), i.e. the outcomes that constitute the performance of the brand. In practice, market-level outcome measures are very popular because they are readily available to firms and researchers as they exist in the data that companies generate as part of normal operations. The problem with such metrics is that the outcomes would be highly dependent on various marketplace conditions: the effectiveness of competitors marketing investments, how much brand reinforcement and selling effort is put forth by various marketing partners and the customer size and profile (Keller and Lehmann 2003).

*The indirect approach* tries to identify the potential sources of brand equality (Keller 1993). The advantage of this approach is that while market-level outcome measures only indicate where a brand is at a point in time, individual-level outcomes give indication as to how it got there, and how to change (improve) the measure in the future (Raggio and Leone 2007). Consequently, the following analysis will focus on the indirect measures, and specifically on perceived quality, attitudinal loyalty and trust.

Perceived quality - is the customer’s perception of the overall quality or superiority of the product or service with respect to its intended purpose, relative to alternatives. It has been empirically demonstrated to effect profitability both in terms of return on investment and in terms of stock return. Aaker (1991) stated that perceived product quality is one of the key dimensions of brand equity.

Trust – is the extent that a consumer expects the brand to provide satisfaction (Ambler 1997). Morgan and Hunt findings supported by Geyskens and Steenkamp (1995) show that trust mediates performance. Young and Wilkinson (1989), in the context of Australian firms,
found trust to correlate with the size and power of firms: the larger being more trusted. This is consistent with the use of trust as a proxy for brand equity.

*Attitudinal loyalty* – is the consumer’s predisposition towards a brand as a function of psychological processes. This includes attitudinal preference and commitment towards the brand. There is emerging evidence in the marketing literature that attitudinal loyalty is a brand-specific trait. While these measures have also been criticized by many researchers for their failure to predict actual purchase behavior, a recent meta-analysis of 88 attitude-behavior studies revealed that attitudes significantly predicted future behavior.

2. Leveraging brands through borrowing brand equity

One area of increasing importance for academic research in branding is the brand-leveraging process, that is, the effects on consumers of linking a brand to another person, place, thing, or brand. Analyzing this process requires understanding how the consumers’ knowledge about the brand might be affected by linking the brand to other entities. While the benefits that brand leveraging brings to the brand extension and brand alliance markets have been widely discussed and documented (e.g., Smith and Park 1992; Keller and Aaker 1992; Aaker 1991), the reciprocal impact of this action on brand evaluation has received less attention and is the subject of greater speculation.

To refer to such practices when a strategic linking of one brand associations to those of another occurs we propose to use the term *borrowing brand equity*, which can be related to the literature on leveraging brand equity. According to Farquhar, brand equity could be built, bought or borrowed (1990, RC10–RC11). Brand equity is built by creating brand image and fostering the brand awareness. Another way to enhance brand equity is to buy it through acquisition or licensing. Finally, borrowing brand equity refers to the practice of firms borrowing on the equity in their brand names by extending them to other products. Although Farquhar writes primarily of category and product line extensions, borrowing brand equity could be considered a part of a broader marketing trend reflected by the increasing number of firms that are establishing brand alliances by linking their marketing program to other firms or brands (Rao, Qu, and Ruekert 1999; Shoker, Srivastava and Ruekert 1994).

The definition of customer-based brand equity does not distinguish between the sources of brand associations (Fishbein and Ajzen 1975) - that is, whether they are created by the marketer or by some other source of influence. Those associations which occur when the brand association itself is linked to other information in memory that is not directly related to the product or service of the brand are referred to as *secondary associations* (Keller 1993). Because the brand becomes identified with this other entity, consumers may infer that the brand shares associations with that entity, thus producing indirect or "secondary" links for the brand. According to Keller (1993), secondary associations may arise from primary attribute associations related to the company, the country of origin, the distribution channels, a celebrity spokesperson or endorser of the product or service, or an event or another brand. In the CBBE model secondary associations are treated just as any other association and hence they are also characterized by perceived uniqueness, favorability and strength.

Consumer evaluations of brands can then be considered an inferential process by which consumers must formulate their evaluation on the basis of what they already know about the brand and the information about other brands it is associated with (Bridges, Keller, and Sood 1999). The potential downside (upside) of this effect is that the extension damages (enhances) the brand name (Simonin and Ruth 1998, Sullivan 1990; Keller and Aaker 1992). As the associated brands are managed by someone else, the control over these secondary brand associations is largely out of the hands of the brand manager. At the same time, given the link between brand attitude and consumer response, any impact of brand extensions and brand alliances on brand attitude can have large financial consequences. Therefore such instruments are required that would allow to distinguish and evaluate the borrowed brand equity from the built equity.
Based on the brand value chain model proposed by Keller and Lehman (2003), we summarize the scope of the study in Figure 1.

![Brand Value Chain Model]

**Figure 1. The refined brand value chain model**

The model assumes that the brand value creation process first begins when the firm invests in a marketing program targeting actual or potential customers. Then, the marketing activity associated with the program influences the customer "mindset" with respect to the brand—what they know and feel about the brand. This mindset, across a broad group of customers, then results in certain behavioral outcomes for the brand in terms of how it performs in the marketplace—the aggregate of individual customer actions regarding quantity purchased and the price that they pay. Finally, the investment community considers brand performance along with other factors to arrive at an assessment of brand value.

The factors, which intervene between these stages and determine how value created at one stage transfers to the next stage, are: brand equity, marketplace conditions and investors sentiment. First, whether the customers would properly interpret and evaluate the message of the brand marketing what the customers already know about the brand and the favorability and uniqueness of primary and secondary associations with the brand, which are evoked by the message of the marketing program. Then, whether the changed perceptions would lead to the expected purchasing behavior would depend on competitors marketing investments, channel support and the customer size and profile. Last, the estimated brand performance depends on such external factors as the dynamics of the financial market as a whole, the growth potential, the risk profile for the category in general and the brand in particular, and also the options of potential brand expansion.

Recognizing the uncontrollable nature of these factors is important to help put in perspective the relative success or failure of a marketing program. As in most cases such factors as the marketplace conditions and the investor sentiment would be largely out of the hands of the marketer, the goal of this study would be helping to understand how create value through leveraging equity.

### 3. The gap between brand equity and customer value

It is well recognized that a brand is only valuable when it provides value to its customers (Anderson and Narus 2004; Hamel and Prahalad 1996). Yet although it constitutes the underlying rationale for the marketing concept (Kotler (ref.); Alderson 1957; Bagozzi 1975; Homans 1961), value theory represents a body of knowledge habitually neglected by scholars in the marketing-related disciplines. Existing value literature neither makes sufficient effort to study the nature of the value elements at all and merely focuses on a handful of the most obvious elements such as price, quality and time (Ramsay 2005). This lack of a mutual effort to build a strong backbone for customer value has led to the concept being hard to adapt in com-
panies and large difficulties arising in actually operationalizing the understanding of customer value.

Consumer behavior theory generally argues that in order to make sense of the value of an offering, the perceived benefits and costs (sacrifices) are compared by the customer (Lapierre 2000; Ulaga 2003; Zeithaml 1988). This perceived value allows customers and buyers to make or evaluate purchase decisions. After consumption, an emotional and affective response is derived from this value consideration which is conceptualized as customer satisfaction (Antonides and van Raaij 1998; Fournier and Mick 1999; Garbarino and Johnson 1999; Holbrook 1995). This perceived value can only be assessed reliably in a certain use situation, and needs to be viewed on a practical level in relation to a complete offering bundle (Flint et al. 1997; Graf & Maas 2008).

An alternative school of opinion views customer value as focused solely on the customer benefit side, demoting the sacrifices the customer incurs in purchasing the offering. Customer value is understood as the customers’ perception of what they want to have happen (i.e., consequences) in a specific use situation, with the help of a product or service offering in order to accomplish a desired purpose or goal (Woodruff & Gardial 1996). It is conceptualized as a part of the customer’s value system, and represents all the attributes (tangible and intangible) of the offering along with its implied consequences, positive as well as negative, and monetary as well as non-monetary (Flint & Woodruff 2001; Van der Haar et al. 2001). In the study we take up the second understanding of customer value as it is by definition independent of specific use experience and characterized by relatively more stable permanence (Flint et al. 1997, p. 168).

In seeking to deliver significantly superior customer value the marketer must clearly define, communicate and deliver a "value proposition" which is recognized by the target market as a better proposition than that presented by competitors. The value proposition includes the promise of delivering benefit to the customer through an offering. It can be argued that this is the distinctive aim of any firm (Slater 1997). For this purpose, marketing management can potentially utilize as a lever every variable that is used as part of the value consideration by a consumer (Ravald and Grönroos 1996). The task of marketing, therefore, has to be expressed in terms of the creation and delivery of customer value.

3.1 Brands are symbolic devices

In the customer-based brand equity model the brand’s value is defined as the set of abstract associations (attributes and benefits) that characterize the most important dimensions of the brand (Keller 2003, 151). Brand attributes or those descriptive features that characterize product or service are distinguished according to how directly they relate to product or service performance. Product-related attributes differ depending on a product category and are defined as the ingredients necessary for performing the product or service function sought by consumers. Non-product-related attributes are defined as external aspects of the product or service that relate to its purchase or consumption and can be of four types: price information, packaging or product appearance information, user imagery (i.e., what type of person uses the product or service), and usage imagery (i.e., where and in what types of situations the product or service is used). Benefits are said to be the personal value consumers attach to the product or service attributes - that is, what consumers think the product or service can do for them. The sum total of all benefits that customers perceive they will receive if they accept the market offering is referred to as the customer value (Hunt and Morgan 1995). Yet, it is unclear in what way the added value is being used.

The CBBE model seems to follow the classical philosophical approach to defining a brand. Called the “product-plus” approach, it sees branding as an addition to the product (Styles and Ambler 1995): while a product is something that offers a functional benefit, a brand is a name, symbol, design or mark that enhances the value of a product beyond its func-
tional purpose by representing a promise of “additional” benefits (e.g., prestige, quality guarantee). According to the alternative, holistic, approach to defining a brand the distinction between products and brands does no longer exist. Products are considered to have become symbols in themselves as the signifier - the physical product - has become the signified: A Bentley Continental car or a Coca-Cola drink is both a product and a symbol. Using the marketing mix, the brand is tailored to the needs and wants of a specified target group. The elements of the marketing mix are unified by the brand such that the individual elements of the mix (for instance price) are managed in a way, which supports the brand message. Holism is considered important for building strong brands as it rejects practices such as discounting a premium brand for short-term gain.

Interpretation of brands has given rise to a considerable amount of research into brands as symbolic devices with personalities that users welcome. These symbolic devices would be characterized by the perceived benefits from potential consuming of the brand and differentiate among each other according to the personal value they provide. Taking up the holistic approach to defining brands would mean that we consider all benefits as “symbolic”, whichever attribute type they relate to. By that we assume the customers are automatically ‘adding’ to the brand’s customer value some very personal context by that enriching the primary functional value with symbolism. It becomes clear that the mere tool has been transformed into an ‘enabler’ within a network of higher-order values.

3.2 Customer value networks

Ravald and Grönroos assert that customers’ sense-making concepts about the value of offers are themselves embedded in something that resembles a network (1996) that incorporates social ‘contingencies’ or ‘contextualities’. For iconic brands like Coke, Nike, and Budweiser, the brand’s symbolism is the center of consumer value. Customers buy the product primarily to experience the stories that the brand performs and the product is simply a conduit through which customers get this experience. Brand symbolism is considered to deliver customer value by providing culturally resonant stories and images that customers use to buttress their identities. Because the CBBE model ignores the particular contents of the brand’s communications, the model is unable to decipher how brand symbolism works.

Holt (2004) has developed a cultural theory of branding conceived specifically to explain how brands create value through their symbolism. To do so requires moving from the essentialist, static, individual-level constructs of existing theories to social and cultural constructs. First, symbols are valued because they are established as cultural conventions: their meanings are intersubjectively shared (Holt 2002, 2004). It is the fact that the brand exists in public culture as a conventional sign that gives the brand’s symbolism its social value. Second, when brand symbolism is successful, it gets woven into the fabric of social life as consumers use these symbols to interact: to forge affiliations, to claim status, and to socialize. While it is surely true that consumers have cognitive representations of brand symbolism, these representations are the consequence of their stature in public culture and social life (see Holt 2005).

The CBBE model views the brand in relationship to individual consumers, while brand symbolism becomes powerful only when it is accepted and used by a large population. Customer value increasingly arises through a relationship with a supplier for a stream of products and services over time, rather than individual products and services. The consumers’ needs are increasingly met through alliances of companies as more and more customers buy multi-branded solutions. Achieving a common understanding of the whole complex chain of participant interactions as part of shared consumer-to-consumer value networks and taking into account the overall value management is therefore crucial for creating a clear conceptualization of why customers specifically value offerings.

Henneberg and Mouzas (2004) imply that in order to assess the overall customer value it is important apart from looking at the subjective estimation of the brand attributes’ value
also to take into account the holistic customer value, which reflects the social aspects of realizing the value of the offering in the context of the consumer’s relationships with other people and objects. It is shown in the literature that modern consumers make active use of goods in the construction of social relations and forms of identity (Brewer and Porter 1993; Finn 2004; Roche 2000; Sassatelli 2004). When a consumer good is purchased, the good works as a sort of medium of access to the brand. Bernard and Veronique Cova argue that for many consumers, the main use-value of consumer goods is their “linking values”, or their capacity to mediate and cement the social relations that make up the context of consumption (Cova and cova 2001; Cova 1997). Hence, for the consumer the brand is useful as long as it can enter into an assemblage where it, together with other brands, achieves something (an expression, a relation, an emotion).

3.3 Measuring holistic customer value

The discussion implies that the holistic customer value although representing a rational for conceptualizing customer value reflects a dimension which is different from the CBBE understanding of value as a sum of benefits. It rather indicates a quality of a brand’s association network i.e., the ability of the brand to “link values” by evoking the social aspects of consumption. If the network of the core product is low in the hierarchy, i.e., only associated with product-related attributes, van Raaij and Schoonderbeek (1993) suggest that one should not go beyond line extensions. But once a brand becomes associated with particular values (e.g., social or political issues, lifestyles) then the authors consider it to be the case that provides the richest opportunities for brand extensions. It is also suggested by literature that as markets became more developed brands started to get more complicated, encompassing more symbolic values instead of functional. From this it could be implied that holistic customer value could be characterized by levels.

Kunde founder of the Scandinavian integrated marketing agency Kunde & Co puts forwards an argument that as the values of a brand become stronger and more relevant to customers, so the brand becomes more involving, and thus managers need to make their brand values more relevant to increase customer’ involvement. He conceptualizes a five-stage value adding process: product, concept brand, corporate concept, brand culture and brand religion. Another similar classification was done by Goodyear (1996) who has classified brands according to the degree of dialogue between marketers and consumers: unbranded commodity, brand as references, brand as personality, brand as icon, brand as company and brand as policy. Common to both classifications is the characterization of brands by the depth of associated brand identity: whether the brand is associated with particular grand values, lifestyles or human-like traits, such as fun and youthfulness.

With “brands as personality” the personalities of the consumer and the brand begin to merge and the value of the brand has become self-expression. Customers select brand personalities consonant with the emotional values of the brand and the target consumers’ lifestyle (McEnally, de Chernatony 1999, Aaker, 1996). The values of the brand facilitate expression of self or help people represent their past history (McEnally, de Chernatony 1999; Csikszentmihalyi and Rochberg-Halton 1981).

When a brand becomes associated with a certain lifestyle consumers become more energetically involved in the brand creation process in building their attitudes toward the brand. Some associations such as Michael Jordan and Nike lead to an important set of secondary associations of a “highly positive nature” in which all become winners (Krishnan, 1996). Thus, in this stage, symbolic benefits, non-product related attributes (user imagery), secondary associations are used to construct the brand equity.

In the final stage, the brand and company become closely identified with social, ethical and political issues” (McEnally, de Chernatony 1999; Goodyear 1996). Consumers commit to those brands and companies who share their views. The brand at the pike of its holistic val-
ue is highly similar to what Kapferer (1997) calls brand identity” (McEnally, de Chernatony 1999).

4. Hypotheses

We define borrowed equity of a brand as the differential effect that knowledge about all other brands associated with it has on consumer response on the marketing of that brand. Following the logic of the CBBE model brand knowledge is described as consisting of a brand node in memory to which a variety of secondary associations are linked. Secondary brand associations are understood as those brand associations which occur when the brand association itself is linked to other information in memory that is not directly related to the product or service (Keller 1993). This is consisted with the previous findings in the literature studying brand extensions and brand alliances (Bridges, Keller, and Sood 1999 Simonin and Ruth 1998; Sullivan 1990; Keller and Aaker 1992; Keller 1993) as well as with various models from consumer behavior field (e.g., consumer-to-consumer networks, cultural theory of branding). Borrowed brand equity occurs when a brand becomes identified with another entity characterized with own brand attributes and associations be it a company, a country of origin, distribution channels, a celebrity spokesperson or endorser of the product or service, or an event. As any brand is constantly intertwined in an associative network of other brands, it should always possess some level of borrowed brand equity. Together with the brand’s own equity, the borrowed equity represents the total brand equity of a brand.

H1: Consumers’ evaluations of a brand’s borrowed equity have a strong effect on consumer response to the marketing of that brand.

If holistic customer value determines the extent to which other brand associations linked to a brand association become secondary associations for the brand, then offering a higher holistic value should entail the brand with more links to other entities, i.e., more borrowed brand equity. Stronger connections should provide the mechanism whereby brand associations, including attitudes, transfer to and benefit the brand. Hence we argue that the higher (lower) level is the holistic value proposition of a brand, the higher (lower) should be the reciprocal effect because mental linkages between concepts facilitate the transfer of evaluative judgments.

H2: Holistic value proposition effect a brand’s equity via moderating the relationship between borrowed brand equity and consumer response.
Model of the empirical research
5. Conclusions

Forming brand alliances is an increasingly popular branding strategy, which marketers use in attempting to transfer the positive associations of the partner brands to their brand. The growing interest in the topic among both academics and business practitioners is telling that the future of brand management most likely lies with new brand alliance strategies. Practitioners started to implement brand alliance strategies long before academics had come up with enough conceptual background to handle the phenomenon. This has led both sides astray from the very core of the strategy as the primary focus have been put on factors external to the brand leveraging processes and measurements based on market-level performance outcomes. Since the appearance of the brand alliances research steam, the theoretical separation of brand equity from brand value had been established, brand knowledge have been accepted as the source of brands’ power, and managing brand personality has become common practice as companies now strive to make every brand an icon brand. As a result, there appeared a gap between the brand alliance literature and consumer value literature – it is unclear how it is possible to leverage brand equity by forming brand alliances.

Currently, the customer-based brand equity model represents the dominant approach to conceptualizing brand equity. This model does not take into account the peculiarities of associations with external brands, which unlike the brand’s own associations, are not under the control of the brand manager – you cannot change the nature of associations of brands, which you don’t manage. Hence, the choice options with exist with regard to these type of brand associations is whether to link or try to unlink the associated brand allies. Although secondary brand associations are included in the CBBE model, they are treated as just another element of brand equity. The study suggests that these associations should be rather considered as elements of the borrowed brand equity.

Although the term “borrowing brand equity” has been proposed a couple of decades ago as a brand leveraging strategy, which does not include building brand equity, it had been ever since neglected by marketing research. In this paper, we try to explain how the borrowed brand equity effects the focal brand’s brand equity by revisiting the concepts of brand symbolism and holistic value proposition. In the study, it is suggested that by introducing the borrowed brand equity construct to the customer-based brand equity model it would be possible to explore the impact of brand symbolism and customer value propositions and with that contribute to closing the theoretical gap between customer value and brand equity.

As choosing and managing the customer value that the brand should provide to customers is an integral part of every branding strategy, it is crucial to understand how that choice affects brand equity. Hence, the paper offers to reconsider Keller’s classical CBBE model by taking into account the role of holistic value proposition in order to provide marketers with an important insight into brand-customer relationships when deciding upon a branding strategy. Reintroducing borrowing brand equity as a brand leveraging strategy brings the missing theoretical basis that is necessary for explaining how brand extensions and brand alliances work and creating a proper framework which would allow classifying and comparing brand alliance strategies.

6. References


