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*“THE BRAND EQUITY MODEL: A COMPARISON BETWEEN PRIVATE LABEL AND NATIONAL BRAND”*

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## INTRODUCTION

Over the years, branding has gained attention from scholars and managers. According to some authors (Ambler 2003; Davis, 2000), brand is an intangible, market-based asset and provides a rich understanding of marketing performance, reconciling short and long-term activities, and as an intangible asset, it represents a more suitable competitive advantage (Hunt & Morgan, 1995). That's why it can be considered one of the hottest topics even though it has already been discussed over years.

In the grocery context, a model brand that is increasingly chosen by the consumers is represented by private label. The retail context has significantly changed in the last few years. Indeed, retailers, all over the world, have started to introduce different variants of private labels. Players, like Tesco, Sainsbury's, Lidl have launched premium lines (Tesco Finest, Sainsbury's taste the difference, Lidl Deluxe and so on) with the purpose to gain a competitive advantage relying on the new customers' needs and preferences. Nowadays, people are changing their choices in terms of both format stores and brands. More and more frequently, consumers buy healthy products, free from products, gluten free, vegetarian or vegan products.

Although it is clear that retailers are brands, the measurement of their equity has been treated differently and there is the need to become able to understand whether they can follow the same process of national brands value creation or not. Given its highly competitive nature, branding can be essential in retailing industry in influencing customer perception, as well as in motivating store choices and loyalty (Ailawadi & Keller, 2004; Hartman & Spiro, 2005; Swoboda, et al., 2016).

Despite some practitioners and marketing researchers (Kramer, 1999; Keller, 1998) have suggested that, like brands, retailers possess equity and claim that branding and brand management principles could be applied to retail branding (Ailawadi & Keller, 2004; Pappu & Quester, 2006), the evidence is still missing. Therefore, since it is necessary to investigate the retail brand equity and understand in depth the main factors affecting it and how to measure it this study aim to close the current gap.

In addition to investigate whether the private label equity has the same structure as national brand equity, it wants to investigate and identify the most influential variables in the model. Six chapters are part of the thesis. The first two chapters are about the literature review. Particularly, chapter one talks about branding, in which way it can be defined and the today different types of brand equity. Then chapters two is dedicated to the evolution of the private label and its definition.

Chapter three is completely dedicated to the identification of the literature gaps and the explanation of the research questions. Later, in the following chapter (chapter four) the methodology implemented has been described. The last two chapters are fully dedicated to the analysis, findings, conclusions and managerial implications.

## CHAPTER 1

### CUSTOMER – BASED BRAND EQUITY: A LITERATURE REVIEW

#### 1.1 What is a brand?

Our lives are marked and framed by the products we consume, their names, symbolism and true or false promises (Davicik, da Silva and Hair, 2015), in other words we are inundated with brands, but how can we define the meaning of “brand”? Starting from this question, this paper/essay/work aims to explain how the majority of the most successful companies are creating value through their products especially through their diamond brands. It is possible to tackle this issue by going back to the origin of the word “brand” - from the proto-German *brandr* – whose literal meaning is to “burn your mark into or stigmatize” (Beveralnd, 2018). There is little doubt that this is exactly what firms mean to do with their brands. The first aim is to identify the product with a sign connecting it to the producer or seller and differentiating it from the crowd of the offers. According to Aaker (1996), building strong brands help the company establish an identity in the market place.

Following the ancient meaning of the word, we can state that the brand can identify both the wearer and the status but it also carries an implicit idea of membership, thus clarifying the underlying reason for the emotional intensity of many consumer-brand relationships – in other words, the process of identification between customers and the brand. In this perspective, the concept of *brandr* explains why, thanks to the ownership of a brand, some people feel like they belong to a community and need that specific brand to stand out from the crowd.

Despite the origin of the word and adopting a marketing point of view, many definitions, from the past and present, are available (Table 1).

**Table 1. Brand definitions available**

| Author                                | Definition                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| American Marketing Association Mark I | A name, a term, design, or any other feature that identifies one seller’s good or service as distinct from those of other sellers.<br>The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name |

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| American Marketing Association Update Mark II | A brand is a customer experience represented by a collection of images and ideas; often, it refers to a symbol such as a name, logo, slogan and design scheme. Brand recognition and other reactions are created by the accumulation of experiences with the specific product or service both directly relating to its use, and through the influence of advertising, design, and media commentary        |
| Oxford English Dictionary                     | A piece of burning, smouldering or charred wood, a stigma, a mark of disgrace; a torch, a sword; a kind of blight, leaving leaves with a burnt appearance; special characteristic (brand of humour); an identifying mark burned on livestock or (formerly) criminals etc. with a hot iron, an iron used for this; a particular make of goods, an identifying trademark, label ect. to designate ownership |
| David Aaker                                   | A brand is a distinguishing name and/or symbol intended to identify the goods and services of one seller and to differentiate those goods and services from those of competitors                                                                                                                                                                                                                          |
| John Philip Jones                             | A brand is a product that provides functional benefits plus added values that some customers value enough to buy                                                                                                                                                                                                                                                                                          |
| Jay Baer                                      | Branding is the art of aligning what you want people to think about your company with what people actually do think about your company. And vice versa.                                                                                                                                                                                                                                                   |
| Cheryl Burgess                                | A brand is a reason to choose                                                                                                                                                                                                                                                                                                                                                                             |
| Seth Godin                                    | A brand is a set of expectations, memories, stories and relationships, that taken together, account for consumer's decision to choose one product or service over another. If the consumer (whether it's a business, a buyer, a voter or a donor) doesn't pay a premium price, make a selection, or spread the word, then no brand values exists for that consumer                                        |
| David Ogilvy (1911-1999)                      | The intangible sum of a product's attributes: its name, packaging, and, price, its history, its reputation, and the way it's advertised                                                                                                                                                                                                                                                                   |
| Marty Neumeier                                | A brand is a person's gut feel about a product, service, or company. It's a GUT FEELING because we're all emotional,                                                                                                                                                                                                                                                                                      |

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    | intuitive beings, despite our best efforts to be rational. It's a PERSON'S gut feeling, because in the end the brand is defined by individuals, not by companies, markets, or the so-called general public. Each person creates his or her own version of it                                                                                                                                                                                                                                                                                                              |
| Sergio Zyman                       | A brand is essentially a container for a customer's experience with the product or company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Alvin "Al" Achenbaum (1925 – 2016) | What distinguishes a brand from an unbranded commodity counterpart and gives it its equity is the sum total of consumers' perceptions and feelings about the product's attributes, about how it performs, about the brand name, and about the company associated with producing it                                                                                                                                                                                                                                                                                        |
| John Hegarty                       | The most valuable price of real estate in the world, a corner of someone's mind                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Sir John Hegarty                   | Brand = product and/or service + values + associations. This combination creates "meaning" that people can connect with at the level of identify and therefore the relationship is beyond commercial. In theory the values are "forever" and embrace the ideology, the product and/or service and associations can change over time (personal communication, February 5, 2017)                                                                                                                                                                                            |
| Roland van der Vorst               | A more practical definition is "all operations executed by a brander to develop his/her brand in a positive way". A brand is a concept that regulates the behaviour of both brander and user (personal communication, February 2017)                                                                                                                                                                                                                                                                                                                                      |
| Erminio Putignano                  | Branding is an exercise in world-making. It's about shaping a worldview anchored in values, beliefs and promises and bringing it to life through symbols, stories and experiences. It is an act of narration and a conversation and it implies a very active contribution from all parties involved – everybody is involved in its generation and interpretation (organizations, agencies, customers, and the community at large). If the worldview is convincing and relevant, then it is able to change opinions and behaviours (personal communication, February 2017) |

|                        |                                                                                                                                                                                                                                                                                                                 |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Brian Richards         | The brand is what brings together and articulates company values, both internally and externally, which is why one of the most important tasks of the manager is to ensure that everyone delivers the brand, it's no longer just a marketing function (Http//Richards.partners/thoughts/spiritual-intelligence) |
| Marie-Agnes Parmentier | A brand is a repository of meanings fuelled by a combination of marketers' intentions, consumers' interpretations, and numerous sociocultural networks' associations                                                                                                                                            |
| Jeff Bezos             | What people say about you when you aren't in the room                                                                                                                                                                                                                                                           |

**Source: Definitions either sourced directly from Brown (2016) and Coehn (2011)**

The first definition was by the American Marketing Association stating that a brand is *“a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. The legal term for a brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name (AMA M1)”*. In spite of some useful aspects as the stress on competing symbolically (rather than through functional innovation and pricing) and the usage of the brand as a tool of competition, this definition has some limitations. For instance, the attention is deeply focused on the material markers of a brand (Holt, 2003), and there is no mention of an external user (McCune, 2018). Also, in the Aaker's description, the same construct persists (market orientation): his study revolves around the brand's ability to identify the goods and services of one seller and to differentiate those goods from the competitors' without taking into account the consumers and their experience.

That's why, in other definitions, we find a stronger stress on the emotional traits embedded in the concept of “brand” than on its functional area. For example, Seth Godin (speaker and entrepreneur, creator of permission marketing and author of 17 books) defines a brand as *“a set of expectations, memories, stories, and relationships that, taken together account for a consumer's decision to choose one product or service over another. If the consumer (whether it's a business, a buyer, a voter or a donor) doesn't pay a premium, make a selection, or spread the word, then no brand value exists for that consumers”*. Compared to the first explanation, here different edges, like the connection with the customer's feeling, can be found. Furthermore, the consumer - who is the addressee of the brand strategy – is brought into play. According to Jeff Bezos, founder and CEO of Amazon.com, a brand is *“what people say about you when you aren't in the room”*. From this different perspective,

it is easy to understand how important the thoughts of people are, especially in a very competitive market where there is a proliferation of brands and consumers are able to get all the information they need comparing all the available offers. Because of that, companies have to be very careful in understanding the real customers' needs and wants in order to build a brand able to match their expectations and catch them over the years. To achieve this result, focusing on the mere functional features of the brand is no longer enough as the emotional traits are becoming more and more relevant.

Following this approach, a very important definition has been given by Keller in 1998, according to which brand is "*a set of mental associations, held by the consumer, which add to the perceived value of a product or service*". The reference/link to the associations and their need to be unique (exclusivity), strong (saliency) and positive (desirable), is one of the most significant contributes in this matter. As a consequence, scholars have started to try to understand how to build build strong brands through strong associations since it's been made clear that this could become the key of success in terms of differentiation. In spite of this, up to this moment, there isn't a coherent model suitable to describe the structure of these connections and, almost all the researchers have adopted a theoretical explanation instead of a tangible one.

In conclusion, there is disagreement in terms of brand definitions because each expert comes up with his or her own explanation depending on his/her perspective. On top of that, the same issue can be found in the way in which the value created is measured, in other words the measurements suitable to evaluate the strength of the brand. This can lead to a very huge paradigm: customer-based or financial based point of view?

According to Kapferer (2012), the financial approach measures brand value by isolating the net additional cashflows created by the brand and we can consider the cashflows as the result of customers' willingness to buy one brand more than its competitors regardless the price. Additionally, some customers are willing to pay a premium price because of the beliefs and bonds created over time in their minds through the marketing of the brand (Kapferer, 2012). In conclusion, brand can be considered as an asset and for this reason it has a financial value across all the stakeholders (customers, distributors, prescribers, opinion leaders and so on). Definitions do vary not only according to the authors, but also through time and they reflect a vision at a certain moment (Kapferer, 2012). At the beginning, law was the first thing to be taken into account while discussing about brands and producers used them to differentiate supply. Yet, over time, brand became a sign of a higher quality and not only a proof of origin. Later, when the cognitive psychology became the dominant theory in marketing literature,

the branding assumed a different meaning and the related strategies changed. In this scenario, brand theorizing was very much influenced by television commercials and the primary aim of the companies was to create a unique connection between the brand and the advertisement to promote the unique selling proposition (USP). One of the most famous examples is P&G with Tide, Dash, Pampers ect., who was, at that time, the prototype of branding. In this case, P&G wanted to communicate to their customers one single benefits originated from their product regardless the category of membership - in other words, one brand meant one product only (Kapferer, 2012). Today things have changed. Indeed, big and successful firms as Apple own a wide range of products from computers to iTunes music service using the main brand and communicating the same claim across the offer.

The old-school conception can be summed up using Keller's definition (1998) considering a brand as a product underlying the idea: product = brand.

After some years, Keller himself modified his definition and focused his attention on the set of mental associations that added value to the product. So, he moved from a very narrow perspective to a more open-minded take on the issue. Some examples might come in handy in order to deal with this approach.

One of the most meaningful cases is the blind experiment in which Coke and Pepsi were involved. Researchers asked people to evaluate their preference between the two brands. As a result, Pepsi was preferred to Coke when there was no the label on the can while Coke was preferred when the label was clear. This clearly shows that, in assessing a product, almost all the time, customers give more value to the brand instead of the product, and even the taste. In other words, if the brands are not in the product, they must be present inside people's minds as associations.

Despite the dissimilarities between definitions, some points overlap. Particularly, brand is a tool of identification, distinction and differentiation. In addition, thanks to the brand and its meaning, depending on the firms' strategies, it is possible to create value for the users so that they can experience several connotations of the brand itself and be made willing to pay a premium price. That's why it is very important to understand what customers think about the brand and which is the real connotation they ascribe to it. Sometimes, companies perceive their brands in a way that doesn't match the customer's perception, for example because the advertising wasn't consistent with the communication or maybe because, after some time, the brand got a different meaning because of its usage.

In order to understand how important brands are, it is enough to look around us and see that brands are everywhere. They penetrate all spheres of our life (Kapferer, 2012) from economy

to sport and politics. Until today, branding has been analysed by different perspectives, such as macroeconomics, microeconomics, marketing, psychology, semiotics and, in these last years, also from neuroscience because, thanks to this science, it is possible to read the customers' brain and achieve a deeper understanding of the reasons why they decide to buy a brand instead of another. Some companies have already carried out experiments using fMRI, eye tracker, face reader to figure new consumers' patterns out. They decided to operate this way because, from the findings of past experiments, they discovered that, under some circumstances, customers state something and then behave in an opposite manner, both in terms of price and choices but also as far as their actions are concerned in terms of what they will do. For examples, using the face reader, that is a software, it is possible to observe the customers' emotions and try to understand at a deeper level the reaction triggered by the exposure to a certain brand while, adding another tool named eye tracker, based on the duration of the eye gaze, we should be able to establish which part of the brand, the packaging or the advertisement, caused the strongest emotions. Without these new devices and the support of neuroscience, we would not get a thorough understanding of the consumers. This does not mean that the traditional marketing tools are not suitable for the research but only that we could get better and faster results by integrating resources belonging to different fields.

Because of the growth of the anthropomorphism theory, these new tools could be necessary to understand deeply the new meanings of brands. Some authors, like Azoulay and Kapferer (2013) maintain that brands have a personality that can and should be reinforced through the use of celebrities as a marketing and advertising tool. It goes without saying that, by adopting this approach, the emotional side gains more relevance than the functional one: consequently the companies' ability to convey real emotions to their customers becomes vital as it gives birth to an associations network in the consumers' minds who, as a result, become more inclined to pay a premium price for that brand and become loyal to it. In doing so, a win-win relationship between the customer and the firm is established and a switch from a transactional point of view to a long-term path takes place.

Nowadays, it is very easy to get confused between the brand and the product branded by the brand, hence, we have to be careful not to mistake the product's name for the brand. For instance, if we consider Apple, a very huge range of products are available, but the brand, as we have seen before, it is Apple, not i-Phone, i-Pod, I-pad and so on; the management of this firm was and is able to create a world in which every product carries the same meaning and consistently shares the mood of the brand Apple. People have created very strong

associations with this sign and so it represents the added value for the customers. According to Kapferer (2012) the fewer brands a company carries, the bigger the chance to be powerful and hence justify the definition of a brand. Another example can be Ikea. As a matter of fact, it has a very large range of furniture with different names, but just one label: Ikea.

In agreement with Keller et al. (2012) a brand is a product that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need. These differences can be both rational-tangible and symbolic, emotional, intangible. In the first case, it refers to the performance, in the second case, on the other hand, to what brand can represent for the customers. In our everyday life, we can find different kinds of brands representing a physical item (e.g. Audi car) or a shop (e.g. Tesco supermarket), or even a person (e.g. David Beckham) and a place (e.g. the city of Rome).

According to the strategies chosen and implemented by the company, distinct elements will be highlighted. Sometimes, as in the Coca-Cola perspective, the non-product-related means are the most important because they base their strategy on the consumers' desires and on the creation of relevant and appealing images connected with the "drink". Other times, the product performance stands for the primary goal. In the latter case, huge and continuous investments in innovation are required.

**Figure 1. The most innovative companies of 2018**

|                                |                                |                                     |                               |                                                   |
|--------------------------------|--------------------------------|-------------------------------------|-------------------------------|---------------------------------------------------|
| <b>1.Apple</b>                 | <b>11.Airbnb</b>               | <b>21.Siemens</b>                   | <b>31.Intel</b>               | <b>41.3M</b>                                      |
| <b>2.Google</b>                | <b>12. SpaceX</b>              | <b>22.Unilever</b>                  | <b>32.NTT<br/>Docomo</b>      | <b>42.SAP</b>                                     |
| <b>3.Microsoft<sup>1</sup></b> | <b>13. Netflix</b>             | <b>23.BASF</b>                      | <b>33.Daimler<sup>3</sup></b> | <b>43.DuPont</b>                                  |
| <b>4.Amazon</b>                | <b>14.Tencent.</b>             | <b>24.Expedia</b>                   | <b>34.Axa</b>                 | <b>44.Inter-<br/>Continental<br/>Hotels Group</b> |
| <b>5.Samsung<sup>2</sup></b>   | <b>15.Hawlett-<br/>Packard</b> | <b>25.Johnson &amp;<br/>Johnson</b> | <b>35.Adidas</b>              | <b>45.Disney</b>                                  |
| <b>6.Tesla</b>                 | <b>16.Cisco<br/>System</b>     | <b>26.JP Morgan<br/>Chase</b>       | <b>36.BMW</b>                 | <b>46.Huawei</b>                                  |
| <b>7.Facebook</b>              | <b>17. Toyota</b>              | <b>27.Bayer</b>                     | <b>37.Nissan</b>              | <b>47.Procter &amp;<br/>Gamble</b>                |
| <b>8.IBM</b>                   | <b>18.General<br/>Electric</b> | <b>28.Dow<br/>Chemical</b>          | <b>38.Pfizer</b>              | <b>48.Verizon</b>                                 |

|                    |                     |                    |                           |                    |
|--------------------|---------------------|--------------------|---------------------------|--------------------|
| <b>9.</b> Uber     | <b>19.</b> Orange   | <b>29.</b> AT&T    | <b>39.</b> Time<br>Warner | <b>49.</b> Philips |
| <b>10.</b> Alibaba | <b>20.</b> Marriott | <b>30.</b> Allianz | <b>40.</b> Renault        | <b>50.</b> Nestlé  |

1 includes Nokia

2 includes all Samsung business groups (electronics and heavy industry)

3 includes Mercedes Benz

**Source: adaptation from 2017 BCG Global Innovation Survey**

The figure 1 displays the most innovative companies of 2018 (cnbc.com), it can be seen that the first three classified are Apple, Google and Microsoft, companies whose brands are well-known all around the world and aim to expand their reputation as core meaning of their branding strategy. All of them were able to create strong brands with powerful associations even if they rely on different main components and “ingredients”.

Marketers need to figure out which elements they are going to use in order to create value depending on the context in which they are operating, also considering that, at times, the background can vary according to the culture. In this way, they can translate the marketing value in a financial profit.

The brand becomes the box through which people recognize the firm and the stuff inside represents the offer. In other words, companies like Ikea, Apple, Amazon ext., have been able to gain awareness, reputation and trust in the marketplace and thanks to these values they can sell their items with a higher price and they are creating both marketing and financial value. Brands can be created following different strategies. Depending on the aim, manufacturers can decide to name new products without displaying the relation with the company name as in the case of Procter and Gamble. Otherwise, they can use the same name as Nokia, but recently there has been an increase in the number of retailers who create new kinds of brands, introducing items branded with the shop name or other meanings such as Coop with the Fior Fiore Coop premium line, Coop mainstream line, Bene Sì Coop and so on.

Additionally, not only products and retailers can be branded: today it's very common to witness the permeation of the concept of “brand” into unexpected aspects of living. This is the case of some cities, museums, famous people and it highlights how important it is to build an identity and an image able to communicate to the consumers.

If it is true that it's important to build a strong identity and a strong image of the brand, it is also true that companies can use their sign for different purposes based on the statement that

the brands can play different functions. According to Kapferer (2007) and adopting a customer perspective, some of these functions justify the attractiveness and value of the brand. Indeed, it is a tool of identification and it facilitates the purchasers in their decision process. Moreover, identifying the source or maker of a product or a service allows consumers to place responsibility to an exact manufacturer or distributor. Secondly, it is a guarantee and consequently it helps reduce the perceived risk in the consumers' mind during the transaction (Roselius, 1971). This aspect is very important in the service market in which the customer is not informed about the quality of the "product" that he/she has bought (because the service standardization is not possible), and he/she is not able to predict the performance of the choice. That's why, in contexts like these, the brand can create the added value and can become a driving force in selecting among different offers. The greater the consumer's trust in the brand, the higher the likelihood of the choice. This is true also and especially in a highly competitive market, where all the range offered by the firms is almost equivalent in terms of quality and price, but what makes the difference and encourages people to choose an item or a service instead of another is the name, the logo, the symbol - the brand- because of the value created over time.

All of this is possible because customers have learned about brands thanks to the past experiences and they have understood which brands better match their needs and wants. For this reason, marketers can use their brands as a shorthand device in order to simplify the decision process (Jacoby et al., 1977).

Choosing an economic perspective, the aforementioned function of the brand allows people to spend less energy both internally (during the thinking process) and externally (the time they spend looking around). This is a very important point, because if you think about a supermarket and, more specifically, you take into account its assortment and the time-saving need, it is easy to understand how the previous knowledge could become the consumer's driving force because he/she believes that this brand will behave in certain ways and provide him/her with utility through consistent product performance, pricing, promotion and actions without any doubt. Hence, sometimes, people can pick a brand up from the shelf only because of the past experience without considering other proposals that could better match their needs.

In addition to these functional benefits, a brand carries a symbolic tool to the customers and lets them project their self-image.

Focusing more deeply on the risk, consumers can perceive different types of risks as described in the Table 2.

**Table 2. Types of risks**

| TYPE OF RISK       | EXPLANATION                                                                                       |
|--------------------|---------------------------------------------------------------------------------------------------|
| Functional risk    | The product does not perform to expectations                                                      |
| Physical risk      | The product poses a threat to the physical well-being or health of the user or others             |
| Financial risk     | The product is not worth the price                                                                |
| Social risk        | The product results in embarrassment                                                              |
| Psychological risk | The product affects the mental well-being of the user                                             |
| Time risk          | The failure of the product results in an opportunity cost of finding another satisfactory product |

**Source: Adapted by Keller et al. (2012)**

Therefore, we can conclude that consumers can decide to buy well-known brands in order to reduce the associated risk because they can evaluate identical products differently depending on the brand identification or attribution they have given them during their past experiences.

It should be pointed out that the meaning and the perceived risk associated to a brand can change depending on the individual and its interpretation, but what it is permanent is the ability (of the brand) to simplify decisions and reduce the risk in a more complex, more competitive and rushed context. Therefore, we can state that brands have to deliver continuously and consistently on their promises, both explicit and implicit made on tangible features, specific quality thresholds and benefits and convenience to the consumer (Devciik et al., 2015).

The brand performs functions not only for the consumers, but also for the company (de Chernatony&McWilliam, 1989). Indeed, as said before, it is a tool of identification meaning that it can simplify product handling or tracing. Furthermore, it is a legal protection for unique features or aspects of the product (Keller et al., 2012) (e.g. intellectual property rights). In addition, the brand, based on the associations created by the consumers, can be seen as a signal of a certain quality able to differentiate the firm from the competitors. This could lead to a competitive advantage and it might become a source of financial returns

showing the nature of the brand as an intangible asset in the balance sheet of the company. In the Table 3 there is a summary of the functions performed by a brand.

**Table 3. The functions of the brand**

| CONSUMERS                                     | COMPANIES                                                |
|-----------------------------------------------|----------------------------------------------------------|
| Identification of source of product           | Means of identification to simplify handling and tracing |
| Assignment of responsibility to product maker | Means of legally protecting unique features              |
| Risk reducer                                  | Signal of quality level to satisfied customers           |
| Search cost reducer                           | Means of endowing products with unique associations      |
| Promise, bond or pact with maker of product   | Source of competitive advantage                          |
| Symbolic device                               | Source of financial returns                              |
| Signal of quality                             | /                                                        |

**Source: Adapted by Keller et al. (2012)**

In conclusion, we can state that the brand is *something that resides in the minds of consumers* (Keller et al., 2012) and it represents a reflection of people's thoughts. It involves creating mental structures able to simplify the management and the organization of the information related to the knowledge about products and services in order to clarify the decision-making process. The value is created if the customer can perceive differences between brands in a product category, otherwise the competitive advantage doesn't exist and the related marketing strategies have to be reconsidered. In other words, it is necessary to create brand equity able to make money and provide a return from the past investments. This new concept will be debated in the next paragraph.

## 1.2 What is brand equity? Frameworks and literature

"If you ask ten people to define brand equity, you are likely to get ten (maybe 11) different answers as to what it means". This is what Winters stated in 1991 and it is easy to understand

how difficult it was – and still is – to find a coherent definition for brand equity concept. Anyway, some scholars, such as Farquhar (1989); Aaker (1991); Srivastava and Shocker (1991), Keller (1993); Simon and Sullivan (1993); Haigh (1999); You and Donthu (2001); Vazquez et al. (2002); de Chernatony et al. (2004); Kapferer (2004); Pappu and Quester (2005); Christodoulides et al. (2006) and so on, have tried in this difficult job but all of them have adopted different points of view. Nevertheless, a general unifying theory of brand equity applicable across multiple industry contexts is still missing (Davicik et al., 2015).

Since the brand, as suggested in the past literature, plays a key role in building a long-term relationship between manufacturer and consumer, brand equity has been the focus of the marketing research for many years and it is considered as an intangible asset in the companies' balance sheet. In order to get a thorough understanding of brand equity, we have to go back to the 1980s, the years of its birth. Because of the deregulation of financial markets in the USA and UK, the evaluation of intangible assets, as the brand, became a pressing issue for the management of almost all the firms. If after the Second World War, less than 20 percent of the value of a company was attributed to intangibles (usually listed as “goodwill”), today over the 75 percent of the value of any stock is connected to intangibles, which in most cases means brand equity (Beverland, 2018).

As a result of those changes, in this period the Marketing Science Institute commissioned a series of workshops, projects and in 1988 a key Conference academics and practitioners specialised in both marketing and finance took part in. According to Leuthesser (1998), during this convention, brand equity was widely discussed and from this moment a highest priority was given to this topic. As proof of this, the arranging of a workshops as “brand equity research day” in 1993, “brand equity workshop in 1994” and so on.

As a result, managers wanted to find the best way to create value through their brands.

Although this topic has been of particular interest over the past years, to date is not possible to find a unique definition, also because it varies according to the audience scholars and academics address. In other words, definitions of brand equity often reflect particular discipline and target audience (Beverland, 2018). Based on these different approaches, distinct types of brand equity have been developed (Table 4):

**Table 4. Types of brand equity**

| TYPE OF EQUITY | MEANING |
|----------------|---------|
|----------------|---------|

|                              |                                                                                                                 |
|------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Customer-Based Brand Equity  | “The differential effect of brand knowledge on consumer response to the marketing of the brand” (Keller, 1993). |
| Finalcial-Based Brand Equity | The differential effect of the brand on the firm’s balance sheet.                                               |
| Employee-Based Brand Equity  | The differential effect of the brand on potential and current employee.                                         |
| Channel Equity               | The differential effect of the brand to channel partners such as distributors and retailers.                    |

**Source: adapted from Beverland (2018)**

What is common to all these approaches is *the differential effect of the brand*, despite its addressing different targets. Nevertheless, an agreement in the definition of brand equity hasn’t been reached yet. (Financial perspective will be analysed in the next paragraph).

At the beginning, brand equity was described as the value of a brand to the firm (Simon and Sullivan, 1993); subsequently some scholars, especially Aaker (1991) and Keller (1998), switched to a more customer-oriented perspective defining brand equity as the value endowed by the brand to the customer.

It is necessary to look at some of the most important definitions that are still used in current research as they are very useful to understand the real meaning of brand equity. We’ll look at some of them below:

Shocker and Weitz claim that (1988) brand equity is “*the differential effect that brand knowledge has on customer’s perspective (1988); “the set of associations and behaviours on the part of a brand’s customers, channel members and parent corporations that permits the brand to earn greater volume or greater margins than it could without the brand name and that gives the brand a strong, sustainable, and differentiated competitive advantage”* (MSI 1988, cited in Keller 2003); brand equity is “*the added value endowed by the brand name”* Farquhar (1989); moreover in 1991 Aaker stated that brand equity is “*a set of asset and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or that firm’s customers”*”; after some years Keller defined this concept as the “*differential effect that brand knowledge has on consumer response to the marketing of the brand (1993)*. We can affirm that these two last definitions can be considered as staples in the interpretation of brand equity. Nevertheless, other

scholars gave their opinion, stating that “*the cash flow differences between a scenario where the brand name is added to a company product and another scenario where the same product does not have brand name*” (Simon and Sullivan, 1993) or “*brand equity is the true differentiation that a brand has from the competition or the worth derived by a brand from consumers*” (Davis & Douglass 1995). More recently, according to Yoo et al., (2000) brand equity is “*the difference in consumer choice between a branded and unbranded product, given the same level of features*”, in addition Ailawadi et al., (2003) have defined brand equity as “*the outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name*”.

Despite the abundance of contributions and perspectives, it is quite impossible to reach a univocal definition considering that, over the years, scholars have implemented different models to measure the value created through the brand and they have chosen either the customer or the financial approach for their research. The first has been adopted by Aaker and Keller and will be the focal point of this work.

Regardless of the perspective adopted, the concept of brand equity could help marketers in making the best decisions in terms of investment.

### **1.2.1 The financial-based approach**

Adopting a financial perspective and according to Davis & Douglas (1995), brand equity is a viable asset for manufacturers and following this approach brand equity is based on financial market performance (Amir and Lev, 1996; Barth et al., 1988). It is considered as a tool able to enhance cash flows so, following this perspective, it is possible to give a monetary value to the brand; this is the reason why supporters of financial based brand equity criticise the customer-based brand equity approach. In other words, they argue - and it is widely acknowledged (e.g. Ailawadi, Lehmann and Neslin, 2003) - that one of the main limitations in assessing the value creation adopting only a customer-based perspective is the impossibility to translate this value into dollar value, that is to say the monetization.

This kind of asset allows firms to increment revenues thanks to the brand on the product that otherwise hasn't been bought (Shocker & Weits 1988; Simon & Sullivan, 1993). The rising attention on this research stream derived from the big issue of the brand selling, the acquisition of a firm and so on, because intangible assets enable to create more value than tangible source. As a proof, Feldwick (1996), believed that brand equity can be an index in the companies' balance sheet able to attract stakeholders and investors.

Some marketing theorists (Fornell et al. 2006; Srivastava, Shervani and Fahey 1998) postulate that in addition to the rise of the cash flows, market-based assets, as the brand, enable companies to lower the risks associated to the returns and thus increase value.

In this sense, the value created can be measured following three different methods:

1. The focus is on the stock prices and brand replacement (Myers, 2003)
2. In case of new product launches, the focus is the brand replacement as founds requirements combined with the probability of success in establishing a new brand (Simon & Sullivan, 1993)
3. The annual list of world-wide brand evaluations is the foundation of this method (Ourusoff & Panchapakesan, 1993)

In the first case, the fluctuation of the stock prices represents the dynamic nature of the brand equity, as posited by Simon and Sullivan in 1993. The interpretation of the second case is a little bit different because the key of the measurement is more abstract. Finally, with the third method, the net brand-related profits and the multiple factor based on brand strength are calculated.

The biggest issue with the financial approach is the focus on short-term goals (Aaker, 1992), while, on the contrary, the brand building is oriented to a long-term aim. That's why, adopting a marketing point of view, the customer-based brand equity is needed, and it will be the aim of this work. Table 5 displays some types of financial brand equity measurements and how they work.

**Table 5. Financial brand equity measurements**

| <b>Financial Brand equity measurements</b> | <b>How it works</b>                                                                                       |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Tobin's Q                                  | The market value assets divided by their replacement value as estimated by book value                     |
| Young & Rubicam's Brand Asset Valuator     | A survey-based measure of brand strength, to economic value added (EVA), a financial performance measure. |
| EquiTrend's perceived quality rating       | Measuring the changes in the perceived quality<br>Deepening                                               |

**Source: Our elaboration**

### **1.2.2 The customer-based approach**

Compared to the financial perspective, as explained above, customer-based brand equity approaches brand equity from the consumer's perspective (Keller et al., 2012) and it is focused on cognitive psychology (Christodoulides & de Chernatony, 2010). According to Ambler (2008), financial performance measures, conversely to customer-based approach, are generally short-term oriented while a long-term perspective is needed in order to fully understand the value creation in the current context. Furthermore, this approach may be regarded as the driving force for incremental financial gains to the firms (Lassar et al., 1995). The primary aim of the companies' marketing strategies becomes the satisfaction of their customers' wants and needs. Indeed, nowadays - unlike in the past - brand is no more synonymous with the product it makes, but thanks to the advertising, user experience, communication and so on, it is able to develop a series of attachments and associations that go beyond the objective product (Keller and Lehmann, 2006). Indeed, the equity of a brand can be considered as the result of consumers' perception affected by many factors (Yasin et al., 2007).

In addition, since the value of the brands is considered as an intangible asset, more emphasis has been placed on understanding how to build, manage and measure brand equity (Kapferer, 2005; Keller, 1993, 2003; Keller and Lehmann, 2006).

According to Cobb-Walgren et al. (1995) if a brand has no meaning and value to the consumer, it is meaningless to all the stakeholders, such as investors, manufacturers, retailers and so on. That's why, CBBE represents the dominant and preferred approach to brand equity by the majority of the academics, especially in the marketing stream of research.

The heart of this approach is the belief that an associative network of associations exists in the consumers' mind and the value derived from it. The brand is seen as a node in the memory, connected with different associations and able to "recall" a memory and to communicate to people. Not all the associations have the same strength and value for the customers, and companies have to be able to add meaning and reinforce them through marketing activities. Furthermore, some scholars posit that the higher the brand equity, the more likely is that people will buy the product, which means higher consumer preferences and purchase intentions (Cobb-Walgren et al., 1995). In addition, Farquhar (1989) found that a high value of brand equity leads to major opportunities in brand extension, more flexibility against competitors' promotions activities and it allows the creation of barriers to competitive entry.

It should be stressed that some scholars believe brand equity can be built on attributes without inherent value (Broniarczyk and Gershoff, 2003; Brown and Carpenter, 2000;

Carpenter et al., 1994) just because the consumer is capable of developing more abstract associations.

Over time, different consumer-perspective brand equity models have been proposed without reaching a comprehensive point of view and a plethora of models have been presented by academics.

One of the most important aspects in the study of brand equity is its conceptualizations and its measurement. As suggested by Cobb-Walgren et al. (1995), this represents the first big concern before considering other management issues. In doing so, two different approaches can be identified (Christodoulide and de Chernatony, 2009):

1. Cognitive Psychology
2. Information economics

This work, drawn from Keller's conceptualization of brand equity, adopted cognitive psychology as a point of reference. In fact, Keller (1993), as delineated before, looked at consumer-based brand equity strictly from a psychological perspective and we can see by his definition of this concept:

*“Brand equity is the differential effect of brand knowledge on consumer response to the marketing of the brand”.*

Keller established a deep connection between brand equity and marketing activities and described brand knowledge as the key antecedent, thus enhancing the importance of the presence of the brand in the consumers' mind. The understanding of the antecedents and the consequences of brand equity allow firms to manage their resources in a more effective way and make the right decisions in terms of investments. Another factor to consider is that the equity of a brand derives from the consumers' words, actions, feelings, thoughts and perceptions (Keller and Lehmann, 2006) who decide which brands they prefer with their actions such as purchase, repurchase and evaluation, and consequently those that are more valuable to them (Villas-Boas, 2004). Therefore, understanding which factors they deem important becomes essential.

In the following paragraph, CBBE adopting a more psychological perspective will be debated.

In parallel, some academics have adopted an information economics point of view. It draws its basis on the imperfect and asymmetric nature of markets (Erdem and Swait, 1998). In this alternative vision, the brand signal becomes the sum of that brand's past and present marketing activities (Christodoulide and de Chernatony, 2009) and the main function is to

build a credible brand that will be able to reduce the perceived risk, the information search costs and to create favourable attribute perception (Erdem and Swait, 1998).

Following the past literature, we can posit that a complementary use of these two different visions is required in order to understand better the value created through the brand and how it's possible to build strong brands.

### **1.3 Conceptualization of customer-based brand equity and its measurements**

As we have seen in the previous paragraphs, it is not possible to find a unique definition of brand equity. According to Berthon et al. (2001) *"perhaps the only thing that has not been reached with regard to brand equity is a conclusion"*. Nevertheless, a decision has to be taken in selecting one perspective and seeking to describe the value creation.

During the years, different conceptualizations have been developed by researchers introducing different role models. Two of the most important are those by Keller (1993, 2001) and Aaker (1991).

Moreover, it is reasonable to sum the core of all the contributions answering to some questions such as: "What do different brands mean to consumers?", "How does the consumers' brand knowledge affect their response to marketing activity?".

It goes without saying that brand knowledge plays a central role in the mind of the consumer. One of the prerequisites of this perspective is the result of the past experiences because these show the consumer's reaction to the marketing activities implemented by the company. These days, brand equity is conceptualized from an individual perspective - the consumer's - and the conceptual framework is linked to the consumer's knowledge of the brand and its consequences in terms of results of the marketing strategies. As a matter of fact, the value will be created through a positive reaction to an element between those of the marketing mix referred to branded or unbranded version of the product or service (Keller, 1993).

The first goal of the company is to create a relationship with the customer who is familiar with its brand so that she/he will be able to hold some favourable, strong, and unique brand associations in his/her memory. Needless to say, the familiarity or the past knowledge of the brand becomes an essential condition. Both Keller and Aaker based their models on the assumption that these associations can be improved by the marketing activities. Furthermore, the stronger the associations, the higher the value creation. Of course, in order to implement the best marketing strategy, a very deep understanding of the components of brand equity is needed. The results of the connection in the consumers' mind can be translated at various

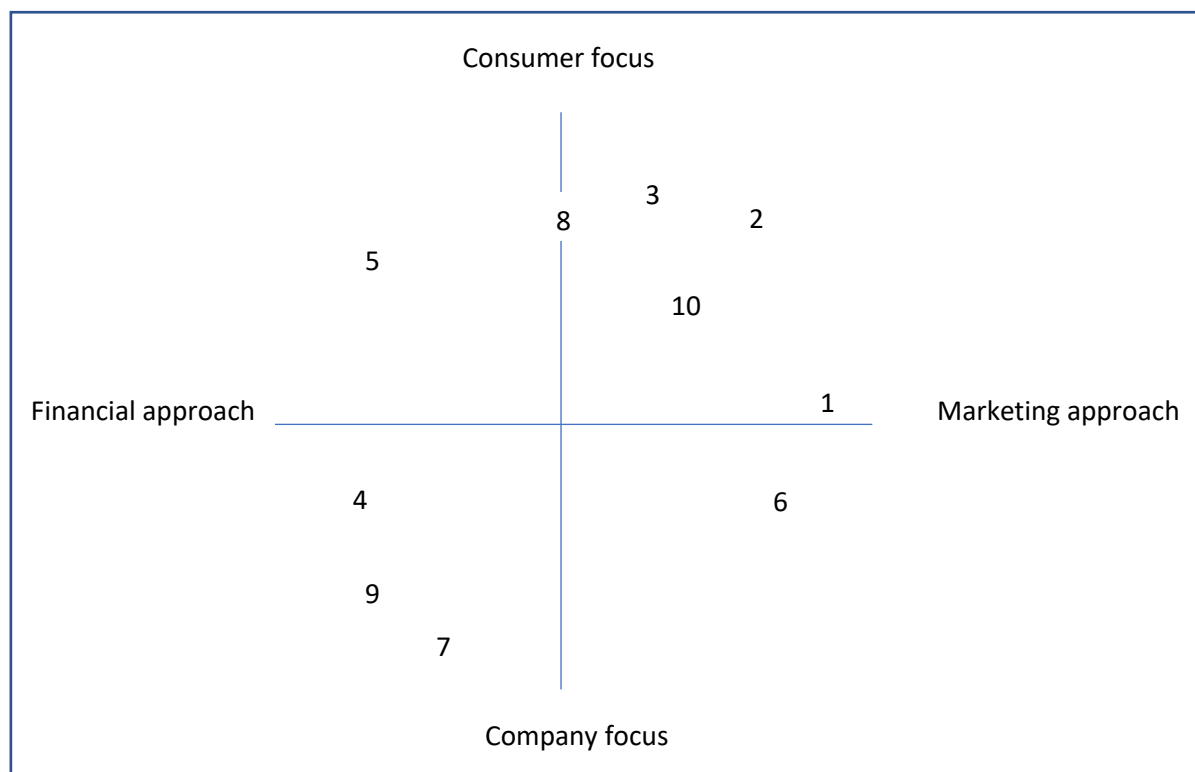
stages of the purchase decision making process such as preference, choice intention, actual choice (Christodoulide and de Chernatony, 2009) and repurchase intention. In order to make sure that people have lived the right experience and be certain that their thoughts, feelings, images, beliefs, perceptions and opinions are linked to the brand (Keller, 2012), companies have to track all the ongoing changes because their past needs and wants could be different from today.

In establishing key brand associations in the consumer's mind, firms are seeking to define their brand positioning (Keller and Lehmann, 2006) as a way to differentiate the brand and establish competitive superiority (Keller, 2002). It should be noted that the company has to be very smart and fast in understanding the coherence between the chosen positioning and what people perceive. In order to manage their brands in the best way, managers should have a clear understanding of the equity in their brands (Keller and Lehmann, 2006). That's why it is essential to define the elements of the brand equity, in other words the conceptual pattern behind this concept. It should not be forgotten that the brand performance, and its brand equity, is held remarkable by all the companies' stakeholders (investors, manufacturers, retailers etc.), so it is necessary to comprehend deeply the determinants that can be modified depending on the perspective adopted to enhance the marketing strategies and the value creation. According to Davcik et al. (2015) the concept will have different meanings, different consequences and ramifications.

Following Yasin's et al., (2007) way of thinking, we can state that brand equity truly represents a product's position in the people's minds, hence what consumers think of a particular brand determines the value it has to its owner.

Before exploring and explaining the core of the brand equity adopting Keller's point of view, it is appropriate to look at the different positions that scholars and researchers have adopted over the years. The landmarks are: Consumer focus vs Company focus and Financial Approach vs Marketing approach (Davcik et al., 2015). Figure 2 shows how almost all the works are arranged in the upper-right section and in the lower-left section of the matrix. The first one represents the thought according to which the driver in explaining brand equity and its formation is the marketing approach and the empirical studies are grounded on consumer behaviour. On the contrary, the financial approach is based on the belief that brand equity relies on company actions and performance.

**Figure 2. Brand equity concepts position matrix**



1-Farquhar (1989); 2-Aaker (1991); 3-Keller (1993); 4-Simon and Suillivan (1993); 5-Kamakura and Russel (1993); 6-Yoo et al. (2000); 7-Ailawadi et al. (2003); 8-Srinivasan et al. (2005); 9-Ambler (2008); 10- Keller and Lehman (2003, 2006).

**Sources: Davcik et al. (2015)**

Aaker and his work of 1991 can be considered as the founder of the customer-based brand equity approach opting for a consumer focus rather than a more specific organization or stakeholder perspective. After some years, Keller (1993) defined brand equity in a different way from his colleague, although some similarities remained. These conceptualizations may be regarded as the most important contributions in this research stream. (They will be the focus of the next paragraphs and a very thorough explanation will be presented). Depending on the elements of the brand equity, a different measuring will be implemented. Despite these dissimilarities, all the conceptualizations available in the literature start from the brand knowledge. This concept has been developed in detail by Keller who proposed that it was the start of the construction of the brand equity and, without it, it wouldn't be possible to create value. Indeed, also Aaker (1991) agrees in conferring a key role to knowledge. Indeed, a brand can represent something important only if a consumer knows it. This knowledge derives from the past experiences as they allow people to evaluate different offers and the coherence between the company's promise and what it does (in the real life).

Even if Aaker and Keller can be considered as the most important influencers in terms of brand equity conceptualization, they never operationalized a scale for its measurement (Christodoulide and de Chernatony, 2009). Afterwards, some scholars such as Leuthesser et al. (1995), Park and Srinivasan (1994) tried to switch from the abstract to the concrete using some complex statistical methodologies able to quantify this intangible asset (Christodoulide and de Chernatony, 2009). This caused some confusion in defining the process to be followed to really comprehend brand equity.

According to Christodoulide and de Chernatony, (2009), CBBE and the attempts to its measurement can be sorted by two different types of measurements: direct and indirect.

The direct approach tries to measure the phenomenon directly focusing on consumers' preferences (e.g. Park and Srinivasan, 1994; Srinivasan, 1979) or utilities (e.g. Kamakura and Russel, 1993; Swait et al. 1993). On the other hand, indirect approaches attempt to measure brand equity through its demonstrable manifestations, such in the Lassar's et al. (1995), Ailawad's et al. (2003), Vázquez's et al (2002), Yoo and Donthu's, (2001), Pappu's et al. (2005), Kocak's et al. (2007), Buil's et al. (2008), Nam's et al. (2011), Cifci's et al. (2016), Fourondi's et al. (2018) and so on, studies. The majority of them have drawn on the theoretical dimensions put forward by Aaker (1991) and Keller (1993).

It is worth emphasising the difference between the conceptual research on CBBE and the research on CBBE measurement. The latter stands for the forthcoming step in the process and the researcher has to select one theoretical framework upon which he/she will build his/her model. The table XXX displays some of the most prominent works in terms of conceptualization.

Brand equity measures are needed because they allow companies to evaluate the brand-building activities in different product markets (Aaker, 1996).

The understanding of the conceptualization and the exact definition of structure of brand equity are necessary for a very meticulous measurement and they have to become the guide in the development of the measurement set (Aaker, 1996). The market and its modifications are the proof of the connection between conceptualization and measures. It's a fact that if the elements belonging to the brand equity model really reflect the value variation through the brand, when there is a change in the brand equity, this affects all the variables. If this doesn't happen and some elements remain stable, this means that it is not a proper tool.

It is not so easy to find the right "mechanism" because of the consumers' complexity and the ability to be applicable across brands. As a matter of fact, most of the authors adopted different elements (brand awareness, perceived quality, emotions, associations, loyalty,

commitment, brand benefits and many others) despite starting from the same conceptualization. In most cases, scholars opted for Aaker's (1991) or Keller's model (1993) because the two patterns were the most efficient in explaining the brand equity on a conceptual level. They have sought to develop models relevant in different contexts but without success. Indeed, nowadays, a coherent "prototype" connecting the thought (concept) and the reality (what is happening in the market) is still not available.

In view of the above, Aaker (1991) highlighted four defining traits of good brand equity measures:

1. they should reflect the asset value of the brand and focus on a sustainable competitive advantage not easily duplicated by competitors;
2. they should reflect constructs that truly drive the market;
3. they should be sensitive. If there is a change in the brand equity, all the constructs will change;
4. they should be applicable across brands, product categories, and markets.

Additionally, the variables should be able to gauge the customers' willingness to pay a premium price or similar elements, for the same level of quality as a demonstration of the value created, in other words, it highlights the attractiveness of the name attached to the product (Bello and Holbrook, 1995; Yasin et al., 2007).

Consumers usually evaluate brand equity following two elements namely brand strength and brand value (Srivastava and Shocker, 1991; Lassar et al., 1995). The first one refers to associations in people's mind and the second has to be considered as the gains that accrue when the brand strength is leveraged to obtain superior current and future profits (Lassar et al., 1995). A further contribution following this line of thinking is by Wood (2000), who described the brand equity chain in figure 3:

**Figure 3. Brand equity chain**

```
graph LR; A[Brand description] --> B[brand strength]; B --> C[brand value]
```

Brand description → brand strength → brand value

**Source: Wood (2000)**

Brand description is the image or identity of the brand who is customized on the consumer's preferences in terms of wants and needs. As a consequence, brand strength is created and the value is designated to increase based of the extent of the strength.

A very meaningful example of this articulation is Keller's pyramid, that will be discussed later. Keller himself (1993, 2001) took this approach in his conceptualization in which the brand strength plays a key role. Indeed, brand equity represents a condition in which the customer is familiar with the brand and recalls some favourable, strong and unique associations (Wood, 2000). As a consequence, it can be stated that a differential effect of brand knowledge on consumer response to the marketing mix of the companies exists or should be.

Aaker posits that brand equity occurs only when the consumer becomes familiar with the brand, thus brand knowledge may constitute the basis for the building of this concept. That's why in the next paragraph we are going to discuss the notion of brand knowledge.

By way of conclusion, since the brand often provides the first point of differentiation (Wood, 2000) and the affirmation of the close link between it and the equity, its management is becoming increasingly important and strategic, therefore the attention will be focused on the best way to build equity starting from brand knowledge.

**Table 6. Conceptual research on customer-based brand equity**

| Author/Authors | Year       | Dimensions of CBBE                                                                                 |
|----------------|------------|----------------------------------------------------------------------------------------------------|
| Aaker          | 1991, 1992 | Brand awareness<br>Brand associations<br>Perceived quality<br>Brand loyalty                        |
| Blackston      | 1992       | Brand relationship<br>(trust, customer satisfaction with the brand)                                |
| Keller         | 1993       | Brand knowledge<br>(brand awareness<br>Brand associations)                                         |
| Sharp          | 1995       | Company/brand awareness<br>Brand image<br>Relationships with customers/existing customer franchise |
| Berry          | 2000       | Brand awareness<br>Brand meaning                                                                   |
| Keller         | 2001       | Pyramid                                                                                            |

|                |      |                                                                                                                |
|----------------|------|----------------------------------------------------------------------------------------------------------------|
| Burmann et al. | 2009 | Brand benefit clarity<br>Perceived brand quality<br>Brand benefits uniqueness<br>Brand sympathy<br>Brand trust |
|----------------|------|----------------------------------------------------------------------------------------------------------------|

**Source: Adapted from Christodoulide and de Chernatony, (2009)**

### **1.3.1 Brand Knowledge: a key element of brand equity. The starting point**

Following Keller's conceptualization of brand equity, it can be stated that brand knowledge represents the starting point of the value creation. This explains why he (1993) considered this construct as a key antecedent of CBBE describing it as a brand node in the consumer's memory to which a bunch of associations are linked.

In a more and more complex and competitive context as the current market, the understanding of the leveraging-process of the customers increasingly gains relevance. This process can be delineated as the effects on the consumers of linking a brand to another person, place, thing, or brand (Keller, 2003). For an in-depth comprehension of the leveraging process, what people know about a brand and how this knowledge might be influenced by linking the brand to other things are crucial (Keller, 2003).

Many researches, even before Keller, such as Alba and Hutchinson (1887), Alba, Hutchinson, and Lynch (1991), have tried to underline how relevant it is to understand knowledge in people's memory and especially how it affects the consumer's decision-making process. In the first instance, researches were focused on the tangible aspects of the value proposition, in other words on the product-related information for brands. Only after some studies and some years, scholars were able to comprehend the importance of intangible aspects. Indeed, they have attempted to highlight the abstract perspective of brand knowledge. For example, Aaker in 1997 found five basic dimensions that appear to catch the perceptual part of brands; one year later, Fournier (1998) broadened this discovery, named as interpersonal relationships into the brand domain, to the relationships that customers have with brands (Keller, 2003).

This intangible-oriented approach led to investigate also the brand communities' stream of research by Muniz and O'Guinn in 2000.

Coming back to the memory, its conceptualization as a structure made up of some type of associative model formulation is widely accepted (Anderson, 1983; Wyer and Srull, 1989); Keller, 1993).

According to Keller (1993) the “associative network memory model” views semantic memory or knowledge as consisting of a set of nodes and links. Nodes represent the information stored in the mind connected by links that vary in strength. Based on the “spreading activation” process, these nodes are activated determining the level of retrieval memory (Keller, 1993).

Since all the nodes are connected to each other, even only one activation can switch on other nodes either when the information originates from the “outside” or from the “inside”. This latter refers to the long-term memory. When the activation of another node happens above a threshold level, the information included in that node is recalled (Keller, 1993).

As suggested by Keller (1993, 2003), brand knowledge has to be considered as a multiple construct consisting of brand awareness that, in turn, is composed by recall and recognition, and the favourability, strength and uniqueness of brand associations in consumer memory.

#### **1.4 Different models available**

Further from my previous comments, the conceptualization of brand equity is the start of a longer process where the measurement can be drawn on different models. The existence of several ways, all suitable to measure brand equity, is related to the different perspectives adopted by the researchers.

In carrying out this task, scholars have selected constructs and variables that could be able to reflect the concept under assessment. To put it simply, the model had to be the reflection of the “reality”. If it is true that the brand equity generates a type of added value for products (Chen and Chang, 2008; Farjam and Hongyi, 2015), it is also true that the companies must measure this value in order to manage their investments in a more efficient way. We recall that when firms decide where the money is to be allocated, for example in which area and on which marketing lever, they analyse a mountain of data that should help them address their decision. In order to do this, a model of measurement is needed and the mere conceptualisation is not enough. As a matter of fact, manufacturers, retailers, wholesalers and so on, are asking for tools capable to give them a very detailed estimation about the performance of their products or services. This means that, especially for researchers who are very close to managers, the connection between the idea and the implementation has to be the primary concern.

The present incongruity within different measurements of brand equity derives from the different approaches adopted and depends on which definition was taken as the best explanation of the concept leading to a very messy framework.

Nevertheless, two different approaches can be identified: direct and indirect. The first one follows Farquhar's (1989) thought, stating that the direct approach tries to evaluate the added value of the brand and appears to be the accepted definition of brand equity (Farjam and Hongyi, 2015). On the other hand, the indirect approach wants to recognize the potential sources of brand equality and the comprehension of these sources becomes a key point for the brand manager (Keller, 1993).

According to Agarwal et al. (1996) both Aaker (1991) and Keller (1993) pointed out a variety of indirect measures and methods based on their frameworks.

According to Christodoulides and de Chernatony (2010), researchers have used ad hoc measures such as premium price as Aaker in 1991; conjoint analysed value of the brand name (Rangaswamy et al., 1993; Cobb-Walgren et al., 1995); composite multi-attribute weighted scores of the brand name (Park and Srinivasan, 1994), a bunch of consumer-based measures (Agarwal and Rao, 1996); scanner data-based measure (Kamakura and Russel, 1993) in order to gauge brand equity better. We should not forget those measures that are characterized by a more financial perspective such as the future earnings (Aaker, 1991); incremental cash flow (Simon and Sullivan, 1993); momentum accounting-based value (Farquar et al., 1991) and so on. Nevertheless, what was lacking was a comprehensive model capable to put together part or all the abovementioned elements as a tool of measurement.

Highlighting this last point, some models can be considered as the basis for almost all the research in terms of brand equity measurement. These models bring to light both aspects that are alike and others that are very distinct. These differences can be attributed also to the different period in which they have been developed. These dissimilarities concern not only the type of dimensions, but also the interrelation between them. Indeed, no consensus exists. Furthermore, one of the most common critiques by practitioners is the limitation of the likelihood to split brand equity in components that can be related to factors such as favourable customer perceptions (Pappu et al., 2005; Batra and Sinha, 2000; Sinha and Pappu, 1998).

Aaker can be considered as the founder of the consumer-based brand equity and he adopted a consumer-oriented approach. This latter perspective was the most used in the past both by researchers (Aaker, 1991, 1996; Green and Srinivasan, 1978, 1990; Kamakura and Russell, 1989, 1993; Srinivasan, 1979; Swait et al., 1993) and managers in marketing area. In 1991, after the explanation of the concept in a very abstract way, he tried to develop a model suitable to gather the essence of brand equity. In order to do this, he defined some constructs and variables standing for the thoughts in the customers' mind. These could reflect the way

people see a brand and what they feel. Aaker's model consists of five dimensions considered as the source of the value creation, namely: brand loyalty, brand awareness, perceived brand quality, brand associations and other proprietary brand assets (e.g. patents, trademarks and channel relationships) (Farjam and Hongyi, 2015). The constructs mentioned above can be considered as the representation of the assets whom Aaker refers to in his definition of brand equity.

Oliver (1999, p. 34) defines brand loyalty as *“a deeply held commitment to rebuy or repatronage a preferred product or service consistently in future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour”*.

Brand loyalty is considered as a key element because of its ability to reduce the marketing costs and leveraging trade (Farjam and Hongyi, 2015), reducing vulnerability to competition and it allows to retain customers and attract new ones (Davicik et al., 2015). It should also be stressed that the achievement of new consumers is more difficult than the retention of the old ones. This is also explained by the inertia that characterizes people's behaviours. According to Davcik et al. (2015) this inertia/non-action is higher when the satisfaction is great. So, for competitors, attracting satisfied and loyal consumers is a very hard and time-consuming task indeed. Moreover, Aaker's (1996) pointed out that a loyal customer represents a barrier to entry, a basis for a premium price, time to respond to competitor innovations and a source of support against price competition. Therefore, price premium and satisfaction are part of this core dimension.

In addition to brand loyalty, perceived quality is another core element of brand equity. It can be defined as the *“customer's judgment of performance excellence of a product or service relative to the expectations of quality”* (Aaker and Jacobson, 1994). In 1996, Aaker explained that this variable provides value by providing a reason to buy, differentiating a brand, being the start for brand extensions and for higher prices (Farjam and Hongyi, 2015). That's why it is imperative that it is part of the measurement of the value created through the brand.

The next element is brand awareness. Its relevance in the brand building strategy is widely accepted. Awareness refers to *“the ability of a potential buyer to recognize or recall that a brand is a member of a certain product category”* (Aaker, 1996). According to the author, many levels of awareness exist and according to Pappu et al. (2015) referring to Aaker (1991) they range from a mere recognition of the brand to the condition where the brand involved

is the only brand recalled by consumer. That's why, sometimes some academics and researchers, such as Keller, split this construct in recall and recognition.

Finally, we can state that Aaker's mind and model brand awareness is a "tool" suitable to affect perception and attitudes and therefore, it reflects the salience of the brand in the consumers mind.

The next dimensions are the brand associations as a signal of the representation of the brand in the consumer's memory. According to Aaker (1996) the key associations are unique to a product class or to a brand. In addition, three different perspectives can be highlighted: brand-as-product (value), the brand person (brand personality) and the brand-as-organisation (organisational associations). A different mix of the kind of associations above should set up the image of the brand and so the point of differentiation from the competitors. If this difference is not perceived by the consumer, it will not be possible to support a premium price (Aaker, 1996) and the value creation will be limited.

Lastly, brand assets complete the model. This element can be defined also as a market behaviour measure and is composed by market share and price and distribution indexes (Aaker, 1996). They are considered as components appropriate to provide strong competitive advantage.

Considering all the above, brand loyalty, brand associations, brand awareness, perceived brand quality and brand assets shape Aaker's measurement model based on his previous conceptualization.

It is important to emphasise that Aaker (1996) didn't define an order in the position of dimensions. Indeed, there are no references to improve the placing of the constructs. It means that he adopted a parallel approach, according to which, to satisfy one dimension, the satisfaction of the previous one/ones is not needed. The figure 4 sums the model up.

This perspective is completely different in Keller's model and pyramid (2001) that will be discussed in the next paragraph.

**Figure 4. Aaker's Customer-Based Brand Equity Framework – The brand equity ten**



**Source: Adapted by Aaker's (1992,1996)**

After some years, Yoo and Donthu (2001) tried to develop an individual-level measure of CBBE based on Aaker's (1991) and Keller's (1993) conceptualization, in short, they wished to create a scale. The authors wanted to create a reliable, valid and parsimonious model (Christodoulides and de Chernatony, 2010). Marketing mix elements (selected from the "4p"), brand equity dimensions and overall brand equity are the elements of the model. The greatest difference from both Aaker and Keller, is the addition of the brand equity as a separate construct between the dimensions of brand equity and the value for the company and the customer (Farjam and Hongyi, 2015).

Yoo and Donthu (2001) believed that brand equity is the *"consumers' different response between a focal brand and an unbranded product when both have the same level of*

*marketing stimuli and product attributes*”. Furthermore, they considered the brand name and the long-term view a matter of primary importance, required to create value through the marketing investment on branding. Additionally, one of their aims was to extend the model to other cultures and to validate a cross-culturally invariant multidimensional consumer-based brand equity.

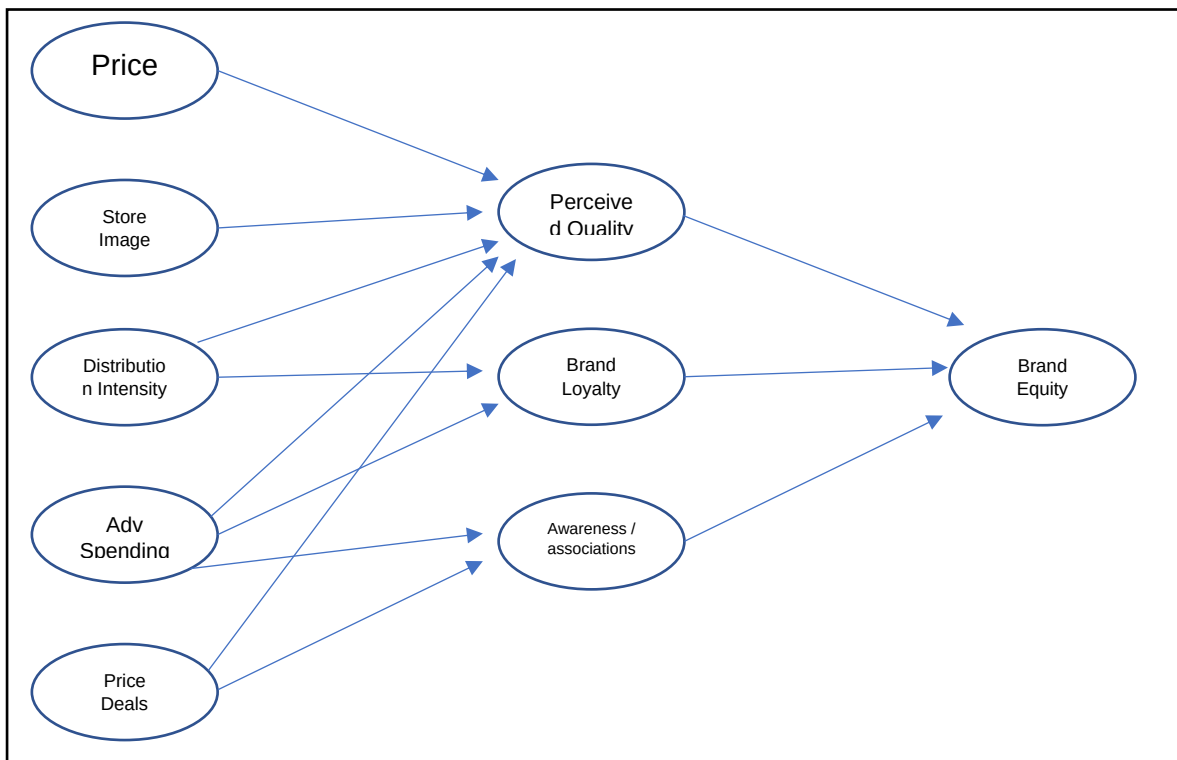
In order to achieve their goal, they started from the widespread consensus that brand equity is the incremental value of a product due to the brand name (Srivastava and Shocker, 1991). Moreover, they drew their research on the dimensions that Aaker (1991, 1996) and Keller (1993) had conceptualized, namely brand loyalty, brand awareness and associations, perceived quality. It is easy to understand the different approach and the different focus they have adopted. Sure enough, unlike Keller and Aaker, they decided to consider awareness and association as a single construct. This can be considered as the major limitation and it would be better to refer to them as two theoretically distinct constructs, especially because an individual can be aware of a brand without having a strong set of associations linked in his memory (Christodoulides and de Chernatony, 2010).

Nonetheless, the model developed by Yoo and Donthu (2001) has been chosen by many researchers and has been considered as one of the most reliable.

Another element of diversity is the explanation of the loyalty, indeed they referred to this dimension as the tendency to be loyal to a focal brand which is demonstrated by the intention to buy the brand as a primary choice (Farjam and Hongy, 2015); in other words, they took into account the behavioural loyalty.

A graphic explanation of this model can be found in the figure 5.

**Figure 5. Structural brand equity model**

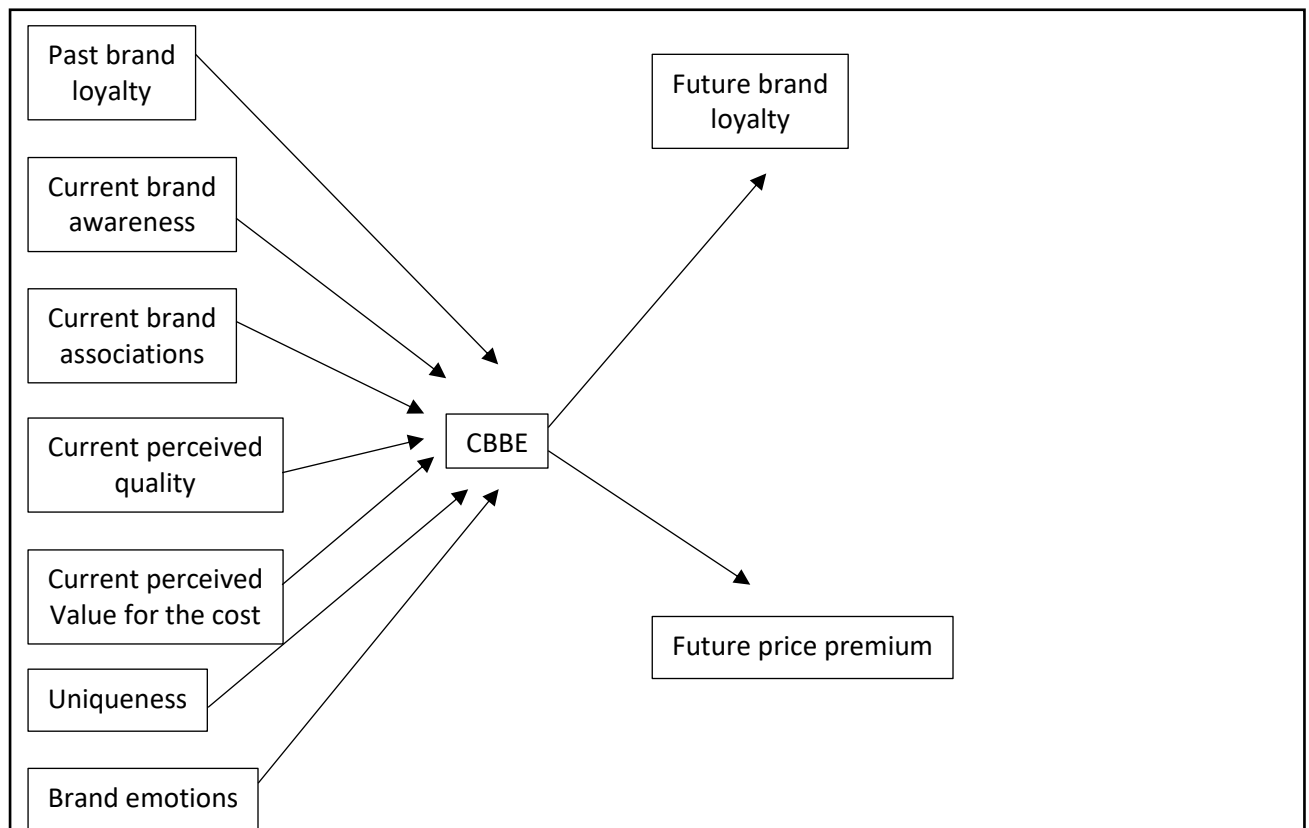


**Source: Adapted from Yoo et al. (2000); Yoo and Donthu (2001)**

A quite different approach was adopted by Wang and Finn, who decided to focus their attention on the within-product category differences in terms of sources (Farjam and Hongyi, 2015), instead of the more traditional perspective that examined well-known brands in different categories. The pillar of their model was the use of a hybrid model that combined already existing brand equity measures (for instance, those tested by Aaker and Keller) with the substantive difference among master brands and their sub-brands. They clearly divided the formative dimensions (causes of CBBE) from the reflective ones (effects of CBBE). Furthermore, they wanted to add a non-cognitive dimension including the emotional reactions to brands as one antecedent.

The full model was set up by: past brand loyalty, current brand awareness, current brand associations, current perceived quality, current perceived value for the cost, uniqueness and brand emotions and the formative elements; CBBE as the centre of the model and future brand loyalty and future price premium like consequences.

**Figure 6. Customer-based brand equity model**



**Source: Adapted from Luming Wang and Adam Finn (2013)**

Depending on the goal of the researcher, other models can be delineated as well. For example, Boo et al. (2009) have proposed a baseline model about destination brand. In this case, they drew up a list of assumptions:

1. A destination brand could be measured by employing the concept of customer-based brand equity;
2. Destination brand should be evaluated by comparison with other competitive destination/s in the same destination brand category;
3. The destinations should be well-known and popular among tourists;
4. Tourists must have experienced the destinations as tourists.

All the dimensions pointed out by the previous authors and founded in the model previously explained can still be identified but with a different connotation. For instance, brand awareness, here as destination brand awareness is considered as an important predictor of tourists' destination brand experience. Although this is very different from the context in which Keller, Aaker and Yoo and Donthu, developed their model, it is very useful to understand whether the CBBE measurement model can be applied in different situations.

After describing some of the most important models available to measure customer-based brand equity, the attention will be focused on Keller's model, that represents the starting point of this study.

### **1.5 One of the most important models: Keller's Pyramid**

In the previous paragraph some of the most used models to measure brand equity have been described, but no cross-reference has been made to Keller's conceptualization and to his "pyramid" as well. That's why this section will be completely dedicated to this author and his take on brand equity.

It is important to highlight some advantages deriving from adopting an individual consumer approach. For example, it allows managers to understand the right marketing strategy fully to enhance the value creation through their brands (Keller, 1993). Before thinking about how it could be possible to improve sales, enhance profit and so on, it is necessary to define the knowledge structures of the brands in detail, hence how consumers respond to marketing activities for the brand (Keller, 1993). Consequently, both conceptualization and measurement are fundamental because of the great complementarity between them and the strategies that companies will implement.

According to Keller (1993) customer-based brand equity *"is the differential effect of brand knowledge on consumer response to the marketing of the brand"*. From this definition three main concepts can be pointed out. Firstly, the *differential effect*, following Keller's (1992) thought, can be considered as the result of the comparison made by the consumer in response to the marketing of a brand with the same version of the product or service but with a fictitiously name or, even unnamed. Secondly, the *brand knowledge* (previously discussed), thought out in terms of brand awareness and brand image. This aspect is conceptualized and built on the characteristics and relationships of brand associations. Thirdly, *consumer response to marketing* refers to the customers' perceptions, preferences and behaviours enough to define in 2003 brand equity as differences in customer response to marketing activity. If all customers react in the same way, it means that no differences occur and therefore the brand name product is essentially a commodity (Keller et al., 2012).

By combining these three aspects, firms should be able to enhance revenue, sales, cash flows and so on. Obviously, a key role is played by the knowledge, and it can be considered as the starting point of the value creation. Indeed, there is a direct connection with the associations in the consumers' mind, in other words these latter can be modified depending on the level of brand knowledge and they will lead to a distinct decision. This aspect comes to light,

especially when researchers use blind taste test to understand how judgment is affected by the sight of the brand. For example, during the Larry Percy's experiment, in which consumers had to evaluate the taste of different beers, the awareness that they were drinking a well-known brand lead them to give different scores (higher) from the tasting in which they didn't know the brands' name. Following Keller's et al. explanation (2012), this is the proof that, when people give different opinions regarding an identically product and the only difference is the presence of the brand, it must be the case that knowledge about the brand makes a difference.

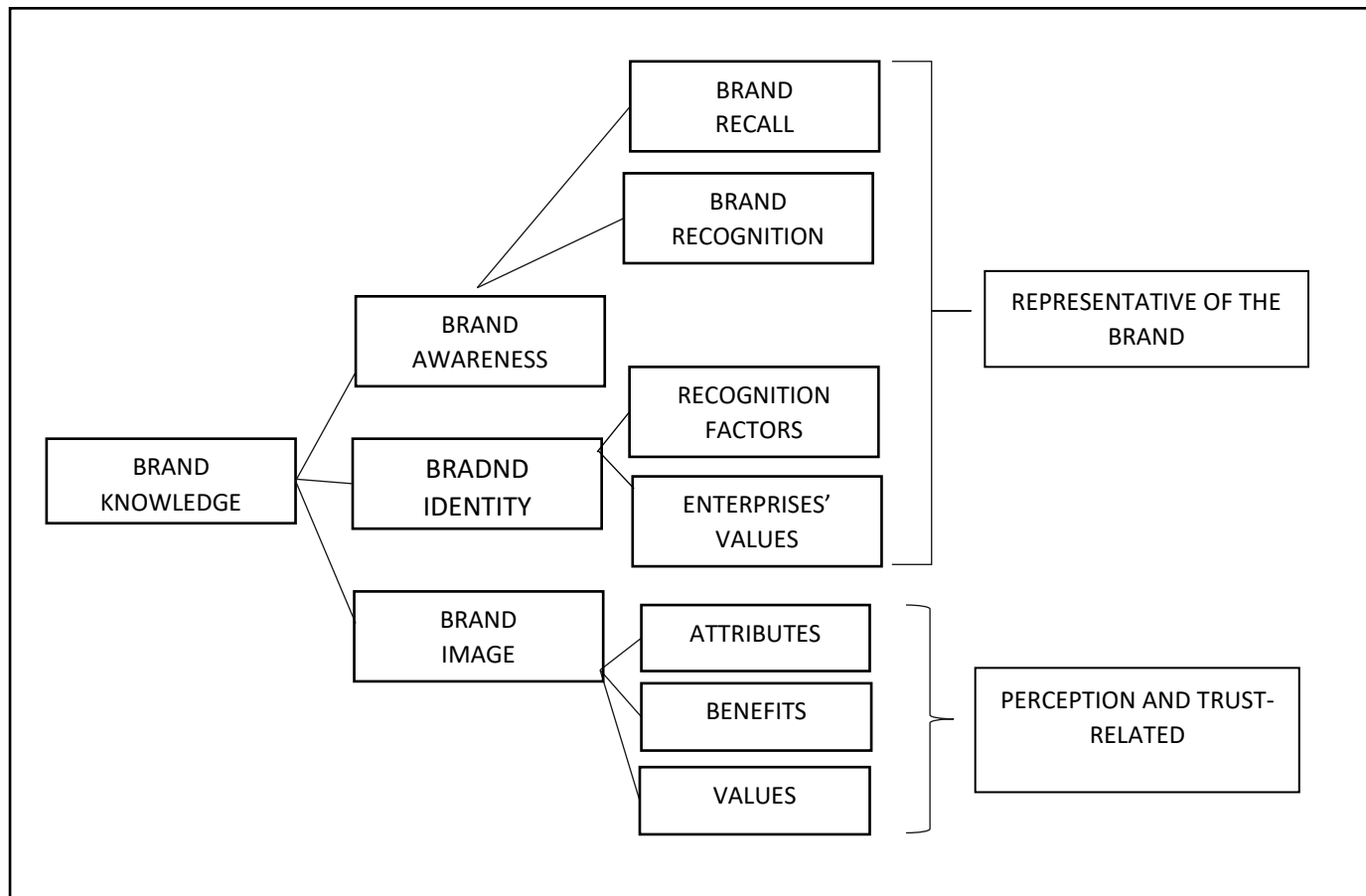
According to Keller (1993), high levels of brand awareness and a positive brand image should increase the probability of brand choice, loyalty and it could be helpful against competitors' marketing actions.

The first aim of the researcher was to find out the structure of the feelings and thoughts of the consumers in order to develop the best strategy in the market. He considers brand knowledge as an associative network, where the associations are the nodes (Keller, 2003, Farjam and Hongyi, 2015). As we will discover later, brand awareness consists of brand recall and brand recognition, and brand image is set up by the associations made by the consumer to the brand. When a person is familiar with a brand and some connections have been made in his/her mind and especially, when these connections are favourable, and/or strong, we can talk of CBBE (Keller, 1993).

Despite the very close link between awareness and association, it is very important not to consider them as a single construct. Indeed, it is possible to be aware of a brand without developing a strong set of brand associations linked in memory (Christodoulides and de Chernantony, 2010). This specific point might be seen then in the pyramid description, where brand awareness must precede brand image, so associations.

In addition to awareness and image, Keller identified some sub-dimensions of his conceptualization. Figure 7 shows how Keller understood/ interpreted brand equity.

**Figure 7. Dimensions of brand equity (brand knowledge)**



**Source: Adapted by Keller (1993)**

Evidently, just three main constructs can be identified: brand knowledge, brand awareness and brand image. Each of them owns some sub-dimensions. For example, brand image is made up by: types of associations, favourability of brand associations, strength of brand associations and uniqueness of brand associations. The type is split in attributes (non-product-related: price, packaging, user imagery and usage imagery; product-related), benefits (functional, experiential and symbolic) and attitudes.

A deeper analysis of each key dimensions is needed.

We start with brand awareness. This variable is related to the strength of the brand node or trace in memory and it represents the consumer's ability to identify the brand in the crowd (Rossiter and Percy, 1987; Keller, 1993). As we saw earlier, brand awareness is composed by brand recall and brand recognition; the first one reproduces the customer's ability to confirm prior exposure to the brand when given the brand as a cue (e.g. logo, packaging, colours etc.). The aim of the management is to keep the brand recognition "top of mind": it

means that, thanks to usage of some cues, customers are able to recall exactly that brand from their “consideration set” and they are more facilitated to create direct connections in their memory to the brand, hence it means that those connections are stronger than other (with other brands).

Furthermore, it is often recognized as “aided brand recall” and it is very useful if the consumer can state the brand without being explicitly exposed to the firm’s name; on the other hand, recall occurs when a person is able to retrieve the brand when given the product category, the needs fulfilled by the category or some other cues which mean that customers have to be capable to correctly generate the brand from memory (Keller, 1993).

According to Keller, brand awareness influences the consumer decision-making process and it plays a pivotal role for three reasons:

1. The higher the awareness of the brand, the higher the likelihood for the brand to become part of the consideration set (Baker et al., 1986; Neddegudi, 1990). This means that when the customer will think of buying a category (e.g. biscuits), the probability that he/she will take into account the specific brand is higher (e.g. Mulino Bianco and not Balocco). Thus, a direct connection between the category and the brand can be outlined.
2. The decision about brands in the consideration set can be influenced by the awareness. Indeed, sometimes customers choose a brand even without associations, but just because of the familiarity with it. This process often occurs when the involvement is low. (Bettman and Park, 1980; Hoyer and Brown, 1990; Park and Lessig, 1981; Keller, 1993).
3. Awareness affects the creation and the shape of the associations in the consumer’s mind. A necessary condition for the development of a brand image is the presence of the node in memory and it has to be well established. Moreover, the nature of the node is crucial because it affects how easily different kinds of information can become attached to the brand memory (Keller, 1993).

Bearing in mind these three main aspects, it should be said that brand awareness is more than a mere knowledge and look at a brand name (Keller, 2001). As a matter of fact, brand awareness requires a link between the name, logo, symbol etc. and some associations in memory. This can be considered as the core of this dimension.

Depending on the stage at which the consumer makes purchase decision, one between recognition and recall is more important. By this we mean that, when the choice is made at the point of purchase and thus the external benefits of the brand can be seen (logo, packaging,

name etc.), brand recognition plays an increasing role, conversely brand recall matters more when the decision is taken in settings away from the point of purchase (Keller, 2012).

It must be stressed that online purchases are increasing very fast and in this peculiar case brand recall becomes increasingly prominent (Keller, 2012) because customers have to be able to recall the brand from memory and they must seek it to make the right connection among the thousand associations.

One of the main goals of the company is certainly to increase the familiarity of its or their brands, so enhancing brand awareness. In order to achieve this aim, managers have to be very careful with the communication strategies. Indeed, when the link between the brand and the category is a given, it doesn't make sense to split recognition and recall. On the other hand, when the connection is very weak, the efforts have to be focused on emphasizing category links, for example, in advertising to make the consumers' work easier.

The other construct that deserves attention is brand image. Over the years, both scholars and managers have valued this variable in the marketing area (Gardner and Levy, 1955). Despite the huge research carried out in marketing, a unique definition doesn't exist (Dobni and Zinkhan, 1990; Keller, 1993).

Keller believed that the best definition of brand image could be created by mixing those by Herzog (1963) and Newman (1957), according to which the image can be thought as the perception of a brand as reflected by the brand associations held in consumer memory. This concept is drawn on the belief that an associative network memory model of brand knowledge exists. The associations should be looked as informational nodes linked to the main node (the brand) reflecting the meaning for the consumer. There has to be consistency between the meaning that company has thought, and what consumer perceives. In other words, managers must define what characterizes the brand and what it should stand for in a very detailed way (Keller, 2001).

As outlined before, brand image is composed by different sub-dimensions, namely associations.

*Type of brand associations:* Based on the level of abstraction (Keller, 1993; Alba and Hutchinson, 1987; Chattopadhyay and Alba, 1988; Johnson, 1984; Russo and Johnson, 1980) associations can take different shapes. The form depends on the weight of the information summarized or subsumed in it and according to this it is possible to distinguish *attributes* (1), *benefits* (2) and *attitudes* (3). The first one (1) depicts what consumer thinks the product or service is and what is involved with its purchase or consumption (Keller, 1993) – to put it simply, the descriptive features. Clearly, they can be split into *product*

*related* (related to the performance of the product, especially in terms of product's physical composition or service's requirements) and *non-product related* (considered as the external aspects: price information, packaging or product appearance information, user imagery and usage imagery).

The latter refers to what people think the product or service can do for them (Keller, 1993). Here again, an additional partition occurs:

11. *Functional benefits*: it usually reflects the product-related attributes and it can be seen as the more intrinsic advantages
12. *Experiential benefits*: it represents what it feels like to use the product or service
13. *Symbolic benefits*: it usually reflects the non-product related attributes and it can be seen the more extrinsic advantages. It relies on the consumer's need for social approval or personal expression and outer directed self-esteem.

Lastly, *brand attitudes* defined by Wilkie (1986) as consumers' overall evaluations of a brand. In literature it is widely accepted that one of the most important and influential models is that by Fishbein and Ajzen (1975) drawn on a multi-attribute formulation where brand attitudes are a function of associated attributes and benefits (Keller, 1993).

*Favourability of brand associations*: When consumers believe that the brand is able to satisfy their needs and wants, it means that marketing programs were able create favourable associations with the brand itself (Keller, 1993). In other words, the brand owns attributes and benefits suitable to fulfil people's expectations.

Past findings (Ajzen and Fishbein, 1980; Fishbein and Ajzen, 1975) have highlighted the difficulty to create favourable associations for unimportant attributes: this means that, firstly, that attribute must be relevant for the consumer, otherwise there is no chance it can be taken into consideration. Moreover, sometimes the value given to the brand depends on the situation and context in which a person makes his/her choice, but even based on the consumer's goal (Keller, 1993; Day, Shocker and Srivastava, 1979). That's why, in most cases, the meaning of the association changes from customer to customer, or even situation-to-situation in the same mind (person).

In addition, in order to be favourable, an association has to be desirable and its desirability is connected with how relevant the association is for the consumer, how both distinctive and believable it could be (Keller, 2012).

*Strength of brand associations*: one of the most important aspects of the association is its "strength", and it refers to the ability to pick the information up from consumer's memory. When Keller (1993) mentioned the strength, he was referring to the strength of connection

to the brand node. Furthermore, the information can come from the outside, so the customer has to encode it, or from the inside meaning that it was already in the consumer in terms of long-memory. All the information is stored, and the strength is a function of the quality and the quantity. There are different views on the importance of these latter characteristics, but it is widely acknowledged that the larger the number of cues linked to a piece of information, however, the greater the likelihood that the information can be recalled (Keller, 1993; Isen, 1992). Anyway, the information has to be relevant to the consumer, because otherwise it will be stored but with a very weak connection to the brand, consequently this won't be recalled in the decision-making process and it won't be able to create value enhancing brand equity. The strength, indeed, depends on the intensity by which consumers think about product information and relate it to existing brand knowledge (Keller, 2012).

*Uniqueness of brand associations:* this aspect can be related to the brand positioning. As a matter of fact, it represents the “*unique selling proposition*” (USP) which becomes the reason why consumers decide to buy that brand instead of others (Keller, 1993; Aaker, 1982; Ries and Trout, 1979; Wind, 1982). In order to build a successful brand, the presence of strongly held, favourably evaluated associations is vital. Indeed, it means that people have a better consideration of that brand (competitive advantage) than those of the competitors. It should be pointed out that the uniqueness of the brand associations can originate from all the aspects that have been discussed previously such as the product-related attributes, attitudes, beliefs and so on.

Associations, as mentioned before, can come from different sources and take different shapes, such as direct experience, information communicated from the company, word of mouth, by assumptions or inferences from the brand itself (e.g. symbol, packaging, etc.) or maybe from the identification of the brand with a company, person, channel and so on, thus managers and especially marketers must recognize the origin of the source in order to affect them in the best way.

It can be concluded that the higher the level of abstraction and qualitative nature of brand associations, the higher the favourability, strength and uniqueness of the associations themselves (Keller, 1993). To put it in another way, attitudes seem to be the more eligible to bear in mind in building the connections and they can be stored and retrieved in memory separately from the underlying attribute information (Keller, 1993; Lynch, Marmorstein and Weigold, 1988).

Another important concept that managers have to keep in mind is the *congruence* among the associations. They can be affected not just by the outside and inside information, but also by

other brand associations that are already existing in the consumer's mind. According to Keller (1993) the congruence is defined as "*the extent to which a brand association shares content and meaning with another brand association*". It appears to be very relevant because the more content the associations share, the easier it will be to recall an existing association and the simpler to link new associations to the brand node in memory. Additionally, those already present become the basis for the future customers' expectations. In short, expectations should affect consumer's ability to learn new brand information (Keller, 2012) and to increase the likelihood to create new connections based on the meaning of those already present in the consumers' mind and memory (Keller, 1993; Bettman, John and Scott, 1986; Sujan, 1985). This sharing of meaning will be of fundamental relevance in the creation of the image that will be as cohesive as possible. It is a very strategic step because it may determine customers' more holistic reactions to the brand (Keller, 1993).

### **1.5.1 The brand equity pyramid**

Starting from the knowledge model conceptualized by Keller in 1993, the author himself developed in 2001 a simplification of his conceptualization. Indeed, in this model the equity is equated with increased awareness of the brand and its associations (Beverland, 2018).

According to Beverland (2018), the underlying principle of Keller's pyramid, which can be considered as a simplification of the brand equity model, is the belief that the brand only exists in the customer's mind in terms of what he/she knows, what he/she feels and what it was like to use it. This explains why Keller (2001) himself posits that the power of a brand resides in the minds of the consumers, so what they have learned, felt, seen and heard about the brand over time. But how can brand managers create strong brands? This pyramid can be regarded as a tool suitable to build brand and it allows marketers to identify the right strategy in doing so.

In order to create a situation in which the customers can have positive thoughts, feelings and perceptions, that are considered as the basis of the value creation, four steps (in agreement with Keller, 2001) must be followed:

1. Establishing the proper brand identity, that is, establishing breadth and depth of brand depth of brand awareness;
2. Creating appropriate brand meaning through strong, favourable and unique brand associations;
3. Eliciting positive, accessible brand responses;

4. Forging brand relationships with customers that are characterized by intense, active loyalty.

These four steps completely reflect the explanation that has been discussed in the previous paragraph. Indeed, their associations and the nature (once again) are the heart of the process as a means of building a strong memory network in the mind of people.

If a company wants to achieve these four steps, it has to establish six brand-building blocks as well (Keller, 2001):

1. *Brand salience*
2. *Brand performance*
3. *Brand imagery*
4. *Brand judgements*
5. *Brand feelings*
6. *Brand resonance*

It should be highlighted that the order in which the blocks have been mentioned is not random. Furthermore, this also poses the bigger difference with Aaker's (1991, 1992) model, in which all the variables of the model are considered of equal value. Some authors, such as Anselmsson et al. (2017) have set out two main approaches in defining the brand equity frameworks. On the one hand, a rather simplistic approach, designed by Aaker (1996), in which all brand equity dimensions function in a parallel fashion. On the other hand, Keller's interpretation, according to which the brand building process is a multi-step process consisting of salience (awareness about the brand), image and performance (perception and meaning of the brand), response (overall attitude in terms of thoughts and feelings) and resonance (relationship and customer loyalty).

The dual interpretation of the structure of brand equity has led to adopt different dimensions as measures. That is why those who have decided to follow Aaker's explanation, have implemented models in which there was no problem in terms of variables positioning. Moreover, this means that, in order to achieve the highest equity of the brand, it is not necessary to meet the before stage, in short no "climbing" is needed and all the constructs have the same value. Sometimes it can be an issue, because it might result in misunderstandings. Furthermore, a simpler and parallel structure is sometimes preferred by scholars because it allows them to add new constructs without any concern for the positioning within the model. In other words, there are no suggestions in the direction of the relationships and, as a result, as much awareness as the performance can affect brand equity, and the fulfilment of the sequence is not required.

In addition, this approach might cause difficulties for marketers and managers because it is not so easy to understand which variable might be more efficient in enhancing the brand equity and this could lead to wrong investments. Otherwise, if a very tight “journey” exists, everyone knows that in order to reach the end of it, the satisfaction of the previous stages is needed. In Keller’s view, the pyramid represents the “journey” and the route starts from awareness. It is impossible to think to brand loyalty without fulfilling the awareness first (Keller, 1993; 2001). The sequential approach will be discussed in depth in the next paragraph and it represents the basis for this research because until now no academics have empirically demonstrated the concatenation of the Keller’s pyramid.

Keller (2001) identifies brand resonance (the peak/top of the pyramid) as the most valuable block and it occurs when all the other brand-building blocks are established. This dimension is considered very important because it is the connection suitable to reap some benefits such as the customers’ willingness to pay a premium price because of their loyalty deriving from their satisfaction, greater trade or intermediary cooperation and support, increased the effectiveness of communication, larger margins, less vulnerability to competitive marketing actions (Keller, 2001) and so on.

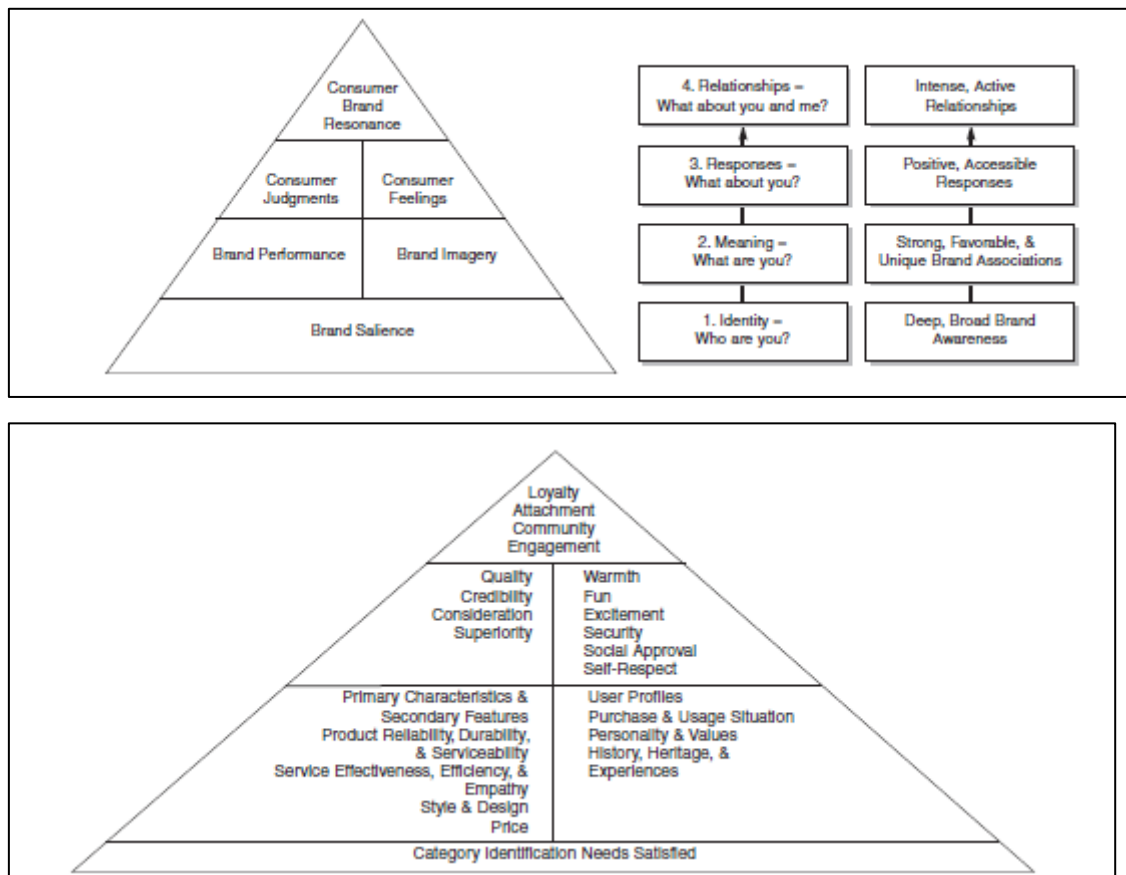
According to Keller’s (2001) brand equity model, his pyramid is more effective since it satisfies three main goals:

1. Being logical, well-integrated and grounded;
2. Being versatile and applicable to all possible kinds of brands and industry settings;
3. Being comprehensive with enough breadth to cover important branding topic as well as enough depth to provide useful insights and guideline.

The attention has to be focused on the second feature, above all, because this is the proof that if the private labels or generic brand want to be considered a full-fledged brand, the model has to be applied to them with no differences as well. Obviously, comparing the results from an application of this model to a private label and manufacturer brand, what is supposed to happen is to find different value in the weight of the variables, but the underlying structure must be the same.

The figure 8 shows Customer-Based Brand Equity pyramid and the sub-dimensions of Brand-Building Blocks.

**Figure 8. Customer-Based Brand Equity pyramid and the subdimensions of Brand-Building Blocks**



**Source: Keller, 2001**

Looking at the figure, it is easy to understand the sequential process mentioned above. Each step is contingent on achieving the previous one. (Keller, 2001). Additionally, all levels involve accomplishing certain objectives with customers, both existing and potential (Keller et al., 2012). The “words” contained in the pyramid sections are the identification of the constructs that form the brand equity framework. For example, brand salience (the bottom) is used as a measure of brand awareness (Farajam and Hongyi, 2015).

In order to better understand this process, it is crucial to adopt a customer’s point of view. In other words, trying to comprehend what customers ask about a brand. In doing so, Keller (2001) fixed four very simple questions mirroring what it is inside the pyramid, parted according to the blocks and steps.

1. Who are you? (brand identity)
2. What are you? (brand meaning)
3. What about you? What do I think or feel about you? (brand responses)

4. What about you and me? What kind of association and how much of a connection would I like to have with you? (brand relationships)

Following Keller, the goal of the first step is to ensure identification of the brand and, also, an association of the brand in the customer's mind with a specific product class or need. After that, company must establish the brand meaning through the representation of the tangible and intangible associations. Besides this, it has to identify people's response to the identity and meaning of the brand. Finally, based on the nature and the type of reaction had by the consumer, the aim of the final step is to convert brand response to create a relationship that must be driven by intensity, loyalty and "long-time".

From the description above, the concatenation of the blocks comes to light. Indeed, thinking about meaning is pointless unless an identity has been created as responses occur only when meaning has been developed. So, that is the hugest difference from Aaker. Keller et al. (2012) defined this sequence as a "branding ladder" in which there is an obvious ordering of the steps.

The right pyramid in the Figure 8 has the same meaning of the left one, but some sub-dimensions linked to the four steps are identified. According to Keller (1993, 2001) identity can be reflected by salience that in turn is composed by category identification and needs satisfied; performance and imagery create the meaning of a brand, as well as judgements and feelings represent the responses of the customer to the brand and finally, resonance hence the relationships is identified by loyalty, attachment, community and/or engagement.

Given that, in order to create brand equity for real, it is necessary to reach the pinnacle of the pyramid and this involves "satisfying" all the brand-building blocks, each of them will be analysed thoroughly.

*Brand salience:* When Keller refers to brand salience, he is referring to brand awareness as well. This dimension is related to aspects of the awareness of the brand. As it is shown in figure 8, category identification and needs satisfied are two sub-dimensions directly connected with the concepts of recall and recognition that have been discussed in the previous paragraph. According to Keller (2001) building brand awareness involves making sure that consumers comprehend the product or service category in which the brand competes. To put it simply, it refers to the ability to recall and recognize the brand in the today crowd. Obviously, the clearer the brand identity, the easier for people to find it.

This first step is suitable to add new brand associations, but also straighten those already present. Furthermore, increasing the connection with a particular category, the odds that the brand becomes a member of the consideration set grows up as well.

The best situation for a company is when customers always make sufficient purchases but also when they think of the brand in a variety of settings in which the brand could be employed or consumed (Keller, 2001): this means that awareness has high levels of both depth (how easily customers can recall or recognize the brand) and breadth (the range of purchase and consumption situations in which the brands comes to mind). This latter is very important, but all too often forgotten. Indeed, many companies focus their attention on enhancing recall, instead of increasing the situation in which consumers could think of the brand losing some important opportunities.

In conclusion, it can be said that brand salience, like brand awareness, is the first step in building brand equity, but even if it is necessary, it is not enough.

*Brand meaning:* The second block of the pyramid is composed by brand meaning that in turn is split between brand performance and brand imagery. This is a very strategic point because the associations that will build the image of the brand are created right here. Since the model is sequential, before arriving at this stage brand salience must be satisfied. As said on several occasions in this paragraph, the awareness only is not enough because for most customers other considerations also come to play (Keller, 2001). Brand meaning stands for the characteristics linked to the brand in the minds of customers and the full meaning is made up by the nature and the shape of the associations. According to Kerri-Ann et al. (2008) people develop both tangible and intangible associations that actually reflect the partition made in the previous paragraph. Therefore, performance (functional related) and imagery (abstract) symbolize this dual aspect. For example, some people can give grater importance to features related to the performance of a product, while others can attach more importance to more abstract attributes such as the user imagery, such as what type of person uses the brand or, even to the attitudes (the highest level of abstraction).

Both kind of associations can be formed directly (from customer's own experiences and contact with the brand) and indirectly (from communication or experiences of other customers, so from word-of-mouth) (Keller, 2001).

It is advisable to understand what could lead to the creation of performance-related associations. Along these lines, five attributes-benefits are suitable for the functionality, namely:

1. Product characteristics and secondary features
2. Product reliability, durability and serviceability
3. Service effectiveness, efficiency and empathy
4. Style and design

## 5. Price<sup>1</sup>

All five characteristics relate to the ways in which a product or service attempts to meet consumers' functional needs (Keller, 2001; Keller et al., 2012). The mix of these ingredients can change depending on the context in which the company is operating. That's why, for instance, in the e-commerce, some of them have become more important than others.

Another type of meaning derives from the imagery that reflects a more emotional side of the customer. Indeed, according to Keller (2001) it deals with the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' psychological or social need. In these circumstances people are more concerned about what people can think if you own the brand rather than if the brand/product really satisfies the need for which it has been bought.

For example, some customers can decide to buy and own a brand because a peculiar bunch of people uses it as a sign of membership. Thus, imagery may result in a profile or mental image by customers of actual users or more aspirational, idealized users (Keller et al., 2012). In this case too, an additional subdivision can be done:

1. User profiles
2. Purchase and usage situations
3. Personality and values
4. History, heritage and experiences<sup>2</sup>

Regardless of the type of associations, performance or imagery related, what the company must achieve is strength, favourability and uniqueness<sup>3</sup> of the connections with their brands. This means that a company can create different images, so different meaning of the brand, based on the weight given to the different sub-dimensions and based on their goals. It should be stressed that it is not possible to produce uniqueness associations without being strong and favourable first. Company must create associations that follow the order.

The satisfaction of this level is functional not only to the creation of brand equity, but also to the opportunity to develop positive customers responses (the third blocks). Some examples of brands that have been able to create strong, favourable and unique associations are Apple (fashionable, user friendly); Coke (Americana and refreshment), Disney (fun,

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<sup>1</sup> For further insights look at Keller (2001).

<sup>2</sup> For further insights look at Keller (2001).

<sup>3</sup> The relevance of these dimensions has been already discussed in the previous paragraph.

Strength: How strongly is the brand identified with a brand association?

Favourability: How important or valuable is the brand associations to customers?

Uniqueness: How distinctively is the brand identified with the brand association?

For further insights look at Keller (1993).

magical, family entertainment), Nike (innovative products and peak athletic performance), Wholefoods (organic product, healthy oriented), Amazon (fast, cheap-deal and smart).

*Brand responses:* Brand *responses* represent the third level of the pyramid and in order to achieve it, brand image (performance and imagery) has to be fulfilled. This dimension is composed by judgements and feelings deriving from the associations in the consumers' memory.

According to Keller (2001) *responses* refer to how customer responds to the brand, its marketing activity, and other sources of information, that is to say, what people think or feel about the brand. Obviously, it depends on how they have perceived the *performance* and the *imagery* that the company wanted to communicate. As a matter of fact, sometimes all the activities meaning to increase a certain image are not acknowledged by the customers and it could lead to a failure.

Once again, based on the more functional or more abstract nature of the dimension, two different sub-dimensions can be identified: brand *judgements* concern the personal opinions and evaluations with regard to the brand and they originate from how people mix various components of the performance at the level below; on the other hand *feelings* reflect the customers' emotional responses and reactions with respect to the brand (Keller, 2001).

Both *judgements* and *feelings* are composed by different elements; the first one by brand quality (perceived quality in terms of overall evaluation of the brand with a strong focus on the performance); brand credibility (it refers to the extent to which the brand as whole is seen as credible in terms of perceived expertise, trustworthiness and likability); brand consideration (the likelihood that the customer will include the brand in the set of brands they might buy or use) and brand superiority (the extent to which customers view the brand as unique and better than other brands)<sup>4</sup>.

Depending on the goal of the company and the strategies implemented at the level below, customers will perceive different levels of credibility, trust and superiority of the brand. In this side of the pyramid, what the consumer is looking for is the satisfaction of the more functional needs. Indeed, the judgements are related to the performance and not directly to the imagery. For example, sometimes it could happen that although shoppers are satisfied by the primary characteristics and second features, reliability, durability and serviceability (performance), they will develop positive responses (good trustworthiness, good overall evaluation, superiority to competitors ect.), but the choice of the brand will not be guaranteed all the times, and that's why feelings are a very relevant component of responses.

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<sup>4</sup> For further insights look at Keller (2003).

These latter are composed by warmth, fun, excitement, security, social approval, self-respect. Authors as Keller (2001), Aaker (1991,1996), Yoo and Donthu (2001,2002) have paid so much attention to that aspect, even if its measurement is very difficult considering that more and more often customers' decisions are more affected by the emotions than by the rationality.

Not all the feelings have the same relevance, indeed the first three are more experiential and immediate, on the other hand the latter three are more private and enduring (Keller, 2001). Obviously, there are some categories in which it is easier to create associations (second level of the pyramid) that will switch in positive feelings, such as high-involvement categories, compared to low-involvement categories where the rational side will be greater. In other words, these responses can be divided in: responses given by "head" and responses given by "heart". The optimal situation is created when both right and left are strong in the consumer's mind, hence positive judgements with positive feelings.

Sometimes, it is not straightforward to discover what the shopper really feels and thinks, because the emotional side behaves unknowingly. That's why Keller (2001) highlighted the need to have accessible and ready responses in order to be understood by the consumer himself, otherwise his/her behaviour might be affected in a negative way.

Once that the brand has raised positive responses, the last step of the "brand ladder" is the pinnacle, that is to say: brand relationships. When a relationship between the customer and the brand is created, the company can say that its brand is enhancing brand equity. Keller (2001) defines this step *resonance* and it means that the customer has reached a level of identification suitable to create value and establish a win-win relationship.

This construct refers to the nature of the relationship that customers have with the brand and the extent to which they feel that they are in "synch" with the brand itself. (Keller, 2001). This time there isn't a partition between the emotional and the rational side. The reason is related to the fact that the process has ended and the relationship is the result of the union of functional and not functional aspects. The energy of the relationship depends on the level of the depth or intensity of the psychological bonds that are in the consumer's mind. The higher the resonance, the greater the likelihood that the repeat purchase rate is high, as well as the extent to which customers seek information (Keller, 2001).

Four categories can be identified (Keller, 2001):

1. *Behavioural loyalty*. This is the first dimension and it refers to repeat purchases and the amount, or share, of category attributed to the brand.

2. *Attitudinal attachment*. Personal attachment is needed to avoid that customers buy a brand just because it is the only product stocked or readily accessible.
3. *Sense of community*. This aspect represents a demonstration of identification with other people through the brand. Indeed, it could reflect an important social phenomenon whereby customers feel a kinship or affiliation. Clearly, reaching this connection is more difficult for the product in the FMCG compared, for instance, to fashion.
4. *Active engagement*. Keller said: “*the strongest affirmation of brand loyalty occurs when customers are willing to invest time, energy, money, or other resources into the brand beyond those expended during purchase or consumption of the brand.*” This is the case when the customer becomes ambassador of the brand and when the proper brand equity is created.<sup>5</sup>

In conclusion, it should be said that in order to build a strong brand, so strong Customer-Based Brand Equity, companies must follow the process described previously; it means that building a strong brand involves establishing depth and breadth of brand awareness; creating strong, favourable and unique brand associations; eliciting positive, accessible brand responses and forging intense, active brand relationships (Keller, 2001). Additionally, it means that the six brand building blocks have been created.

Since the process is a sequential one, it is not possible to think of creating brand equity just with the satisfaction of one of 6 blocks and the order described must be respected.

The brand resonance, as pointed out by Keller (2001), occurs when all the other brand-building blocks are completely synchronized with customers' needs, wants and desires. In conclusion, “*brand resonance reflects a completely harmonious relationship between customers and brand*” (Keller, 2001).

Against the background outlined above, it can be said that the pyramid developed by Keller in 2001, is one of the most comprehensive model of Customer-Based brand equity. Nevertheless, some authors in their empirical studies have decided to adopt other models, easier than that one (for example, that by Aaker (1991)), especially because there is no need to apply a sequential process. It means that all the variables have the same importance and there is no necessity to satisfy the previous one. This approach has led to state that companies can create brand relationships, so brand equity, even if there isn't positive judgements or feelings or maybe even associations or awareness. Indeed, the process can start from all the constructs without any limitations. Grounded on this, the key model of the research is

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<sup>5</sup> For further insights looks at Keller (2001).

Keller's pyramid. Although many scholars have agreed with the importance of this model and they have considered the pyramid as the basis for the enhancement of brand equity, no one has still demonstrated the concatenation among all the dimensions of the "brand-ladder". As a matter of fact, some authors decided to add some variables and not others and, moreover, they didn't make evidence of the generalization of this model to private labels world. Their approach used some variables from different models of Customers-Based brand equity and see if they could be suitable to improve the value creation in the retailing context. This can be considered very interesting but not sufficient to assert that private labels follow the same structure in the value generation process. Thus, if it is true that private labels can be considered a fully-fledged brand, Keller's pyramid must be applicable to them as well. In short, the structure of the CBBE must be the same and the only thing that could change is the intensity and the weight of the dimensions part of the model.

With regard to the description above, it should be stressed the possibility to split the pyramid in two different sides, namely: emotional or no-functional and rational or functional. The company, depending on the aim of its strategy, can decide to put more emphasis on one side, for example the emotional, or on the other. It is clear that the more the firm is able to create complementarity between the two sides, the higher the likelihood that resonance is created in the consumers' mind.

In the light of the events in terms of private label success, further consideration in the applicability of Keller's model to this kind of brand is needed.

The next chapter will analyse the evolution of the retailers' brands and more attention will be given to the application of brand equity models. Table 6.1 shows what scholars have done in terms of research on customer-based brand equity and constructs used until now.

**Table 6.1. Research on customer-based brand equity and constructs**

| YEAR | AUTHOR/S        | CONSTRUCTS                                                       |
|------|-----------------|------------------------------------------------------------------|
| 1988 | Shocker & Weitz | -Brand Image<br>-Brand Loyalty                                   |
| 1989 | Farquhar        | -Brand image<br>-Attitude accessibility<br>-Brand evaluation     |
| 1991 | Aaker           | -Brand awareness<br>-Brand name awareness<br>-Brand associations |

|      |                               |                                                                                                                                                             |
|------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      |                               | <ul style="list-style-type: none"> <li>-Perceived quality</li> <li>-Other proprietary brand assets</li> </ul>                                               |
| 1991 | Martin & Brown                | <ul style="list-style-type: none"> <li>-Brand image</li> <li>-Perceived value</li> <li>-Trustworthiness</li> <li>-Commitment</li> </ul>                     |
| 1991 | Srivastava & Shocker          | <ul style="list-style-type: none"> <li>-Brand awareness</li> <li>-Brand image</li> <li>-Perceive quality</li> <li>-Brand loyalty</li> </ul>                 |
| 1992 | Blackston                     | <ul style="list-style-type: none"> <li>-Trust in the brand</li> <li>-Customer satisfaction</li> </ul>                                                       |
| 1992 | Holden                        | <ul style="list-style-type: none"> <li>-Brand awareness</li> <li>-Brand preference</li> </ul>                                                               |
| 1992 | Kapferer                      | <ul style="list-style-type: none"> <li>-Brand association</li> <li>-Physical features</li> <li>-Culture</li> <li>-Brand personality</li> </ul>              |
| 1993 | Edell                         | <ul style="list-style-type: none"> <li>-Attitude accessibility</li> <li>-Brand evaluation</li> </ul>                                                        |
| 1993 | Keller                        | <ul style="list-style-type: none"> <li>-Brand awareness</li> <li>-Brand associations</li> </ul>                                                             |
| 1994 | Park & Srinivasan             | <ul style="list-style-type: none"> <li>-Brand preference</li> <li>-Commitment</li> </ul>                                                                    |
| 1995 | Cocc-Walgrren, Ruble & Donthu | <ul style="list-style-type: none"> <li>-Brand awareness</li> <li>-Advertising awareness</li> <li>-Brand associations</li> <li>-Perceived quality</li> </ul> |
| 1995 | Blackston                     | <ul style="list-style-type: none"> <li>-Brand association</li> <li>-Brand personality</li> <li>-Brand saliency</li> </ul>                                   |
| 1995 | Lassar, Mittal & Sharma       | <ul style="list-style-type: none"> <li>-Brand association</li> <li>-Perceived quality</li> </ul>                                                            |

|      |                             |                                                                                                           |
|------|-----------------------------|-----------------------------------------------------------------------------------------------------------|
|      |                             | -Trustworthiness<br>-Feeling/attachment                                                                   |
| 1996 | Aaker                       | -Brand awareness<br>-Brand association<br>-Perceived quality<br>-Brand Loyalty                            |
| 1997 | Biel                        | -Brand image<br>-Brand personality<br>-Brand magic                                                        |
| 1998 | Anantachart &<br>Sutherland | -Brand preference<br>-Customer satisfaction                                                               |
| 2000 | Yoo, Donthu & Lee           | -Brand association<br>-Perceived quality<br>-Brand loyalty                                                |
| 2001 | Keller                      | Customer-Based Brand equity pyramid                                                                       |
| 2003 | Washburn                    | -Brand awareness<br>-Brand association<br>-Perceived quality<br>-Brand loyalty                            |
| 2004 | Kim & Kim                   | -Brand awareness<br>-Brand association<br>-Perceived quality<br>-Brand loyalty                            |
| 2004 | Netemeyer et al.            | -Perceived quality<br>-Perceived value for the cost<br>-Uniqueness<br>-Willingness to pay a premium price |
| 2005 | Pappu, Quester &<br>Cooksey | -Brand awareness<br>-Brand association<br>-Perceived quality<br>-Brand loyalty                            |
| 2005 | Atilgan, Aksoy & Akinci     | -Brand awareness<br>-Brand association                                                                    |

|               |                                    |                                                                                                                                                                                   |
|---------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               |                                    | <ul style="list-style-type: none"> <li>-Perceived quality</li> <li>-Brand loyalty</li> </ul>                                                                                      |
| 2006          | Christoulides et al.               | <ul style="list-style-type: none"> <li>-Emotional</li> <li>-Online experience</li> <li>-Trust</li> <li>-Fulfillment</li> </ul>                                                    |
| 2006          | Keller                             | Brand equity concepts and frameworks                                                                                                                                              |
| 2006          | Keller & Lehman                    | Brand equity concepts and frameworks                                                                                                                                              |
| 2007          | Yasin et al.                       | <ul style="list-style-type: none"> <li>-Brand awareness/associations</li> <li>-Brand distinctiveness</li> <li>-Perceived quality</li> <li>-Country of origin image</li> </ul>     |
| 2008          | Buil et al.                        | <ul style="list-style-type: none"> <li>-Brand awareness</li> <li>-Brand associations</li> <li>-Perceived quality</li> <li>-Brand loyalty</li> </ul>                               |
| 2009          | Balaji                             | <ul style="list-style-type: none"> <li>-Brand awareness</li> <li>-Brand associations</li> <li>-Perceived quality</li> <li>-Brand image</li> <li>-Brand loyalty</li> </ul>         |
| 2009/<br>2010 | Christodoulides & de<br>Charnatony | Literature of brand equity review and different approaches                                                                                                                        |
| 2010          | Keller                             | Brand equity concepts and frameworks                                                                                                                                              |
| 2011          | Nam et al.                         | <ul style="list-style-type: none"> <li>-Physical quality</li> <li>-Staff behaviour</li> <li>-Brand association</li> <li>-Consumer satisfaction</li> <li>-Brand loyalty</li> </ul> |
| 2014          | Erdem & Swait                      | <ul style="list-style-type: none"> <li>-Brand credibility</li> <li>-Perceived quality</li> <li>-Perceived risk</li> <li>-Expected utility</li> </ul>                              |

|      |                 |                                                                                                                                                                                                        |
|------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      |                 | <ul style="list-style-type: none"> <li>-Information costs</li> <li>-Clarity</li> <li>-Brand investments</li> <li>-Brand consistency</li> </ul>                                                         |
| 2015 | Farjam & Hongyi | Literature of brand equity review                                                                                                                                                                      |
| 2015 | Veloutsou       | <ul style="list-style-type: none"> <li>-Brand relationship</li> <li>-Trust</li> <li>-Brand evaluation</li> <li>-Satisfaction</li> <li>-Brand attitude</li> <li>-Brand loyalty</li> </ul>               |
| 2016 | Cifci et al.    | <ul style="list-style-type: none"> <li>-Brand awareness</li> <li>-Service quality</li> <li>-Brand association</li> <li>-Brand identification</li> </ul>                                                |
| 2018 | Fourondi et al. | <ul style="list-style-type: none"> <li>-Brand awareness</li> <li>-Brand fondness</li> <li>-Brand image</li> <li>-Perceived quality</li> <li>-Brand association</li> <li>-Purchase intention</li> </ul> |

**Source: our elaboration**



## **CHAPTER 2**

### **TWO TYPES OF BRANDS: PRIVATE LABEL AND NATIONAL BRAND**

#### **2.1 A new type of brand: private label**

In the grocery context, a model brand that is increasingly chosen by the consumers is represented by private label. Indeed, since 1976, several generations of retailer brands have emerged (Kumar & Steenkamp, 2007; Laaksonen & Reynolds, 1994; Wileman & Jary, 1997) differentiating retailers, including their tangible and intangible values and symbols (Jara & Ferrandi, 2017). The retail context has significantly changed in the past few years and retailers, all over the world, have started to introduce different variants of private labels. Players, like Tesco, Sainsbury's, Lidl have launched premium lines (Tesco Finest, Sainsbury's taste the difference, Lidl Deluxe and so on) with the purpose to gain a competitive advantage relying on the new customers' needs and preferences. Nowadays, people are changing their choices in terms of both format stores and brands. More and more frequently, consumers buy healthy products, free-from products, gluten free, vegetarian or vegan products. Differently from the past, increasing purchases are converging on retailer's brands and the customers show a greater satisfaction based on quality, price, ethic, sustainability, innovation perception compared to those of manufacturers.

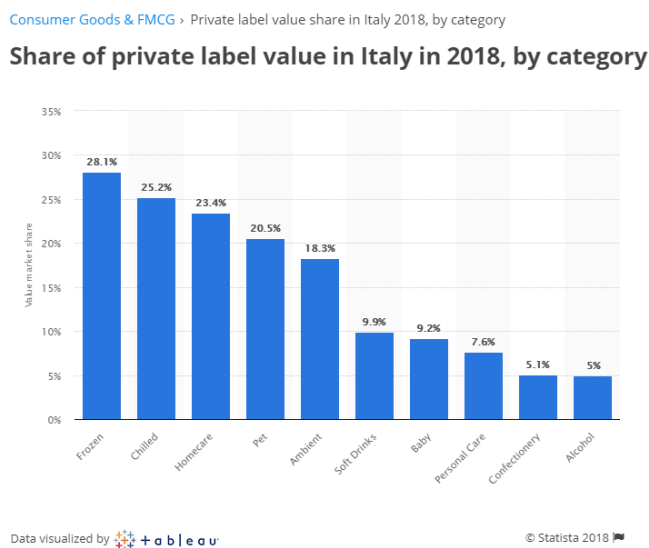
Today, 50% or more, of all FMCG sold on the shelves of supermarkets are retail brands (Kapferer, 2012), but the idea that retailers or distributors put their name on products, thus branding them, is not new. In fact, this kind of offer has been alive since the 19<sup>th</sup> Century and it has continued to lead the fast-moving consumer goods industry (Simmons and Meredith, 1984). Thanks to the brand management, thus improvements in the product quality, communication and wider usage of marketing strategies, private labels have reached a significant share of market. According to PLMA (2018), private labels share grew, last year, in 12 of 19 countries, and now stands at 30% above in 17 countries. Nowadays, private label has reached an all-time high in Europe's largest retail market and in some country, as Germany, its share climbs to over 45% for the first time. Even in countries, e.g. UK, where it is used to having a very huge offer of private label and where supermarkets are investing in their own brand programmes to meet competition from discounters, market shares climbed to more than 46%. The private label biggest success is in Turkey, where market share has gone up to 26%, gaining 3 points compared to the last year. In addition to the market share growth, it should be stressed that the consumer confidence across Europe has grown

esponentially, reaching its highest level in 17 years (Plma, 2018; Tom Pennincks of Nielsen for Plma, 2018).

In our country, Italy (figure 9), private label growth is less significant than in other countries, but it has climbed nearly to 20% during 2017. The growth has been scored in all the channels and in some categories such as frozen products it has reached 28%, for chilled 25.2% and homecare 23.4%. (Statista.com 2018; Nielsen-report-2018-italy). Figure 9 shows private label market share by category.

Despite the small size of the share in Italy compared to other markets, its weight on total grocery is around 40% meaning it could become a very important asset for retailers.

**Figure 9. Share of private label value in Italy in 2018, by category**



**Source: Nielsen**

Higher profit margins (Ailawadi and Harlam, 2004), higher store loyalty (Ailawadi, Pauwels and Steenkamp, 2008) and higher power against the national brands in order to gain more autonomy (Meza and Sudhir, 2010) can be seen as the main reasons why retailers want to increase their market share (Lamey, Deleersnyder, Steenkamp and Dekimpe, 2011). Furthermore, this kind of brands are suitable to chain profitability, control over shelf space and bargaining power over manufacturers (Batra and Sinha, 2000; Richardson, Jain and Dick, 1996).

According to Schutte (1969) private label originates from the “distributor’s label” context and it refers to the products “branded privately by distributors”; today “*all merchandise sold under a retailer’s brand, which can be the retailer’s own name, or a name created exclusively by that retailer*” (PLMA, 2007) can be considered private label.

When retailers started to sell their own brands, they were just considered as distributors of manufacturers' brands. In those days, the power was in the hands of manufacturers and the shop was merely a channel for consumption (Lincoln and Thomassen, 2009). As a matter of fact, at the beginning, the marketing strategy stressed the better price offered by retailers' compared to manufacturers' brands especially in US where the main aim was the fight against the rise of discount. For these reasons, consumers - particularly in US in the 1970' where distribution was regional - perceived PLs as a low-cost and low-quality alternative (Kapferer, 2012).

Furthermore, until the 1970s, the store's brands goal was to communicate a low-price profile (Lincoln and Thomassen, 2008, 2009), but despite this, retailers as Carrefour, can be considered as a pioneer in Europe because its management decided to introduce the well-known *produits libres* (free products) in 1976. They were banner brands – umbrella brands, recognized as a new type of brand. The aim of the French distributor was to show the consumers that their products could be as good as a manufacturer's strong brand, but without the name and with a lower price (Lincoln and Thomassen, 2008, 2009). Considering the increasing competition, the shopper got more and more confused as he/she found it hard to choose between private labels or manufacturer's brands. Because of this, retailers have begun to emphasize quality and service over price, thus starting a new era of competition. Year after year, distributors understood that generic products can't be the right solution in fighting the rise of manufacturers' brands because they didn't carry the name of the store, hence, for the customer, the connection between the product and the retailer was not so evident. Based on this, they started to build a real brand, where this connection was very strong thus paving the way for today's conception of private label of today as a brand in its own right (Lincoln and Thomassen, 2008, 2009).

If it is true that store brands can be considered fully-fledged brand, it must be also possible to apply the same customer-based brand equity measures to it. Before analysing this aspect, a deeper understanding of the PL evolution is needed.

It is very important to understand the reasons why distributors have decided to introduce in their offer their own products and why these products have become a strategic priority for them.

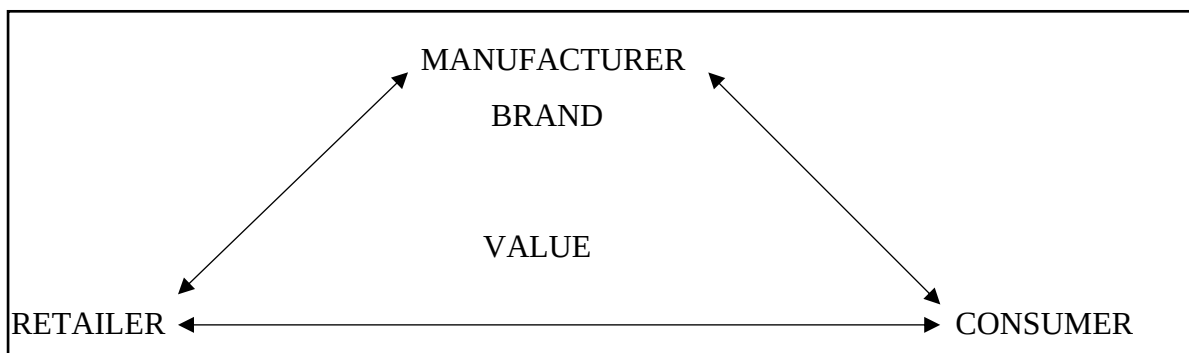
It is widely accepted that retailers, thanks to the selling/sale of their own brands, can generate greater profits compared to the earnings generated from manufacturer brands (Kumar and Steenkamp, 2009). In addition, Kumar and Steenkamp (2009) have defined four sources from which retailers generate higher profits:

1. *Better profit margins* because the retailer earns a higher margin and unit dollar profit on its own private label products;
2. *Greater leverage* because the presence of private labels in a category allows the retailer to negotiate a better margin on manufacturer brands;
3. *Building store loyalty* because private label helps differentiate retailer, and consumers who purchase these stores brands can only do so at the retailer in question, thereby making consumers more loyal to the store;
4. *Higher customer profitability* because the shopper who favours private labels is considered to be more profitable for the retailer (higher margin on private labels and greater store loyalty) than a shopper who largely purchases manufacturer brands from the retailer

Point 3 can be considered as one of the most important, indeed, if retailers sell the same products and more especially manufacturer's products, the differentiation becomes more difficult, despite the situation in which they can offer exclusive brands (e.g. private label – own brands) and persuade shoppers. Regardless the first aim of the value proposition – attracting more price-sensitive consumers – nowadays private labels have reached a strong presence in almost the categories and a huge proliferation of lines. Indeed, today, it is not hard to find a wide offer of premium private labels in the retailers' range. This latter is at the top end of the market and delivers quality equal to that of premium-quality national brands (Geyskens et al., 2010) and this trend can be considered as “one of the hottest in retailing” (Kumar and Steenkamp, 2007).

According to Ailawadi and Keller (2004) retailers want to build their own brands, not just in terms of mainstream proposition, but also with the presence in some new categories meeting new consumer needs, such as healthy or free-from products, reflecting some new lifestyle trends in order to differentiate them from other competitors with the potential reward of both increasing revenue, profitability and decreasing costs. Obviously, adopting this approach the role of the distributor changes and it must be considered as an active player into the channel instead of just a seller of manufacturers' brand. It appears that a new relationship in the channel is created (than at the beginning of its rise). In other words, retailers need manufacturers brands to attract customers; manufacturers need retailers to sell their products and customers want to choose. Consequently, the traditional conception of brand, where retailers only played a passive role, is over. The figure 10 shows the three-way relationship highlighting the requirement of cooperation among all players, because the single value creation depends on the quality and strength of the relationship among the rest.

**Figure 10. Manufacturers, retailers and customers relationship**



**Source: Webster (2000)**

This perspective would not have been available at the beginning of the private label development because of the typical characteristics of this type of brand.

Nowadays, a comprehensive definition of private label is not available, especially because of the different approaches by scholars and managers. Nevertheless, Morris's (1979) definition can be considered as the most thorough base definition:

*"... consumer products produced by or behalf of, distributors and sold under the distributor's own name or trademark through the distributor's own outlet".*

According to Burt (2000), it consists of all the features characterizing the retail brand development:

1. The process of the retail brand production;
2. The labelling of the production range;
3. The unique availability of the product.

Over the year these three components have been changed by the management of the retailers in order to better satisfy consumers' wants and needs. As a matter of fact, at the beginning, especially the 2 and the 3 elements were very different than today's range and distinctiveness of the value proposition.

The next paragraph analyses the private label evolution from the early stages until today.

## 2.2 Private label evolution

Based on the changes in the competitive landscape, some relevant shifts can be highlighted such as the different consumer brand choice and consumption patterns (Cuneo, Milberg, Alarcon-del-Amo and Lopez-Belbeze, 2018). The main cause is the higher penetration and transformation of private label brands in all its facets. Furthermore, exactly the change during time can be considered as the primary source of success (Cuneo et al. 2018).

According to Burt (2000), the evolution concerns the shift from an offer of lower quality product alternative for a lower price to real quality brand alternative reflecting a genuine marketing approach. Moreover, almost all product categories and price segments are covered by PL brands (Perrey and Spillecke, 2013).

It is widely acknowledged that retailer brands have changed during time following a well-defined process. In doing so, PLs aimed at satisfying different objectives (Perrey and Spillecke, 2013). First of all, retailers with the *entry-level price segment* want to defend the market share; secondly, with their *higher price-level segment* distributors want to strengthen their brand creating sustainable competitive differentiation and increasing customer loyalty and lastly introducing *across all price segments* allow them to save in sourcing, marketing and selling costs with regard to manufacturers' brands, in other words retailers are able to ensure both lower prices and higher margins creating a win-win relationship with the shopper.

Although different perspectives have been adopted, the one suggested by Laaksonen and Reynolds is the most widely used in describing the private label development (Perrey and Spillecke, 2013).

As shown in Figure 12, each generation presents differences in product characteristics, product technology input, market position and consumer motivation (Burt, 2000). According to Perrey and Spillecke (2013) although all the levels have been entered, nowadays they exist in parallel and they are covering all product categories and price segments.

When we talk about *first generation (1970s)* of private label, we intend to cover generic-no name-brand free-unbranded products whose the focus is to offer basic, functional products with lower quality and no image compared to manufacturers brands. The major aim of this strategy is to increase margins providing choice in pricing (approximately 20 per cent below the brand leader), indeed price becomes the key reason to purchase them (Dawson, Findlay and Sparks, 2008).

Consequently, also the technology used relies on simple product processes and basic technology lagging behind market leaders. This kind of offer can help retailers improving the perception of providers of value for money products in the consumers' mind, thanks to the presence in the *entry-level price segment*.

From the *first generation* to *second generation (1980s)* something has changed. It should be mentioned that private labels have become "quasi-brand" or own label under retailer name. In this case, the distributors' goals are: increasing margins, reducing manufacturers' power by setting the entry price and providing better-value products, the so-called value-for-money items. Here, price is important but it is not the only thing that matters (10-20 per cent below brand leader), indeed the focus is also on the quality offered. Following this strategy, they develop one-off staple lines with large volume.

According to Perrey and Spillecke (2013), today private labels do not only reply to a value-for-money need and their perception is changing. Consequently, they become the real alternative to national brands. Laaksonen and Reynolds (1994) define the *third generations* as own brand. The strategy implemented by the retailers is a me-too strategy and the aim is to enhance category margins, expand product assortment (i.g. customer choice) and build retailer's image among consumers. Consequently, the technology has evolved too, and it is becoming one step closer to the top brand. Considering the goal of this stage, also the key role of the price (5.10 per cent below) is disappearing leading both quality and price as the consumer's motivation to buy. As a results, retailers and manufacturers are in direct opposition and the strategy is more strategic than tactical (*first generation*). Based on the higher quality, the consumers start to trust these products more and consequently in the retailers as well. Compared to the *first generation*, in which retailers expressly decided not to put their name on their offer, now they are satisfied of the quality offered and they are willing to guarantee the goodness of their brands thinking that consumers could choose them instead of national brands.

Since the share of market of *third generation (late of 1980s)* of Pls was in continuous growth<sup>6</sup>, retailers have decided to add value for consumers narrowing specialized segmentation. Indeed, the *fourth generation* is represented by extended own brand (i.g. segmented own brands) with the aims of increasing and retaining the client base, enhancing category margins, improving image and differentiating. For this reason, they also changed the technology (it must be useful to create, for example, ready meals or fresh products) that

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<sup>6</sup> According to Fitzell (1992) retailers like Sainsbury's have achieved dominance over national brands in many product categories.

becomes more innovative and not just a copy of that of national brands. At this stage, it can be argued that the price (equal or higher than known brand) gives the floor to a higher distinctiveness of the brand value proposition. Indeed, this type of brand is tapping into the higher price ranges as well as into specific niche target groups (Perrey and Spillecke, 2013). It is precisely in this context that retailers introduce private label brands with special benefits, e.g. healthy and organic ingredients.

To *fourth generations (1990s)* sequence by Laaksonen and Reynolds (1994) a further *fifth generation* can be added. This is why Wileman and Jary (1997) have suggested five stages instead of four – generics; cheap; re-engineered low-cost; par quality and leadership (Burt, 2000). This latter reflects the maturity of the brand concept in which retailers undertake as supportive of their branding and image position. When private labels reach the more sophisticated level it means that it can be considered as a real brand. If that is true, the same measurements of manufacturers' brands must be applied. According to Hoch and Banerji (1993) private labels can differentiate the retailer offering a significant measure of exclusivity, most of all managing the *fifth generation (today)* of them.

Finally, it can be said that PLs have evolved through time and now they are playing a range of roles that are modifying channel relationships (De Wulf, Odekerken-Schroder, Goedertier and Van Ossel, 2005). Furthermore, as the result of the evolution of this type of brand, it is gaining ground (De Wulf et al., 2005) and consumers increasingly prefer them to national brands. Indeed, according to Bavagnoli and Koster in Perrey and Spillecke (chapter 6, 2013) today private labels have conquered new territories beyond “no frills” and the last generation has a huge weight both into premium segments and consumer niches, it means that private labels should represent a big opportunity for differentiation and they compete head to head with brand-name manufacturers.

**Table 7. Tesco and Coop concrete example of private label evolution**

|                  | 1 <sup>st</sup> generation<br>(1970s)<br>GENERIC | 2 <sup>nd</sup> generation<br>(1980s)<br>VALUE | 3 <sup>rd</sup> generation<br>(late 1980s)<br>NATIONAL<br>BRAND<br>EQUIVALENT | 4 <sup>th</sup> generation<br>PREMIUM/NICHE<br>(1990s) |
|------------------|--------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------|
| TESCO<br>Example | No example at<br>Tesco                           | Tesco Value                                    | Tesco                                                                         | Tesco Finest<br>Tesco Organiz                          |

|              |                    |                    |           |                                     |
|--------------|--------------------|--------------------|-----------|-------------------------------------|
| Coop example | No example at Coop | Smiling coin       | Coop      | FiorFiore Coop<br>Benesì Coop       |
| Carrefour    | Produits libres    | Carrefour Discount | Carrefour | SelectionCarrefour<br>Carrefour Bio |

Source: adapted by Perrey and Spillecke (2013)

**Table 8. Private label evolution**

|                      | 1 <sup>st</sup> generation                    | 2 <sup>nd</sup> generation                                                                                                 | 3 <sup>rd</sup> generation                                                                                                | 4 <sup>th</sup> generation                                                                                  |
|----------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| <b>Type of brand</b> | Generic<br>No name<br>Brand free<br>Unbranded | Quasi-brands<br>Own label                                                                                                  | Own brand                                                                                                                 | Extended own brand, i.e. segmented own brands                                                               |
| <b>Strategy</b>      | Generics                                      | Cheapest price                                                                                                             | Me-too                                                                                                                    | Value added                                                                                                 |
| <b>Objective</b>     | Increase margins<br>Provide choice in pricing | Increase margins<br>Reduce manufacturers' power by setting the entry price<br>Provide better-value product (quality/price) | Entrance category<br>margins<br>Expand product assortment, i.e. customer choice<br>Build retailer's image among consumers | Increase and retain the client base<br>Enhance category margins<br>Improve image further<br>Differentiation |
| <b>Product</b>       | Basic and functional products                 | One off staple lines with large volume                                                                                     | Big category products                                                                                                     | Image-forming product groups<br>Large number of products with small volume (niche)                          |
| <b>Technology</b>    | Simple production                             | Technology still lagging                                                                                                   | Close to the brand leader                                                                                                 | Innovative technology                                                                                       |

|                                     |                                                                        |                                                                                                                                              |                                                           |                                                                                          |
|-------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------|
|                                     | process and basic technology<br>lagging behind market leader           | behind market leaders                                                                                                                        |                                                           |                                                                                          |
| <b>Quality range</b>                | Lower quality and inferior image compared to the manufacturers' brands | Medium quality but still perceived as lower than leading manufacturers' brands<br>Secondary brand alongside the leading manufacturer's brand | Comparable to the brand leaders                           | Same or better than brand leader<br>Innovative and different products from brand leaders |
| <b>Price</b>                        | 20 per cent or more below the brand leader                             | To 20 per cent below                                                                                                                         | 10 per cent below                                         | Equal or higher than known brand                                                         |
| <b>Consumers' motivation to buy</b> | Price is the main criterion for buying                                 | Price is still important                                                                                                                     | Both quality and price, i.e. value for money              | Better and unique products                                                               |
| <b>supplier</b>                     | National, not specialised                                              | National, partly specialising to own label manufacturing                                                                                     | National, mostly specialising for own brand manufacturing | International, manufacturing mostly own brands                                           |

Source: Laaksoen and Reynolds (1994)

### 2.3 Similarities and differences – Advantages and disadvantages - Key weapons by retailers and manufacturers. Something has changed.

Following the fast growth of private labels, a new perspective is required. As a matter of fact, if the middle of the twentieth century can be considered as the golden age of manufacturers brands (The Economist Magazine), today something has changed. In that era, distribution channels were fragmented, and the media were consolidated (Kumar and Steenkamp, 2007). Furthermore, until that time, PLs were used to be positioned at the bottom of the price range and they were considered by the consumers as a lower quality option. Nowadays, the retailers' value proposition has changed. Indeed, today private labels are not just an alternative option in terms of price but instead they often represent innovative offers competing head to head with the manufacturers. Moreover, the relationship between retailer and manufacturer has changed over time. It can be said that currently the power has shifted into the retailers' hands (Floor, 2006) and distributor is not just a place in which customers can buy products, but it is a fully-fledge brand creator. Anyway, some similarities and some differences are still in place; in addition, some noteworthy conflicts of interest have come to light (Floor, 2006).

According to Richardson (1997), over the years the reason of the success of private labels can be attributed to the change in considering the basis of this kind of brand. At the beginning the focus was the price so PLs were named "value for money"; conversely, today retailers are using the quality of their brands as the main feature of their offer.

Considering the fact that the main aim of both manufacturers and retailers is the conviction of the shoppers, the real battle is focused on the consumer's perceptions (Richardson, 1997; Quelch and Harding, 1996) and how to persuade them.

Based on past studies and on relevant aspects such as price, quality, promotion distribution, emotions and so on, some differences between retailer brands and manufacturer brands can be identified. Due to the unbiased dissimilarities between the two players they own different weapons to fall back on.

For example, the lower price of private label was the first characteristic that retailers pursued in the first and second generation of PLs. Their goal was to offer a cheaper brand than those of manufacturers with an acceptable quality. Obviously, these kind of brands/products were defined "me too products" because of the huge likeness with national brands especially in terms of packaging. As soon as the customers realized that the quality of the products labelled by the retailers was good and very similar to that of manufacturers, they changed their mind towards them and became more loyal to the store. The increasing esteem originated from a better brand strategy implemented by the retailers (Floor, 2006) who have become able to create value through their brands. According to Richardson (1997),

investments on high quality production and advertising to enhance brand equity were the main weapons of the manufacturers during their golden age. Indeed, the aim of the communication was to create a well-defined brand image that consumers could rely on during the selection process. Nowadays, the same behaviour can be found in the retailers' strategy: in the past retailers weren't used to invest on pm advertising and other marketing activities because of their passive role as just a seller of manufacturers' brands. This is the reason why we need to underline the shift in the relationship between distributor and manufacturer, very often due to the changes in the consumers' behaviour that called for a change in the approach of all the players working in the channel.

Following what happened in the past, retailers have bet on economies of scale in distribution and promotion at the "in-store" or local level (Richardson, 1997) in order to earn higher margins and to fight manufacturers activities. Adding this to the "new" way in which retailers are creating real own brands, the big opportunities that are being established for them become clear.

As said before, price, quality and promotion represent huge differences between retailers and manufacturers brands most likely because of the different aim and features of the two players.

The price strategies obviously diverge from one player to another, so retailers can decide independently the level of the prices of their products across private labels, categories, stores and markets (Shankar and Bolton, 2003). Furthermore, it must be stressed that the first aim of the private label was to offer a cheaper alternative of price, while manufacturers could rely on the brand equity built during the years thanks to the marketing activities they had carried out. However, in the last generations of private labels, the price doesn't stand for a key factor anymore. Instead, quality has become the focus.

Regardless the big advancement in terms of quality, what it still differs is the brand image. Particularly when it comes to question of first and second generation of retailers' brands, the variation in product quality can be considered as a big difference from national brand that differently suggest an offer of stable quality so that consumers can associate lower risk to these brands (Batra and Sinha, 2000).

Moreover, promotion represents a point of conflict because retailers and manufacturers use this component in a different perspective. As a matter of fact, distributors want to attract more shoppers promoting national brands and offering a lower price on them. On the contrary, private label brands are not very often promoted because they are owned and

produced by the distributor itself and their promotion could represent a disadvantage in the final balance sheet.

According to Dunne and Narasimhan (1999) private labels needing less promotional investment and less advertising could be considered still profitable despite being sold at lower price. Moreover, the relationship in the channel changed when retailers realized that they could stock the shelves of their stores with their own brands reducing the space given to national brands (Dunne and Narasimhan, 1999). Additionally, this phenomenon has become more relevant with the growth of premium private labels considered suitable as substitutes to the major brands (Dunne and Narasimhan, 1999).

The last aspect that can be analysed is the emotional attachment to the two brands. What we mean by this is that the reasons why shoppers decide to buy private labels or national brands have changed over the time. At the beginning, the attachment to the retailers' brands was non-existent, whereas that to national brands was very high and sometimes it symbolised the major condition in the purchase decision thanks to the great brand equity built over time. Anyway, due to the improvements made by the distributors and based on the implementation of real brand management strategies, today, private labels benefit of an emotional fondness as well. What it must be understood is the level of emotion attached to the PL and whether it is higher or lower than to manufacturers' brands. As pointed out by Ailawadi and Keller (2004), today retailer brands can be defined and considered a full-fledged brand. If this is true, the brand equity concept must be applied to them too and the same measurements must be used. As we will see in the next paragraph, some authors (Pappu and Quester, 2006; Lodono et al., 2016 ext.) have tried to demonstrate the application of some brand equity models in the private label context. Indeed, the aim of the study will be the comprehension of the fit for the Keller's pyramid (brand equity model) to the private label brand and if there are positive results, the main differences between PLs and national brand will be highlighted.

## **2.4 A new way of value creation: Retailer brands**

Based on the data of PL growth and in agreement with Quelch and Harding (1996) it should be pointed out that today retailers' power is stronger than that of manufacturers becoming the main competitors of national brands.

Now increasingly retailers are trying to compete against national brands shifting from a merely copy or mimic of them to a real brand management strategy (Massara, Scarpi, Malara and Porcheddu, 2018) seeking to reduce the current gap. In response, manufacturers are seeking to fight the rise of private labels' success, mostly in terms of price, boosting

promotional pressure (IRI, 2016) even if nobody knows whether it could be the right counterstrike. Actually, some scholars (Massara et al. 2018; Lodono et al., 2016) argue that also retailers' brands have an emotional connotation and in support of this Massara et al. (2018) have ascribed affective commitment to private label claiming that affect is the main requirement in order to create positive feelings in consumers (Ghodeswar, 2008; De Chernatony and Dall'Olmo, 1998; Urde, 1999). We are facing a transformation in private labels that are not perceived just as cheaper alternative of price anymore and therefore retailers are seeking to develop their own separate identity (Burt, 2000) leaving the past strategy in which they copied names, lettering, colours and so on, in other words, tangible features of national brands (Richardson et al., 1994; Ailawadi and Keller, 2004). Additionally, especially referring to certain categories, PLs are moving from the well-known price/low-quality alternatives to premium private labels and symbolic products in territories that were traditionally dominated by manufacturers (Cuneo, Lopez and Yague, 2012; Kumar and Steenkamp, 2007; Steenkamp and Dekimpe, 1997). Examples include some European retailers such as Tesco, Sainsbury, Carrefour, Coop ect. showing complex brand architectures and portfolios offering different lines (value or basic, mainstream, premium and sometimes also symbolic) (Burt, 2000).

In spite of being clear that retailers are very close to be brands, the measurement of their equity has been treated differently: as retailer equity (Londoño et al., 2016). Retailer brands are typically more multi-sensory in nature than product brands and can rely on richer consumer experiences to impact their equity (Ailawadi & Keller, 2004).

According to Ailawadi and Keller (2004); Lodono et al., (2016) customer-based retail brand equity involves a "shortcut" in the minds of consumers that recalls from memory the most salient positive elements of satisfaction with past shopping experiences and goods purchased, which in turn influences future patronage and minimises the potential influence of competitor efforts.

Given its highly competitive nature, branding can be essential in retailing industry in influencing customer perception, as well as in motivating store choices and loyalty (Ailawadi & Keller, 2004; Hartman & Spiro, 2005; Swoboda, et al., 2016). Thus, retailers increasingly aim to position their chains in the minds of consumers as strong, attractive and unique brands (Ailawadi & Keller, 2004; Verhoef et al., 2002; Swoboda et al., 2013).

Up to now, the attention has been focused on national brands, but retail brand equity has increasingly garnered interest in recent literature (Grewal et al., 2004; Hartman & Spiro,

2005; Jinfeng & Zhilong, 2009; Burt & Davies, 2010) and the rise of the retailer as a brand is one of the most important trends in retailing. (Grewal et al., 2004).

Although some practitioners and marketing researchers (Kramer, 1999; Keller, 1998) have suggested that, like brands, retailers possess equity and claimed that branding and brand management principles could be applied to retail branding (Ailawadi & Keller, 2004; Pappu & Quester, 2006) the evidence is still missing. Moreover, some of them are trying to measure retail brand equity but attempts at measuring RBE have been scarce and recent. Indeed, there is a lack of clarity regarding the nature and dimensionality of retail brand equity (Pappu & Quester, 2006b) and literature does not provide any empirical evidence in support of the structural similarity of retailer equity and brand equity, but for marketers is important to examine whether the retailer equity structure mirrors that of the brand equity (Pappu & Quester, 2006b). Therefore, it is necessary to investigate the retail brand equity and understand in depth what are the main factors affecting it and how to measure it.

#### **2.4.1 Customer based-retailer brand equity**

In the last years, retailers increasingly aim to position their chains in the minds of consumers as STRONG, ATTRACTIVE and UNIQUE BRANDS (Ailawadi & Keller, 2004; Verhoef et al., 2007), that's why retail brand equity is understood as the qualities that consumers associate with a retailer chain, which serves as an important intangible asset (Jinfeng & Zhilong, 2009).

That being said, retailers often offer the same assortments at comparable prices (Homburg et al., 2002; Swoboda et al., 2007) and the location is clearly not as important as it used to be (Hummel and Savitt, 1988; Swoboda et al., 2007), consequently for the retailers it become essential to gain some form of differential advantage. This is true, especially, in a high, complex competitive environment (such as today's).

Whilst extensive research has been conducted on the concept of brand equity, the literature that has examined retailer equity is still scarce (Tran, 2006; Londoño et al., 2016).

Given its highly competitive nature, branding can be essential in the retailing industry in influencing customer perception, as well as in motivating store choice and loyalty (Ailawadi & Keller, 2004).

Although it is clear that retailers' brands should be considered as true brands, until now the measurement of their equity has been treated differently - as retailer equity (Londoño et al., 2016) - and this aspect doesn't seems consistent with the thought that private labels must be

taken into account as proper brands. Consequently, the value created by these two kinds of brands should be measured in the same way and the structure should be equal. Different perspectives might be attributed to the nature of retailer brands, typically more multi-sensory in nature than product brands, and because they can rely on rich consumer experiences to impact their equity (Ailawadi & Keller, 2004).

According to Cuneo et al. (2012) the likelihood for private labels to be able to build brand equity is still an open question and until now nobody has been able to understand and demonstrate which kind of lines (of retailers' brands – basic, mainstream, premium) are more suitable in doing so. So here's the need to increase the studies with a greater focus of branding theories.

It should be noted that the idea of retailer as a brand has only been pursued on rare occasions so far (S. L. Burt & Sparks, 2002; Swoboda et al., 2007; Dennis et al., 2002; Kent, 2003), with substantially more research dealing with store image (e.g. Lindquist, 1974; Mazursky and Jacoby, 1986; Swoboda et al., 2007). Furthermore, the points of view that scholars and researchers have adopted so far are more focused on the retailers' perspective (Raju et al., 1995; Dhar and Hoch, 1997; Gedenk and Neslin, 1999; Ailawadi and Harlam, 2002, 2004); manufacturers' perspective (Hoch and Banerji, 1993; Quelch and Harding, 1996), consumers (Baltas, 1997; Baltas and Argouslidis, 2007; Ailawadi et al., 2008) or on the relationships between them (Sethuraman, 1996; Cotteril et al., 2000; Ailawadi, Gedenk and Neslin, 2003; Bonfer and Chintagunta, 2004) without specific attention to the brand management strategy (Cuneo et al., 2012) and theories. In agreement with previous studies (Anselmsson et al., 2017; Arnett et al., 2003; Das et al., 2012; Keller, 2010; Lodono et al., 2017; Swoboda et al., 2013) a better comprehension of retailer brand equity becomes very important and strategic for both retail management and retail performance. This doesn't mean that retailers have just to fight against manufacturers but, in a certain way, they must behave similarly. As a matter of fact, until now the retailer image created has been affected by the famous manufacturers' brand that it has sold. They were useful to increase the consumers' interest, loyalty and patronage to their shops (Ailawadi and Keller, 2004). Obviously, the sale of these brands doesn't allow distributors to differentiate their value proposition, but they must be part of the assortment, especially if the brand was and is a strong brand in the consumers' mind. Anyway, with the growth of own brands, retailers can manage the channel relationship better because they become less dependent on manufacturers' decisions and can rely more on their unique value proposition.

The need to focus the attention on branding principles and adopt a more industrial point of view is warranted for the higher importance that retailer brands are getting and becoming the main competitors of national brands. As in the 2016, in 2018 (Anselmsson, Burt and Tunca, 2017) in the Interbrand<sup>7</sup> (2018) ranking of the top 30 global brands, four are pure retail brands (Amazon, Zara, Ikea, H&M). Therefore it becomes essential to understand the likelihood of the applicability of brand equity model in the retailing context deeply, especially because of its association with purchase behaviour, market share, financial performance, and shareholder value (Anselmsson et al., 2017; Swoboda et al., 2016; Anselmsson and Bondesson, 2015; Keller and Lehman, 2003; Srivastava et al., 1998; Aaker, 1991).

In addition, for the retailer building brand equity, or rather retailer equity, it is functional for generating multiple benefits such as the ability to leverage one's name by launching private label brands achieving profit goals (Pappu and Quester, 2006; Ailawadi and Keller, 2004), based on the differentiation compared to the competitors, that otherwise wouldn't be possible. That's why it should be pointed out that brands, thus brand equity, add value to products (Ailawadi and Keller, 2004); consequently, if some brand principles can be applied to the private labels, the measurements used to assess the value created must be applied to this new kind of brand as well.

According to Pappu et al. (2005); Yoo and Donthu, (2001) being the brand equity considered from a consumer point of view, likewise retailer equity is associated to the equity consumers relate to a retailer brand.

As it has been said in the previous chapter, in this study a consumers' memory-based associations is adopted. This kind of perspective reflects both Aaker (1991) and Keller's (1993) conceptualization of the idea so it will be the starting point of the creation of retailer equity as well.

Drawn on the evolution of private labels and the today perceived quality level of them, retailers can bet on their brands to differentiate their stores and create loyalty (Jara and Cliquet, 2012; Burt and Sparks, 2002; Corstjens and Lal, 2000; Halstead and Ward, 1995; Richardson, 1997) particularly since they can offer a wide range of products, from generics to value-innovator<sup>8</sup> (Kumar and Steenkamp, 2007).

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<sup>7</sup> <https://www.interbrand.com/best-brands/best-global-brands/2018/ranking/>

<sup>8</sup> For example, Carrefour has launched wash liquid in doses; Boot's has launched giant effervescent pastilles for the bath; Coop has launched milk powder for kids etc.

Using Keller's (1993) approach of brand equity, retailer brand equity could be defined as *"the differential effect the retail brand's knowledge on consumer's response to marketing of retail brands"*. Furthermore, the Keller's brand resonance pyramid (2001) will be the core of the study due to its capability to view the brand building process as a multi-step process in which each level reflects the meaning of the main dimensions and as the reflection of how consumers perceive brands and the motivation for selecting a certain brand than another one. According to Jara and Cliquet (2012) it is possible to follow the assumption that the cognitive process used by consumers to perceive brands is the same between retail brands and manufacturer brands. However not all scholars agree on this assumption, in fact some of them believe that some adjustments are needed due to the nature – considered as service brands (Berry, 1986; 2000) - of this kind of brand. That could be true but the changes should not be such as to modify the structure of the model behind the value creation, otherwise retailer brands and manufacturer-ones must be considered different.

Up to now, attention has been especially focused on store image and store loyalty, with less concern on retail brand equity and the relationships between it and other retailer constructs (e.g. retail image). Indeed, according to some authors, among which Keller, (2003), the image of the retailer in the minds of the consumers is the basis of this value (retailer brand equity). This latter represents the consumer's favourite responses to the retailer's marketing activities compared with other competitors and it can and should be considered as an indicator of the worth created toward the brand. It allows the retailer to develop point of differentiation that lead to competitive advantages based on nonprice competition (Yoo et al., 2000; Aaker, 1991), which has nothing to do with the price strategy of private label that it is used to be less than national brands' price.

Scholars believe that brands can be positioned on the basis of the retailers' intangibles attributes and benefits that transcend product or service performance. Thus, they can build retailer brand equity through the ability to create a strong in-store personality and rich experience (Ailawadi & Keller, 2004), therefore they deem these last two factors as antecedents of the latent construct.

Some researchers believe that some of the attributes, such as access, services, brands sold, the variety and quality of employees, store can influence the retailer's image. More often, retailer' associations replace retailer's image, because, as argued by Keller (1993), it can be considered as its reflection. It means that high brand equity corresponds to a lot of positive and strong associations related to the brand (Jinfeng and Zhilong, 2009; Yoo et al., 2000).

In addition, a new trend is emerging: the retailers want to shift from tangible to intangible features – such as image, associations, values ect. – in order to attract consumers focusing on emotions, senses and associations (Massara et al., 2018).

However, there is a lack of clarity regarding what the main variables are and how these dimensions can affect retailer's brand image, their relationship and the contribution to build and enhance retailer equity too.

According to some academics, like Ailawadi & Keller, (2004) there are a number of branding principles and concepts that could be productively applied to retailer brands, such as brand personality (the human characteristics or traits that can be attributed to brand), experiential marketing (customer experience marketing is the process of strategically managing a customer's entire experience with a product or company) and brand architecture, but the empirical evidence is still missing. Furthermore, nobody has tried to test complete models of brand equity on retailers' brands; actually, every author has broken-up the role model taking just some dimensions and then using them in his research. The study hereby will firstly analyse the accuracy of Keller's pyramid on manufacturer's brands, subsequently private labels will be tested. What is expected is a very high similarity, not to say equality, in terms of structure - it means that the same constructs must be present in both models (national brands and private labels) - and what can change is the weight and the strength of the dimensions; if that happens it can be concluded that retailers' brands are full-fledged real brand due the fact that they are following the corresponding/same brand building model of the national brands. Moreover, the relationship among the dimensions (some of them more rationale and some others more emotional) part of the model is lacking in empirical evidence, too (Anselmsson et al., 2017).

In conclusion the literature does not provide any practical evidence in support of the structural similarity of retailer equity and brand equity, but for marketers is important to examine whether the retailer equity structure mirrors that of the brand equity (Pappu & Quester, 2006a; Pappu & Quester, 2006b).

Some researchers have focused their attention on different variables suitable (according to them) to build (retailer) brand equity. Jara & Cliquet, (2012) in their study used retail brand awareness, retail brand image (formed by perceived quality, price image, personalities, brand service and store service) and consumer's response (brand choice and intention to buy) as the consequence. In this study retail brand awareness and retail perceived quality explain the most significantly RBE. Only store service had a negative influence. Thus, they maintain that the performance of retail brands depends on the same factors as those of other brands.

Instead, Swoboda et al., (2007) describe the RBE depending on objective configuration of retailer attributes and features (based on consumers perception: service, value/price, assortment, advertising and store design); perception of retail service; perception of the other retailer attributes also considering the influences of the retail sector. In this case service quality appears to be the most important retailer attribute in building a strong retail brand (in 4/5 sectors).

Other contributions come from Pappu & Quester, (2006b): they believe that retailer brand equity is a four-dimensional construct retailer awareness, retailer associations, retailer perceived quality and retailer loyalty are part of and they demonstrate that retailer equity structure parallels that of brand equity. Furthermore, they support that awareness and associations are two distinct constructs.

One of the most relevant contributions is by Arnett et al., (2003) who developed a RE Index based on retailer loyalty, name awareness, service quality and retailer associations. Three of these (retailer loyalty, name awareness and service quality) are consistent among retailers, but the retailer associations can change due to the uniqueness and it may need to be adjusted to match the unique characteristics of some retailers. It could be useful to test the RE index among different formats or channels and see what happens. Furthermore, retailers can use RE index as a managerial tool in different ways (Arnett et al., 2003): for example as a benchmarking tool (differences in the resulting RE index indicate the relative competitive advantage/disadvantage of each retailer), as a measure of the effectiveness of marketing strategies and/or tactics, to help assessing the attractiveness of market segments and, most of all, together with PLS analysis, it could be used to examine the relative importance of the different components of retailer equity to a particular retailer. Hence, as argued by Arnett et al., (2003), the most parsimonious and flexible RE index would allow managers to examine both overall retailer equity and the impact of individual dimensions. Nevertheless, this index needs to be tested again, with regard to different formats, channels, categories and retailers with different branding policies.

Following this path, more academics have tried to analyse and measure RBE (Swoboda et al., 2016; Swoboda et al., 2016; Swoboda et al., 2013; Jinfeng & Zhilong, 2009; Yoon & Oh, 2016), however empirical evidence is lacking.

A literature gap is the lack of a comprehensive model (due to the use of different dimensions and different constructs as the antecedent of retailer brand equity), which may and should be used by managers and scholars to create a strong, attractive and unique brand and gain a competitive advantage.



## CHAPTER 3

### A NEW MODEL OF CUSTOMER-BASED BRAND EQUITY: THE CONCATENATION OF ITS VARIABLES

#### 3.1 Literature gap and research questions

Although extensive research has been conducted on brand equity, the literature on this subject is still largely fragmented and inconclusive (Buil et al., 2013). As a matter of fact, even if copious studies have been carried out on brand equity and especially the way in which companies can build it, some dimensions and related relationships are still missing, thus some gaps in the literature can be identified. Drawn on the literature mentioned in the chapter 1 and chapter 2, this study examines whether Keller's model and its dimensions, that is considered as one of the most valuable models of brand equity, is totally applicable to the manufacturers' brands. It is intended to overcome the knowledge lack that has come to light in the chapter one<sup>9</sup> studies where the authors didn't use all the variable parts of Keller's pyramid in their studies (theory) and furthermore they have sometimes used, not a sequential model, but quite the opposite, a parallel structure (e.g. Aaker's model) giving the same importance to every dimension. The inclusion of the all variables is functional in enhancing the predictive ability of the model. Below the research questions:

**RQ<sub>1</sub>:** "is Keller's pyramid relevant to the improvement of brand equity in manufacturers context?"

After that, the aim of the research is to answer the research question 2:

**RQ<sub>2</sub>:** "Is Keller's pyramid applicable to the private label context?"

With the huge growth of private labels and the increasing satisfaction of the customers in terms of quality and satisfied needs thanks to this different kind of value proposition, it is fundamental to understand whether the same building process (brand equity) takes place in the retailer's context too.

Despite the greater attention that scholars have already paid to the retailer brand equity topic, experimental evidences are still missing. For example, one of the most valuable and seminal

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<sup>9</sup> For further details see table in chapter 1.

works on retailer brand equity was that by Jara & Cliquet (2012). The two authors tried to develop a conceptual framework starting from Keller's conceptualisation, but they didn't use all the variable parts of the pyramid. Jara & Cliquet believe that the cognitive process used by customers to evaluate and perceive brands can be considered the same between retail brands and national brands (Jara&Cliquet, 2012). A consequence of the assumption of this work is that we could use the same model to measure the value created by both retailers and manufacturers and the same variables must be tested.

According to the authors, retailer's brands are closer to the service than the product, thus some adjustments must be done, and a new model has to be built to reveal specific dimensions of RBE. Now, if that were the case, we would no longer consider the two types of brand like the same thing and the value created wouldn't be compared because of the different variables used in the measurement model.

One of the main limits of the current strategy is the different dimensions applied by the scholars in order to capture the meaning of the image. As a matter of fact, they have often considered only the store image (e.g. Jinfeng and Zhilong, 2009) side instead of referring to the brand image adopting a more general sense, like in the brand equity studies.

Additionally, some scholars have attempted to develop scales (Yoo and Donthu, 2001; Aarnett et al., 2003) in order to measure the equity created by the retailer's brand mixing the conceptualization of different works carried out by previous academics but without concern about the perfect reflection of the structure of the brand equity model in the two contexts.

Furthermore, in some research, such as in Pappu & Quester's (2006) study, the retail brand equity is conceptualized as a four-dimensional construct leaving some dimensions of the Keller's conceptualization out (omit) leading to a different interpretation of the equity of the brand. This approach follows in the footsteps of Aaker's vision in which, as we have said before, all the dimensions get the same level of importance and there is no difference in the sequence in which they are considered in the analysis. In the light of the continuous growth of the market share of private labels in the Italian context, this work, will follow the sequential path (as in Keller, 2001 and contrary to the current studies) trying to fill the gap in the literature thus enhancing the comprehension of this topic.

In conclusion, even if there are many works on this topic, the related literature is ineffective and until now nobody has demonstrated the perfect feasibility of Keller's pyramid on the retailing context using empirical evidences without adding changes.

The originality of the study consists in testing the brand equity pyramid in full, firstly with reference to national brands and then repeating the same test on private labels using the same

model of structural equation modeling (SEM). What is expected is a substantial difference perceived by the customers despite the identical structure of the model applied.

In order to fill these gaps in the branding literature, this PhD thesis aims at addressing the following issues:

- How can Keller's pyramid (all the dimensions identified by his conceptualization) be fully applied?
- How can Keller's customer-based brand equity theories be applied to the retailing context?
- Are there any differences between the two type of brands? Which are the dimensions that mainly affect brand equity?

In order to test the validity of the customer-based brand equity model, a consumer perspective was adopted and especially the simplification made by Keller (2001) using a pyramid scheme became the foundation and the pillar of the work. As a matter of fact, both scholars and managers often use it as the cornerstone of their strategies.

In the following paragraph the dimension part of the model will be explained. In addition, the hypotheses based on the current literature will be developed and the main relationships identified.

## **3.2 Constructs and main model**

### **3.2.1 Keller's pyramid and related blocks. Hypotheses**

According to Keller (2001), in order to create strong brand equity, four sequential steps are needed.

1. Establishing brand identity (breadth and depth of brand), that means enhancing brand awareness
2. Establishing strong, favourable and unique associations, the meaning of the brand
3. Identifying brand responses, hopefully positive
4. Forging brand relationships (loyalty)

While the company follows these four steps, six brand-building blocks are being built at the same time. Furthermore, these dimensions can be identified in Keller's simplification of brand equity conceptualisation, that means brand salience, brand performance, brand imagery, brand judgements, brand feelings and brand resonance (Keller, 2001). In order to understand and measure the right value created by companies using their brands, some

changes are needed. So, in order to use these dimensions in a CBBE model, it is necessary to translate them in statistical constructs able to measure what it is looking for.

According to Keller (2001) the development of customer-based brand equity model targets three main aims. First, it must be logical, well-integrated and grounded in order to reflect the state-of-the-art by an academic and an industrial perspective. Second, the model has to be versatile and applicable to different types of brands and contexts and last, it must be as comprehensive as possible to provide some useful insights. What the review of the current literature points out is the missing of empirical evidence in the application of the model suggested by Keller in its entirety, that means using all the variables suggested in building the pyramid. Each construct can be considered as the mirror image of the different blocks. What scholars have done until now is to pick some dimensions up from the pyramid and try to create relationships among them explaining the value creation but without relying on a specific and well-defined model.

It is worth underlying the concept around which this model has been developed. Keller (1997) built his conceptualization based on the premise that the power of a brand is linked with what consumers have learned, felt, seen and heard about it (Keller, 2001), in other words the keystone resides in the mind of the consumer. That's why, also the emotional side (as it has been discussed in the previous chapter) is assuming a higher importance. Despite this, until now nobody has demonstrated whether this kind of model can be applied to the retailers' brands too since there is a tendency to consider them as fully-fledged brands.

Furthermore, every time scholars have tried to test branding models, they have considered all the dimensions as at the same level based on Aaker's conceptualisation (1996), instead of thinking about them as a sequential process. According to Keller (2001) each step is contingent upon the successful completion of the previous step and he identified four fundamental questions that consumers ask about brands (table 9) and some scales (table 10) have been identified in order to describe and hence monetize them, so as to have the chance to measure their value and translate it into numbers.

**Table 9. Brand equity questions and meanings**

| Step | Questions                                          | Meaning         |
|------|----------------------------------------------------|-----------------|
| 1    | Who you are?                                       | Brand identity  |
| 2    | What are you?                                      | Brand meaning   |
| 3    | What about you? What do I think or feel about you? | Brand responses |

|   |                                                                                                              |                     |
|---|--------------------------------------------------------------------------------------------------------------|---------------------|
| 4 | What about you and me? What kind of associations and how much of a connection would I like to have with you? | Brand relationships |
|---|--------------------------------------------------------------------------------------------------------------|---------------------|

**Source: Adapted by Keller (2001)**

**Table 10. Brand equity scales**

| Step | Questions                                                                                                    | Meaning             | Scales                                                                              |
|------|--------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------------------------------------------------------|
| 1    | Who you are?                                                                                                 | Brand identity      | -Brand awareness                                                                    |
| 2    | What are you?                                                                                                | Brand meaning       | -Perceived value<br>-Performance<br>-Lifestyle-<br>congruence<br>-Brand personality |
| 3    | What about you? What do I think or feel about you?                                                           | Brand responses     | -Perceived quality<br>-Trust<br>-Panas                                              |
| 4    | What about you and me? What kind of associations and how much of a connection would I like to have with you? | Brand relationships | -Brand loyalty<br>-Purchase intention                                               |

**Source: Our elaboration**

Table 10 shows the constructs selected in the current literature. Since it is possible to split the pyramid in two different sides – the emotional and the rational – that represent the division existing in the consumers’ mind, additional dimensions (compared to previous studies) have been added in order to recreate the consistent landscape able to describe the value creation.

Taking into consideration Keller’s pyramid (see Figure 12) as the starting point of the model and using the dimensions described above as the variable parts of the model some hypotheses can be identified (Table 11, these hypotheses will be discussed later).

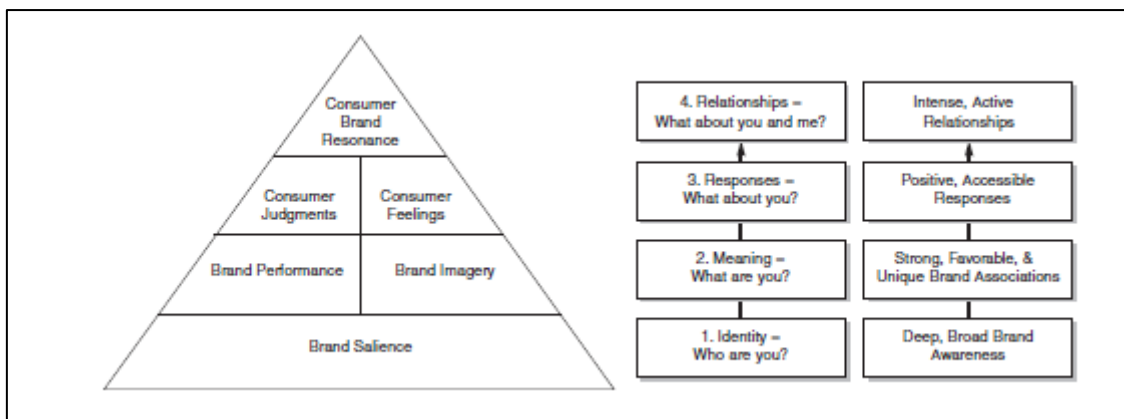
**Table 11. Research hypotheses**

| <b>HYPOTHESIS</b> | <b>STATEMENT</b>                                                                                                                                                                                                                  |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| H1                | Customer-based brand equity is proposed as a multi-dimensional construct including brand awareness, perceived quality, performance, perceived quality, lifestyle-congruence, brand personality, panas, brand trust, brand loyalty |
| H2                | There is a positive and direct relationship between brand awareness and perceived quality                                                                                                                                         |
| H3                | There is a positive and direct relationship between brand awareness and performance                                                                                                                                               |
| H4                | There is a positive and direct relationship between brand awareness and perceived quality                                                                                                                                         |
| H5                | There is a positive and direct relationship between brand awareness and lifestyle-congruence                                                                                                                                      |
| H6                | There is a positive and direct relationship between brand awareness and brand personality                                                                                                                                         |
| H7                | There is a positive and direct relationship between brand awareness and panas                                                                                                                                                     |
| H8                | There is a positive and direct relationship between perceived quality, performance, perceived quality, lifestyle-congruence, brand personality, panas and brand trust                                                             |
| H9                | There is a positive and direct relationship between brand trust and brand loyalty                                                                                                                                                 |
| H10               | There is a positive and direct relationship between brand loyalty and purchase intention                                                                                                                                          |

|     |                                                                                                   |
|-----|---------------------------------------------------------------------------------------------------|
| H11 | There is a positive/negative and indirect relationship between brand awareness and brand trust    |
| H12 | There is a positive/negative and indirect relationship between brand awareness and brand loyalty  |
| H13 | There is a positive/negative and indirect relationship between brand trust and purchase intention |

Source: our elaboration

**Figure 11. Theoretical framework - Customer-based brand equity pyramid**



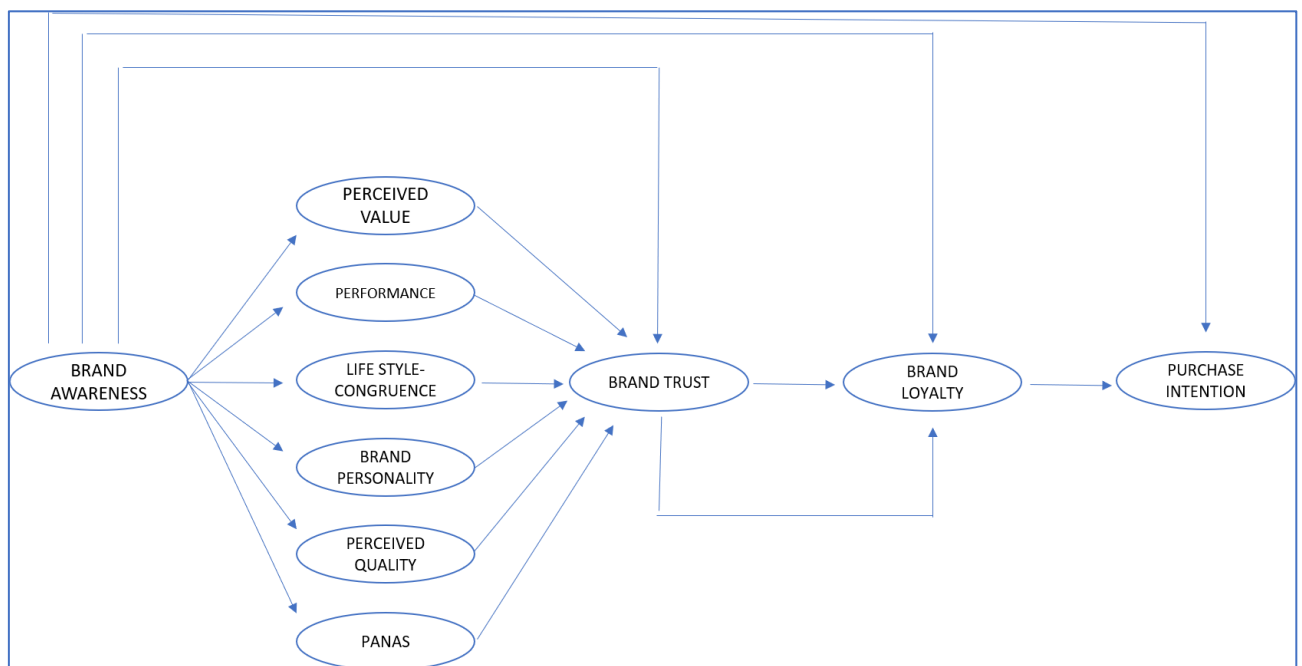
Source: Keller (2001)

It must be noted that the creation of brand equity involves reaching the top of the pyramid and to do that all the blocks must be in place. In other words, it is presuming that a hierarchy amongst brand equity constructs exists and it has been postulated in the literature by some scholars such as Maio Mackay (2001), Yoo and Donthu (2001), Keller and Lehmann (2003, 2006). This can be considered as the biggest difference among all the models used by researchers over the years and the reason why almost all of them have been broken after Keller's conceptualization is because it is not easy to keep together all the blocks. This because thinking in statistical terms, implementing a model in which all the constructs are present and hypothesizing significant relationships among them can lead to some issues, by implication, sometimes, only associative relationships have been proposed (Buil et al. 2013). Even more, changing the reference framework, from national brands to retail brands (private label) could mean more complications again. That's why, this study, firstly, aims to deeply understand whether Keller's simplification is efficient and significant with respect to

manufacturers and, secondly, whether it might be applicable to another kind of brand, namely private label. In doing this, a deep description of the constructs is needed because, following this information, it will be easier to understand the reasons why these scales have been selected.

The model used in the research (Figure 12) considers the following variables: brand awareness, brand associations split in perceived value, performance, lifestyle-congruence and brand personality, then perceived quality, trust, panas, brand loyalty and purchase intention.

**Figure 12. The brand equity model**



**Source: our elaboration**

The variables chosen came from the review of the literature discussed in the previous chapters and the relative relationships, translated into hypothesis, are consistent with the theoretical framework showed in the figure xxxx (Keller's pyramid).

Starting from the hypothesis and relationships above, a thorough description of all the constructs used is required.

The first measurement debated is brand awareness and the reason why it is related to its position on Keller's pyramid. Indeed, it represents the beginning (the bottom), necessary to start the flow of the process of the value creation. In other words, and according to some authors (Aaker, 1991, Keller, 1993, Pappu et al. 2005 and Yoo and Donthu, 2001), this dimension can be considered as a key component of CBBE. Following Aaker's definition

(1991, p.61) brand awareness is *“the ability for a buyer to recognize or recall that a brand is a member of a certain product category”*, consequently it can be said that it consists of both brand recognition and recall (Rossiter and Percy, 1987; Keller, 1993; Yoo and Donthu, 2001). In addition, there is a close connection between the strength of the awareness and the consumers’ ability to identify the brand under different conditions (Rossiter and Percy, 1987), especially because the memory theory has been considered as the pillar of the conceptualization. The reason for this is that the level of awareness depends on the strength of the brand node or trace in the shopper’s memory (Keller, 1993). As it has been said before, it is possible to split this dimension in two subdimensions, named, recognition and recall. The first one can be described as the attitude of the consumer to confirm prior exposure to the brand given it as a cue, it means that the shopper will be able to recognize the brand because of the previous experiences with it. Instead, when the shopper is able to retrieve when the product category is given we can speak about brand recall, in which the category or something like that is the cue. In this case, the shopper must be able to correctly generate the brand from memory (Keller, 1993). Recall and recognition are affected by the way in which people decide, and more especially, where they make the decision because what will change will be the level of the exposure to the cues and consequently to the brands. According to Keller’s conceptualisation (1993), the more the consumer makes decision in store, the greater the brand recognition will be affectable. Furthermore, this dimension is pivotal in the development of the process thought by Keller as it plays a crucial role for three main reasons (Keller, 1993): first of all its existence is necessary so that the consumers think of the brand related to a specific product category and there will be a higher probability that that brand becomes part of the consideration set (Baker et al., 1986; Nedugadi, 1990) in the consumers’ mind; secondly, the composition of the consideration set might be affected by brand awareness, especially in low involvement decisions settings and finally, awareness affects the formation and the strength of brand associations in brand image.

In the pyramid brand awareness is mirrored by brand salience that represents the first step in the value creation. Apparently, it could appear that awareness means just that shoppers know a brand name because they have already seen it, but it is not that. Actually, being aware of a brand involves linking that brand to specific associations in memory (Keller, 2001) and companies must be sure that people really understand the set (category) in which it competes and consumers must figure out which needs it is satisfying, obviously through the product. Although this dimension symbolizes the beginning of the “circle”, it is not enough in and of itself (Keller, 2001).

The measurement of brand awareness has been already tested in many studies and by different authors, but in this research, we are referring to the scale used by Yoo et al. (2001), Netemeyer et al. (2004) and Buil et al. (2013). It is composed by 5 items (Table 12) and each of them was measured by a seven-point likert-type scale anchored by 1: strongly disagree and 7: strongly agree.

**Table 12. Brand awareness scale**

| Item wording                                                                      | Item Codes |
|-----------------------------------------------------------------------------------|------------|
| I am aware of brand X                                                             | AW 1       |
| When I think of (brand category), brand X is one of the brands that comes to mind | AW 2       |
| X is a brand of (brand category), I am familiar with                              | AW 3       |
| I know what brand X looks like                                                    | AW 4       |
| I can recognize brand X among other competing brands of (brand category)          | AW 5       |

**Source: Yoo et al. (2001), Netemeyer et al. (2004) and Buil et al. (2013)**

Once that brand awareness is reached, it could be possible to move to the second block of the pyramid, that is brand image (associations). As we will see after, this dimension consists of perceived value and performance related to the functional side and life style-congruence and brand personality as social image for the emotional one.

Brand image is defined as “*perceptions about a brand as reflected by brand associations held in consumer memory*” (Keller, 1993) and they can be seen as nodes linked to the main node, named brand, and able to add information about the brand by defying and containing the meaning for the shoppers. In other words, thanks to this concept it is possible to understand what the brand is characterized by and should stand for (Keller, 2001). Aaker (1991, p.109) defined brand associations as “*anything linked in memory to a brand*” and Yoo et al. (2000) stated that they are “*connected to one another consisting of multiple ideas, episodes, instances, and facts that establish a solid network of brand knowledge*”. In general, we can state that associations are what customers hold in their minds connected to their needs and demands (Wood). Since thousand types of brand associations, hence meanings, are possible, we have decided to choose four subconstructs deemed suitable to describe this dimension. More deeply, we have selected two of them related to the more abstract, imagery-related part (right side) of the meaning – life style-congruence and brand personality as social

image – and other two for the more functional performance-related considerations (left side) – perceived value and brand performance. Consequently, following the explanation made by Keller (2001) two major categories of associations in the customers' mind are identified.

Therefore, the measurement of the left side is assigned to the scale already tested and validated by Doods et al. (1991) in terms of perceived value and by Lassar et al. (1995) for performance.

The reason why it is advisable to consider the performance as a main construct part of the model is that it is not possible to think about the brand without thinking about the related product. According to Keller (2001), the product is the primary influence of what consumers experience with a brand and for that it represents the heart of brand equity. It is reasonable to think that this dimension will result with higher level in the private label context even if, nowadays, this latter kind of brand can be considered a fully-fledged brand. Additionally, the performance experienced by customers' in the usage of the product must be at least equal, or even surpass, their expectations. In doing so, the performance can be considered directly related to the way in which the product or service tries to meet shoppers' more functional needs and it refers to the intrinsic features of the brand, it means its characteristics. Following this approach Lassar et al. (1995) define brand performance as *“a consumer's judgement about a brand's fault-free and long-lasting physical operation and lawlessness in the product's physical construction”*. Moreover, this dimension mirrors the beliefs about quality that consumers have developed during their experiences related to the brand name's value or equity (Brucks and Zeithaml, 1991; Lassar et al. 1995).

In order to measure the meaning of the brand as regards to more rational side another construct has to be valued, named perceived value. According to Doods et al. (1991), especially in some circumstances, elements such as price can be indicators of the level of sacrifice required to buy a product, hence a brand. That's why, sometimes shoppers are willing to pay a higher amount of money for the same item and this can be interpreted as higher perceived value. It should be underlined that we are now talking about the perception and not about the effective value of the product. Furthermore, based on the presence or the absence of the brand, people's evaluation can change. In other words, the trade-off between perceptions quality and sacrifice gives rise to the perceptions of value (Doods et al., 1991). According to Scitovszky (1945) this situation can be represented by a paradox in which a commodity sold at lower price can become, at the same time, more attractive, because of the price, as well less attractive because of its suspected inferior quality. For this reason,

companies must be aware of the evaluation done by consumers and, if necessary, taking actions.

To measure performance and perceived value Lassar's et al. (1995) and Doods's et al. (1991) scales are employed. Respectively, the first one adapted, hence composed by three items instead of four because the last one was considered not congruent with the context and the other one by five items; each of them was measured by a seven-point likert-type scale anchored by 1: strongly disagree and 7: strongly agree (Table 13 – Table 14).

**Table 13. Performance scale**

| <b>Item wording</b>                                                     | <b>Item Codes</b> |
|-------------------------------------------------------------------------|-------------------|
| From this brand of (category), I can expect superior performance        | P 1               |
| During use, this brand of (category) is highly unlikely to be defective | P 2               |
| This brand of (category) is made so as to work trouble free             | P 3               |

**Source: Lassar et al. (1995)**

**Table 14. Perceived value scale**

| <b>Item wording</b>                                                                    | <b>Item Codes</b> |
|----------------------------------------------------------------------------------------|-------------------|
| This product/brand is a (very good value for the money to very poor for the money)     | PV 1              |
| At the price shown the product/brand is (very economical to very uneconomical)         | PV 2              |
| The product/brand is considered to be a good buy (strongly agree to strongly disagree) | PV 3              |
| The price shown for the product/brand is (very acceptable to very unacceptable)        | PV 4              |
| This product/brand appears to be a bargain (strongly agree to strongly disagree)       | PV 5              |

**Doods et al. (1995)**

However, only the more functional characteristics are not enough to have a thorough understanding the brand equity created adopting the Keller's conceptualization and simplification (pyramid). This represents the reason why we decided to add another main type of brand meaning, that is imagery. If in the other side of the figure, the cornerstone of

the subject is represented by the functional features, here, the more extrinsic properties of the product or service are the heart. As stated before, the aim of the construct implemented (life style-congruence) is to catch the way in which people think about the brand abstractly rather than what they think the brand actually does (Keller, 2001). In other words, we can maintain that this side of the model refers more to the intangible aspects of the brand.

According to some authors (Ekinici, Dawes and Massey, 2008; Nam et al., 2011) life style-congruence is suitable to describe this dimension as well as possible, based on the belief that it covers both demographic characteristics and attitudes towards life, beliefs and aspirations (Brassington and Pettitt, 2003; Nam et al., 2011). Moreover, it does make sense linking this to the consumers' buying patterns. In this case, the brand becomes the instrument by which people try to achieve a particular lifestyle forming personal attachments when the brand mirrors their desired lifestyle (Foxall et al., 1998; Onkvisit and Shaw, 1987; Nam et al. 2011). Additional, following Solomon's statement, shared values, taste and consumption patterns make lifestyle up, and drawn on this the authors believes the brand and brand settings as an expression of it. In conclusion we can state that the grater the level that a brand image – imagery – fits in a consumer's personal life, the greater is the customer satisfaction with the brand experience, consequently the higher the likelihood of the value creation. Nam et al. (2011) defined the lifestyle-congruence as *“the social situation where people buy things that are associated with a particular lifestyle”*.

The lifestyle-congruence scale comes from Nam et. (2011) and is composed by three items each of them measured by a seven-point likert-type scale anchored by 1: strongly disagree and 7: strongly agree (Table 15).

**Table 15. Life style-congruence scale**

| Item wording                                                                           | Item Codes |
|----------------------------------------------------------------------------------------|------------|
| This brand reflects my personal lifestyle                                              | LSC 1      |
| This brand is totally in line with my lifestyle                                        | LSC 2      |
| Staying in this (category or location eg. Hotel, shop ect) brand supports my lifestyle | LSC 3      |

**Source: Nam et al. (2011)**

With a view to create a comprehensive model, we have considered appropriate adding another construct part of the second block-emotional side of the pyramid, namely brand personality as social image. This dimension is directly related to the one just described, and

it is defined by Lassar et al. (1995) “*the consumer’s perception of the esteem in which the consumer’s social group holds the brand. It concludes the attributions a consumer makes and a consumer thinks that others make to the typical user of the brand*”. This enables us to satisfy the steps planned by Keller in his process better.

The scale implemented was tested and validated by Lassar et al. (1995) and it is composed by four items each of them measured by a seven-point likert-type scale anchored by 1: strongly disagree and 7: strongly agree (Table 16).

**Table 16. Brand personality as social image scale**

| Item wording                                                 | Item Codes |
|--------------------------------------------------------------|------------|
| This brand of (category) fits my personality                 | SI 1       |
| I would be proud to own a (category) of this brand           | SI 2       |
| This brand of (category) will be well regarded by my friends | SI 3       |
| In its status and style, this brand matches my personality   | SI 4       |

**Source: Lassar et al. (1995)**

Continuing to follow the partition of the pyramid in two different sides, one more emotional and one more functional, understanding the consumers’ responses becomes fundamental. In other words, there is the need to identify two different constructs able to pick the judgments and the feelings of the people up. When we speak about judgements we are focusing upon the customers’ personal opinions and evaluations with regard to the brand (Keller, 2001), more specifically from a “head” perspective. In this situation, a person is mixing the associations done during the past-experiences and she/he is putting together different performance and imagery forming distinct types of associations. Since according to Keller (2001) to create a strong brand four types of summary brand judgments – brand quality, brand credibility, brand consideration and brand superiority (Table 17) - are more significant than others, perceived quality and brand trust have been selecting.

**Table 17. The types of summery brand judgments**

| Kind of brand judgements | Meaning                                         |
|--------------------------|-------------------------------------------------|
| BRAND QUALITY            | How consumer perceives the quality of the brand |

|                     |                                                                                                                                                                                                                                  |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BRAND CREDIBILITY   | The extent to which the brand as a whole is seen as credible in terms of perceived expertise, trustworthiness and likability                                                                                                     |
| BRAND CONSIDERATION | It suggests the likelihood that customers will actually include the brand in the set of brands they might buy or use. In other words, the extent to which they view the brand as being appropriate and meaningful for themselves |
| BRAND SUPERIORITY   | It relates to the extent to which customers view the brand as unique and better than other brands                                                                                                                                |

**Source: our elaboration**

As we have seen previously, just the rational part of the thoughts of the customers is not enough to build brand equity as we have to take into consideration the responses of the consumers as well. To put it differently, we can consider the brand feelings as the emotional responses and reactions to the brands from the consumer (Keller, 2001). These latter are related to the social currency evoked by the brand and they can be mild or intense, positive or negative and they deeply affect the evaluation and, sometimes, also the willingness to buy or not a specific brand. Keller (2001) identified six types of brand-building feelings: warmth, fun, excitement, security, social approval and self-respect.

In the literature, some authors have already discussed and tested constructs able to catch these concepts up. In terms of brand feelings, the research by Watson and Clark (1988) has been considered as the best choice. They have developed two 10-item mood scales that comprise the Positive and Negative Affect Schedule (PANAS). According to Watson and Clark (1988) Positive Affect (PA) mirrors the degree to which a person feels enthusiastic, active and alert, consequently, when high level of PA is pointed out it means that the person is feeling a state of high energy, full concentration and pleasurable engagement. In contrast to that, Negative Affect (NA) is *“a general dimension of subjective distress and unpleasurable engagement that subsumes a variety of aversive mood states, including anger, contempt, disgust, guilt, fear, and nervousness”*. When the NA is low, it means that a person is on a state of calmness and serenity. From this perspective, it seems obvious, that depending on the level of NA and PA the emotional customers responses, named brand feelings, will

affect the intention to purchase a brand and, also, the development of brand equity. That's why, the measurement of the feelings of the shoppers become a focal point. Furthermore, following the daily people behaviour, it can point out that the higher the degree of PANAS, the higher the likelihood that a shopper will create a positive interaction with a specific brand that could hold to a close relationship with the company, and in some cases translating into the selection of the brand and the willingness to pay a premium price because of the feelings. These feelings represent the fitness of the whole characteristics of the brand related to the needs and wants of the customers. Moreover, feelings can drive both shoppers' impulsive purchases and planned purchases. For example, when she/he is instore, in front of the brand on the shelf they can feel different types of emotions provoking positive or negative reactions resulting in a different behaviour. Companies must know the extent to which their brands are able to raise emotions in the consumers' heart and they have to know which characteristics are more influential. Otherwise, they run the risk to underevaluate some dimensions, fundamental in the choice process, thus wasting money. In terms of planned purchase, if a shopper feels positive feelings towards a brand and she/he has experienced in the past there will be more probabilities that a close relationship will be developed becoming the starting point for positive responses that will affect the future behaviours of the shopper. The scale implemented was tested and validated by Watson and Clark (1988) and it is composed by ten items each of them measured by a seven-point likert-type scale anchored by 1: very slightly or not at all" and 7: to "extremely" (Table 18). We have decided to adapt the scale, removing the negative items because we are interested to understand the way in which brand value can be created and enhanced.

**Table 18. PANAS scale**

| <b>Item wording</b> | <b>Item Codes</b> |
|---------------------|-------------------|
| Interested          | PANAS 1           |
| Excited             | PANAS 2           |
| Strong              | PANAS 3           |
| Enthusiastic        | PANAS 4           |
| Proud               | PANAS 5           |
| Alert               | PANAS 6           |
| Inspired            | PANAS 7           |
| Determined          | PANAS 8           |

|           |          |
|-----------|----------|
| Attentive | PANAS 9  |
| Active    | PANAS 10 |

**Source: Watson and Clark (1988)**

Even if the emotions felt by customers can deeply affect the evaluation of a specific brand, great importance should be given to the quality of the product. Indeed some authors have found (Ranaweera and Neely, 2003; G.Das, 2014) that this dimension can drive the shopper's choice exceeding the importance for the cost of acquiring. Additionally, it has been proven that perceived quality affects brand reputation, customer satisfactions (Salnes, 1993; G.Das, 2014) and purchase intentions (G.Das, 2014) and in turn that satisfaction leads to higher brand reputation and together they will determine brand loyalty.

Since the superiority of product or service depends on consumers' perception (Lobo, Maritz, Metha, 2007), it should happen that the real quality doesn't correspond with the shopper's evaluation. This variable represents a very important part of the brand equity development because it not only attract new customers, but, it can often lead to repeat purchases increasing loyalty to the brand (Parasuman et al., 1994; G.Das, 2014).

According to Zeithaml (1988) perceived quality can be defined as *“the consumer's (subjective) judgement about a product's overall excellence or superiority”* (p.3). That's why depending on the personal experiences, unique needs and consumption situations the evaluation of this dimension can change significantly (Yoo et al. 2001). When the shopper evaluates a brand with higher perceived quality than another competing one, it means that he/she recognizes its differentiation and superiority. Therefore, considering the perceived quality as a component of brand value (Zeithaml, 1988) high score in this dimension would drive a customer to select the brand and, also, to increase the brand equity.

Very often the judgement, in terms of perceived quality, of a brand is based on its functional characteristics, or those that the product shows, rather than the emotional feelings, but just the combination of both can really contribute to the creation or improvement of brand equity. The scale used was tested by Doods et al. (1991), then used again by Yoo et al. (2001) and it is composed by five items, each of which measured by a seven-point likert-type scale anchored by 1: “very low” and 7: very high” (Table 19).

**Table 19: Perceived quality scale**

| Item wording | Item Codes |
|--------------|------------|
|--------------|------------|

|                                                            |     |
|------------------------------------------------------------|-----|
| The likelihood that the product/brand would be reliable is | PQ1 |
| The workmanship of product/brand would be                  | PQ2 |
| This product/brand should be of                            | PQ3 |
| The likelihood that this product/brand is dependable is    | PQ4 |
| This product/brand would seem to be durable                | PQ5 |

**Source: Doods et al. (1991); Yoo et al. (2001)**

The above scale is suitable to measure the perceived quality, but it can't be considered as a comprehensive way to catch all the meanings of the judgements of the consumers up. As a matter of fact, according to Keller (2001) other concepts, as the reputation and credibility, must be taken into consideration. In order to do that, some scholars have proved how brand trust can play a main role in the development of the value of brand loyalty, that means reaching the pinnacle of the pyramid and thus the end of the process. It makes sense that without satisfying the previous blocks it is impossible to conceive the creation of the brand equity through the brand itself.

As a matter of fact, an ever more established stream of thought is testing and indicating the different role that the brand can play and with it the brand trust. They are passing from thinking the brand as a facilitator of the transaction to the belief that it can and should be considered as a tool suitable to develop and maintain connections with their customers (Veloutsou, 2015). Consequently, the greater the level of brand trust, the greater the likelihood that a shopper will create a connection with the company preferring it to other competitors over the time. Furthermore, there is an additional explanation of the reason why trust can become a main dimension in the companies' strategies. According to Veloutsou (2015), managers must take care of the importance of the customer engagement in creating and developing relationships (relationships represent the pinnacle of the Keller's pyramid) relying on brand identities and brand images that, in turn, make the brand look more appealing becoming, sometimes, a relationship partner. We have to bear in mind that the blocks described previously have explained exactly these two latter dimensions – identity and image. Here therefore the connection can be attributed to the brand trust that represents a consequence of the foregoing step and the cause of the following one.

By adopting a broader view of trust, it can be evaluated when reliability and integrity are recognized in a partner (Veloutsu, 2015; Morgan and Hunt, 1994). Moreover, this dimension can be considered, as it is the perceived quality, as a perception felt by the shopper,

consequently it is subjective and derives/originates from consumer's belief (Yannopoulou, Koronis and Elliott, 2011).

According to Delgado-Bellester, Manuera-Aleman and Guillen (2013) in order to develop a relationship with the shopper based on trust, security and reliability are needed, in other words people could believe that this kind of brand acts in their best interests and a bond between the buyer and the brand will be created (Blackston, 1993; Veloutsu, 2015). Moreover, even if the product purchased by the customer would completely satisfy his needs, but the company is not able to be credible, the relationship won't be developed and very likely there won't be a repurchase. Thus, it can be said that in order to build trust the promise has to be kept (Veloutsu, 2015). Indeed, when there is a stable brand personality and the characteristics of the goods or service attributes are durable the emotional risk connected to the shopping experience is reduced and consequently the brand credibility should increase (Veloutsu, 2015).

Although trust is recognised as a main component of the brand equity, there is no consensus on this concept, so different definitions have been created: *"A willingness to rely on an exchange partner in whom one has confidence"* (Moormanm, Zaltman and Deshpande, 1992, p.315); *"As a confident belief that the salesperson can be relied upon to behave in such a manner that the long term interest of the customer will be served"* (Crosby and Cowles, 1990, p.70); again *"As the firm's belief that another company will perform actions that will result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm"* (Anderson and Narus, 1990, p.45). Nevertheless, in the retailing and marketing context a slightly different perspective is needed. According to Glynn (2004) the trust of a retailer is based on the reliability of brand supply, the credibility of marketing information shared and the expertise of the company. It is obvious how this dimension is important in developing brand equity and it can be considered as one of the most crucial variables in the Keller's pyramid. Furthermore, according to Lassar et al. (1995) there is a connection between trust and value that originates from the relationship with the customers, indeed, they place high value in the brands that they trust more. In conclusion, in this study we follow the definition of trustworthiness by Lassar et al. (1995) according to which *"it is the confidence a consumer places in the firm and the firm's communications, and as to whether the firm's actions would be in the consumer's interest"*.

The scale used was developed and tested by Veloutsou (2015), who built it starting from a qualitative research.

It is composed by seven items, each of which measured by a seven-point likert-type scale anchored by 1: strongly disagree and 7: strongly agree (Table 20).

**Table 20. Brand trust scale**

| Item wording                                                                | Item Codes |
|-----------------------------------------------------------------------------|------------|
| I have a complete faith in the integrity of my personal brand of (category) | BT1        |
| Promises made by my preferred brand of (category) are reliable              | BT2        |
| The brand's communications do not make false claims                         | BT3        |
| My preferred brand of (category) is credible                                | BT4        |
| My preferred brand (category) is sincere about its products                 | BT5        |
| I feel safe when I buy me preferred brand of (category)                     | BT6        |
| My preferred brand of (category) is genuinely committed to my satisfaction  | BT7        |

**Source: Veloutsou (2015)**

We have decided to use this scale because it is able to include different edges of trust congruent with the conceptualisation made by Keller about the rational side of this third block.

Regardless the weight of the emotional or rational side, thus the head or the heart, in the consumers responses, the only thing that matters is their positivity. This means that there will be some cases in which more emotional responses will be created and in other cases more rational and this could depend on the context and the type of brand with whom the people are in touch with. What is expected is a major significance of the functional features and judgements instead of pure feelings for private label.

The accomplishment of this block is functional for reaching the top of the pyramid, that is the resonance. In other words, the responses must be accessible and readily come to mind when shopper thinks of the brand (Keller, 2001), otherwise the value is not created. If it happens, the final step of the process is achieved and a relationship between consumer and brand has been created. Keller (2001) identified this last step as the resonance of a brand, which is “*the nature of the relationship that customers have with the brand and the extent to which they feel that they are*”. The stronger the resonance, the higher the brand equity. There is a direct link between this dimension and the brand loyalty that is characterized by intensity

and, or depth (Keller, 2001), in other words the first one refers to the presence of psychological bond between the brand and the customer and the other one to the level of activity produced by loyalty. This kind of relationship is symbolized by repeated purchase rates, the extent to which shoppers seek brand information out, events and other loyal customers.

According to Keller's conceptualization resonance can be divided in four different categories (see the following table):

**Table 21. Four categories of resonance**

| Type of category       | Explanation - meaning                                                                                                                                                        |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Behavioural loyalty    | It is the first dimension of brand resonance and it refers to repeat purchases and the amount, or share, of category volume attributed to the brand                          |
| Attitudinal attachment | It represents the personal attachment to the brand                                                                                                                           |
| Sense of community     | The brand may also take on broader meaning to the customer in terms of sense of community. It is also related to the affiliation with other people associated with the brand |
| Active engagement      | It occurs when customers are willing to invest time, energy, money, or, other resources into the brand beyond those expended during purchase or consumption of the brand.    |

**Source: Adapted by Keller (2001)**

More specifically the strength of attitudinal attachment and sense of community indicate the intensity of the relationship; instead the active engagement and the behavioural loyalty the activity, in other words how frequently the shoppers buy and use the brand or the way in which they are engaged not referring/considering the purchase or consumption.

According to Kim et al. (2001) and Yasin, Noor and Mohamad (2007) since the strength of a brand is the cohesion of the thoughts, feelings, sensations and associations evoked in the

consumers mind, a brand, in order to have and increase brand equity needs to influence the behaviour of those who look at the brand, carrying/bringing the choice of it - thus the preference - to a routine, an attitude and a purchase behaviour.

In addition, some scholars, among which Yasin et al. (2007), believe that the value of a brand mainly originates from brand loyalty, indeed, some years before, Aaker (1996) pointed out that to a greater extent, the equity of a brand depends on the number of people who purchase and repeat the purchase regularly.

The relevance of this dimension (loyalty) has been recognized both in business world (Yasin et al., 2007; Russell-Bennet et al., 2007; Han et al., 2008) and among academics. As a matter of fact, it is part of the most of the proposals for the conceptualization of consumer brand equity (Veloutsou et al., 2013) and it represents a key construct that must be incorporated in the value creation process.

Over time, many definitions have been developed, but in this study we define brand loyalty *“a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour”* (Oliver, 1997, p. 392). Even in the past, loyalty has been seen as the customer's tendency to continue to show the same, or at least, similar behaviours (Yasin et al., 2007; Reynolds et al., 1974) in similar circumstances.

The concept of loyalty can be divided in two components: attitudinal dimension (it refers to the satisfaction (Foroundi et al., 2018)) and behavioural dimension (it refers to trends and buying behaviour (Foroundi et al., 2018)). Despite this distinction, it can be considered a concept strictly connected to the repurchase repetition (Yasin et al., 2007) that sometimes is not fully dependent on the consumers' willingness. It means, that in a situation in which they cannot choose because of the locations, or for the market conditions, the behavioural loyalty is higher than the attitudinal. It could bring to a wrong value creation, and to wrong considerations from companies because as soon as another option is available shoppers will change, or could change, their mind stopping to purchase the brand. That's why investigating accurately which type of loyalty the customers are showing becomes very essential.

This concept is represented by Keller at the top of the pyramid, and as we have discussed before, it reflects the consumer brand resonance and thus the relationship. Since brand loyalty must be considered as part of the brand equity model some authors (Grover and Srinivasan, 1992; Keller, 2001) tested that loyal shoppers show more favourable responses than nonloyal or switching customers. Consequently, we can think about loyalty as the result of the accomplishment of the previous blocks.

The scale implemented was tested and validated by Yasin et al. (2007) and it is composed by five items each of which measured by a seven-point likert-type scale anchored by 1: strongly disagree and 7: strongly agree (Table 22).

**Table 22. Brand loyalty scale**

| Item wording                                                                                            | Item Codes |
|---------------------------------------------------------------------------------------------------------|------------|
| If I am going to buy other (category) goods other than (category) (either one), I will choose brand X   | BL1        |
| Compared to other brands that have similar features, I am willing to pay a premium (higher) price for X | BL2        |
| I will not buy other brands if X is available at the store                                              | BL3        |
| I will think twice to buy another brand if it is almost the same with X                                 | BL4        |
| I make my purchase selection of (category) according to my favourite brand name, regardless of price    | BL5        |

**Source: Yasin et al. (2007)**

With the explanation of the brand loyalty the pinnacle of the pyramid has been reached, and in order to create and develop strong brand equity companies must cover each block, step by step. This is because the model is a multi-step process (Keller, 2001) instead of parallel as pointed out by Aaker (1996), and the value creation starts with the satisfaction of the brand awareness ending with that of brand loyalty passing through brand image (functional and emotional side) and brand responses (functional and emotional side). For example, it is inadmissible to think of positive brand responses without the development of the right and accepted brand image in the consumers mind. In conclusion, it can be said that this process is composed by cognitive, affective and conative stages as properly highlighted by the Keller's pyramid.

Furthermore, another variable has been added to the dimensions of the model, namely purchase intention. This latter can be considered as an outcome of the value created by brand equity and it reflects the functional part of the concept. So, following Foroundi et al., (2018) brand equity is composed by two different components: perceptual and behavioural. All the blocks previously described mirror the perceptual side of the equity because they outline the needs and wants of the consumers and how customers think of the brand in their mind. Moreover, shoppers prefer the products and brands corresponding with their image

and those able to express their personality (Foroundi et al., 2018). The higher the extent of this side, the stronger the outcome, it means the purchase intention.

According to Jung and Sung, (2008) and Foroundi et al. (2018) higher profits and higher margins are generated when brand equity is able to persuade, retain and involve consumers, in consequence, in order to measure this value, the purchase intention will be enrolled. In addition, following the statement of Pappu, Quester and Cooksey (2005) brand purchase intention can be affected by brand equity, and especially by its perceptual part.

Purchase intention can be defined as the likelihood that a shopper will buy a brand because he/she evaluates it of greater value compared to competitors (Buil et al., 2013; Aaker, 1991). The scale used was tested by Buil et al. (2013). It is composed by four items each of them measured by a seven-point likert-type scale anchored by 1: strongly disagree and 7: strongly agree (Table 23).

**Table 23. Brand purchase intentions scale**

| Item wording                                                | Item Codes |
|-------------------------------------------------------------|------------|
| I would buy brand X (brand category)                        | PI1        |
| I would seriously consider buying brand X (brand category)  | PI2        |
| It is very likely that I would buy brand X (brand category) | PI3        |

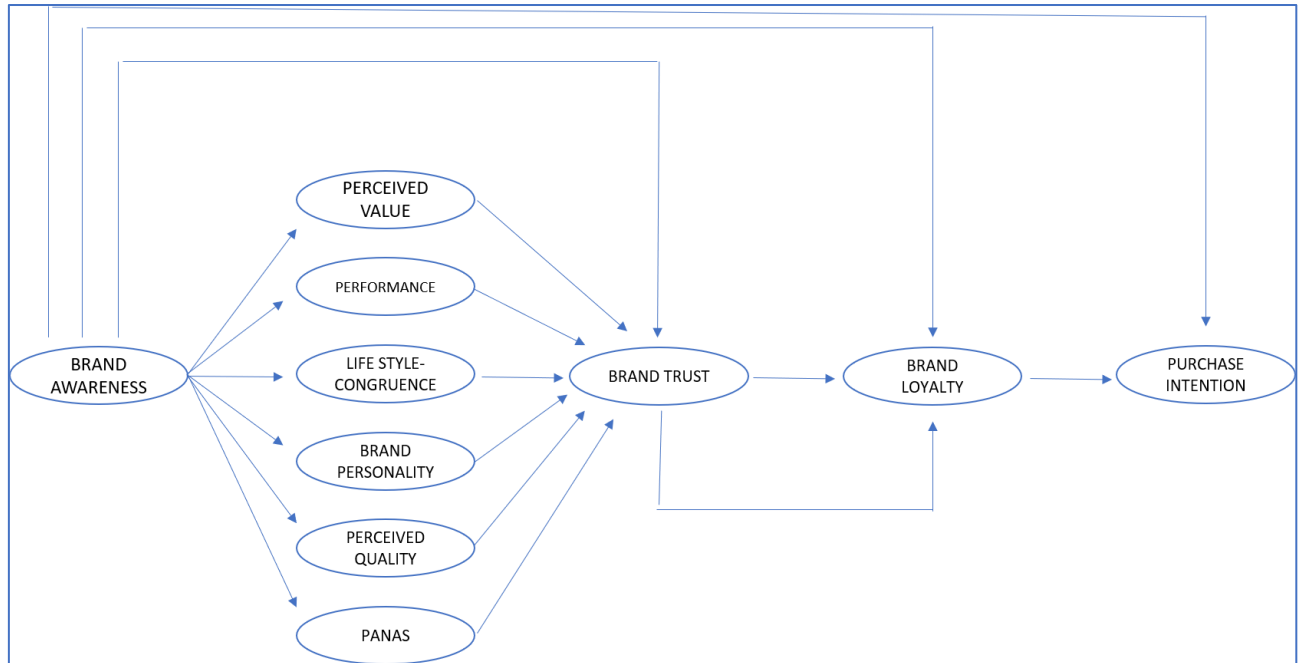
**Source: Buil et al. (2013)**

As described at the beginning of the paragraph, based on the literature, some hypotheses have been developed. The relationships among the variables originate from research that have already tested the existence of these connections. In order to enhance both the literature on branding and retailing some changes have been made. In addition, attempts have been carried out to achieve a dual objective: firstly testing the feasibility of Keller's pyramid, thus the conceptualization of brand equity by Keller (1993), in the manufacturing context and then its applicability in the retailing context since some authors support that this new kind of brand could be considered a real brand.

The work's originality lies in the inclusion of all the variables thought by Keller and the view of the model as a sequential process in which all the dimensions – from brand awareness to purchase intention - must be included to create and develop equity. Furthermore, trying the same model in a different context and in a country like Italy where the importance of private label is very different from other countries such as Uk, Usa, Ireland and so on, less developed and the consumers own a very strong food culture.

In order to test the relationships among variables a SEM model has been developed and tested. The figure 13 shows the model proposed.

**Figure 13. Brand equity model (SEM)**



**Source: our elaboration**

The hypotheses developed have been drawn on studies already present in the literature where some relationships among constructs have already tested and proved. As said before, until now nobody has developed a SEM model about brand equity using all the dimensions conceptualised by Keller (1993; 2001). Almost all the authors haven't used all the variables suggested by Keller but just some of them. This choice depending both on the framework in which the study has been developed and the goal of it. Moreover, some authors have conceptualised the creation of value through the brand as a parallel process, as pointed out by Aaker (1991), and not a sequential one.

By the way, a more congruent model is needed, and its feasibility must be tested in order to give to managers a proper and suitable tool able to measure whether their brands can create and enhance value.

In doing so, the table 24 shows the relationships in terms of positive and direct/ indirect effects.

**Table 24. Independent variables, dependent variables and effect in the model**

| <b>Independent variable</b> | <b>Dependent variable</b>                                                                                                                            | <b>Effect</b>       |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Brand awareness             | Perceived quality; Performance; Lifestyle-congruence; Brand personality; Panas; Perceived quality; Brand trust; Brand loyalty and Purchase intention | Direct and positive |
| Perceived quality           | Brand trust                                                                                                                                          | Direct and positive |
| Performance                 | Brand trust                                                                                                                                          | Direct and positive |
| Lifestyle-congruence        | Brand trust                                                                                                                                          | Direct and positive |
| Brand personality           | Brand trust                                                                                                                                          | Direct and positive |
| Panas                       | Brand trust                                                                                                                                          | Direct and positive |
| Perceived quality           | Brand trust                                                                                                                                          | Direct and positive |
| Brand trust                 | Brand loyalty                                                                                                                                        | Direct and positive |
| Brand loyalty               | Purchase intention                                                                                                                                   | Direct and positive |
| Purchase intention          | = Value creation                                                                                                                                     | Direct and positive |

**Source: our elaboration**

Based on the research that has been already carried out in the past years some relationships, especially positive, among all the dimensions considered have been developed.



## **CHAPTER 4**

### **METHODOLOGY**

#### **4.1 Introduction**

In the previous chapters, the literature gaps have been identified and starting from those the research design has been selected. According to Zikmund (1997) there are four different types of design, namely: survey; experiments, observation and secondary data. Based on the corresponding advantages and disadvantages the survey method was chosen and the country of reference as well (Italy). Additionally, a double perspective (in terms of sectors) was adopted, it means the manufacturing framework and the retailing framework have been examined.

The goals of the study have been pursued using a survey with a structured quantitative questionnaire.

Data were collected using an online survey (Google Drive) from September 2018 to November 2018, only referring to Italian consumers. It is advisable to recall the structure of the Italian Market and to underline how this specific structure can deeply affect the way the Italian shoppers have evaluated and are evaluating the private labels and also the their role in their purchase patterns.

Moreover, the biscuits category was chosen as the category of reference because it shows high market share in both types of brands. Additionally, a comparison between manufacturer brands and private label brands is allowed in order to get highlights from the findings. Drawn on that, people could choose among different brands (Bahlsen, Balocco, Bistefani, Colussi, Doria, Galbusera, Gran cereal, Loacker, Misura, Mulino Bianco, Pavesi (Gocchieole, Pavesini), Saiwa and other brands) referring to their favourite brand. The same has been done related to the private labels (Auchan, Carrefour, Conad, Coop, Crai, Despar, Esselunga, Eurospin, Lidl, Selex and other retailers). All the brands were chosen based on their market share. The question was: “With concern to the biscuits category, choose your favourite brand”.

The research is divided in two different parts: pilot study and main study. Furthermore, the same model (SEM) has been applied in two different contexts, as said before, manufacturing and retailing, according to the research questions. The expected results hypothesize the applicability and significance of the model in both contexts, but with distinct levels of importance of the variables. For example, although private label can be considered as a fully-fledge brand and it should be proven by the validity of the structural model, as pointed out

by some scholars in the literature, a higher extent of the functional side is expected/forecasted.

The pilot study has been functional to the in-house validation of the scales and the identification of the main relationships and hypotheses. Instead, the main study has allowed to gather data needed in order to test the research hypotheses.

Finally, the data was analysed using SPSS Statistics 24, with regard to the pilot study, particularly for testing the reliability of the scales. Instead LISREL 8.80 was used to test the structural model, more specifically to assess its validity, for the confirmatory factor analysis (CFA) of each construct and to test the theoretical models under study.

#### **4.2 Pilot study: manufacturing and retailing brands. The main study**

The pilot study has been developed using a small sample (n=50) with the goal of testing the reliability of the measurement scales drawn on the literature. As a matter of fact, all of them have been already tested in the past. The same process has been implemented again regarding the retailing context. The reason why a pilot study was carried out, was to eliminate possible weaknesses and defects in the first draft of the questionnaire in order to perfect it for the main study.

The first step of the pilot study was to measure the internal consistency of the scales. It refers to the level according to which the items identify the same construct. In order to test it the Cronbach alpha index (Cronbach, 1995) has been implemented/used. This index assumes values from 0 to 1, 0 means the absence/lack of internal consistency among items, instead 1 means perfect consistency.

According to Nunnally (1978) reliability analysis is suitable for finding and removing items with low item-total correlation, so the alpha index is calculated as the ratio between the variance of the single items and total variance; with the increase in the number of items, the index tends towards 1 asymptotically. Following the studies by Cortina (1993) and Nunnally, (1978) the values that can be considered acceptable are equal or higher than 0,70.

Table 25 and table 26 show the value of Cronbach index and considering that all of them are higher than 0,70, no items were removed, and all the scales can be considered acceptable.

**Table 25. Alpha di Cronbach Index for manufacturers scales**

| <b>CONSTRUCTS</b> | <b><math>\alpha</math> di Cronbach</b> |
|-------------------|----------------------------------------|
| Brand Awareness   | 0,80                                   |
| Perceived Value   | 0,77                                   |

|                                   |      |
|-----------------------------------|------|
| Brand performance                 | 0,80 |
| Lifestyle-Congruence              | 0,93 |
| Brand personality as social image | 0,84 |
| Panas                             | 0,93 |
| Perceived quality                 | 0,90 |
| Brand trust                       | 0,91 |
| Brand loyalty                     | 0,70 |
| Purchase intention                | 0,73 |

**Table 26. Alpha di Cronbach index for private labels scales**

| CONSTRUCTS                        | $\alpha$ di Cronbach |
|-----------------------------------|----------------------|
| Brand Awareness                   | 0,83                 |
| Perceived Value                   | 0,91                 |
| Brand performance                 | 0,73                 |
| Lifestyle-Congruence              | 0,94                 |
| Brand personality as social image | 0,89                 |
| Panas                             | 0,95                 |
| Perceived quality                 | 0,93                 |
| Brand trust                       | 0,95                 |
| Brand loyalty                     | 0,72                 |
| Purchase intention                | 0,92                 |

Following the above, the main study was run. Starting from the scores of the Cronbach index, exploratory factor analysis (EFA) was run in order to identify dimensions of scales together with factor loadings for each scale item.

Thereafter, confirmative factor analysis (CFA) was used to validate the measures implemented and in conclusion the theoretical model was tested. In order to do that, structural equation modeling (SEM) was employed.

The full questionnaire is available in the appendix.

The data was gathered using an online questionnaire through Google Drive and it was sent to the University's community of the University of Parma site and using the author's direct contacts.

### 4.3 Sampling

Starting from the definition by Davis (2000, p. 220), who described the population as “the complete set of units of analysis that are under investigation, while element is the unit from which the necessary data is collected”, the population of reference has been chosen. We have decided to focus our attention on the Italian market, because, until now, little contributions about the applicability of Keller’s model (brand equity), have been given. In fact, almost all of them, have been addressed to UK and US. This is because of the different development that the private label has had during the years, and also because of the consumers’ culture and patterns of behaviours and consumption. Moreover, in Italy, retailers are very different from other countries because of the structure of the market. Consequently, also the retailers’ brands have experienced a different growth. In this case, the study focuses on the Italian consumers with the aim is to understand whether Keller’s model follows the same “laws” both in the manufacturing and retailing context, given that the private label represents a fully-fledged brand. Additionally, two different samples have been selected: the first one composed by consumers that were used to buy biscuits labelled by manufacturers, the second one by the retailers. Furthermore, they had to be loyal and had to think to their preferred brand, otherwise the questionnaire wouldn’t have been suitable, and the comparison wouldn’t have been able to work.

Once the referred population was defined, the next step was to identify the sampling method to select people.

According to literature, and especially to Zikmund (2000) there are two different types of sampling: probability and non-probability sampling. Tables 27 shows them and lists vantages and disadvantages.

**Table 27. Type of sampling methods**

| <b>TYPE</b>            | <b>CHARACTERISTICS</b>                                                                                                                                                                                                                        |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sample random sampling | - Same chance to be included in the sample<br>- Straight forward process (Zikmund, 1997,p.431)                                                                                                                                                |
| Systematic sampling    | -The starting point is selected by a random process (Zikmund, 1997,p.43)                                                                                                                                                                      |
| Stratified sampling    | -There are sub-samples created from samples within different strata based on specific characteristics<br>-It is a specific type of simple random and systematic sampling and the aim is to develop a more representative and accurate samples |

|                  |                                                                                 |
|------------------|---------------------------------------------------------------------------------|
| Cluster sampling | -The primary sampling unit is a large cluster of elements (Zikmund, 1997,p.435) |
|------------------|---------------------------------------------------------------------------------|

**Source: our elaboration**

Each of the methods presented in the table 27 XXX have some advantages and some disadvantages. For example, random sampling is suggested when a sampling frame exists, the population is geographically concentrated and, in this case, according to De-Vaus (1985, p. 64) travelling is not involved. On the other side, stratified sampling is considered more accurate because units in the population are gathered according to specific characteristics. In fact, using this technique, the sample will be more efficient even if the starting point is once again the sample random and it should reflect the population more thoroughly. Lastly, the technique believed to be more efficient, economy-wise, is the cluster sampling, although the travelling costs could be extremely high (Zikmund, 1997).

In this study, stratified sampling was chosen. The reasons that have brought to this choice are related to the nature of the population, the need to save money, hence no travel costs and to ensure the proportions of the population. So, the aim of the research is to compare two different types of branding, manufacturing and retailing labels.

In order to implement the stratified sampling, we need to define a characteristic that will be followed, in this case it has been the type of brand that consumers were used to buying: manufacturers' brands or private label. The final samples resulted in two samples of 250 respondents, randomly selected. Additionally, a further condition that has been followed was the geographical representativeness.

#### **4.4 Sample size**

Based on the literature (Joreskog & Sorbon,1996; Raykov &Widaman,1995) on SEM, the statistical methodology used in this study, a specific sample size is needed. As a matter of fact, in order to get reliable estimates, a large sample is required, even if there are different opinions about the meaning of "large". Anyway, depending on the statistical method used, in terms of maximum likelihood, generalized last squares and asymptotically distribution free a different number of units are needed. In agreement with Hair et al. (1995) a sample size between 100 and 150 responses is needed in the case of Maximum Likelihood (ML). However, the author himself, recommended reaching a bigger size than the number of co-variances in the input data matrix. Other scholars defined to follow the ration that considers having at least five observations per estimates parameter.

Based on the explanation above, the samples part of the study, are composed by 250 units each. It was decided to develop two different samples in order to get a deep understanding of the shoppers' behaviour related to the private and manufacturer labels. An additional reason was the need to make the results comparable and able to "speak" to the companies, taking into account their point of view. In this way, once that the value creation through the brand is understood, managers could and should be able to adapt their strategies, thus making them more effective. Otherwise, they will run the risk to take wrong decisions based on not reliable framework. This explains why, understanding the presence - or the lack of it - of differences between retailers and manufacturers brand will become a key factor in managing the sources that the company owns. In the next chapter, the samples will be described underling the main characteristics.

#### **4.5 Data analysis techniques**

Data were collected using an online survey and the sample was divided in two smaller sub-samples. The statistical method used was the stratified sampling using the purchase of manufacturer or private labels as the main and key characteristic in the samples' creation. The process has been divided in three sequential steps: firstly, a descriptive overview was run; after that reliability tests and exploratory factor analysis (EFA) were applied to the data and finally confirmatory factor analysis (CFA) was done.

One of the most accepted means for assessing the reliability of the multi-scale measurement scale is the coefficient alpha, more exactly the Cronbach's alpha (Cronbach, 1951). It assumes values from 0 to 1, where 0 means no internal consistency among the items and 1 total consistency. It tends towards infinitive when the items on the scale increase, that's why, according to De Vellis (1991) this index considers the degree to which all items are measuring the same thing. This step is essential to clean the construct from all the useless items because of their pointless capability in measuring a specific dimension/concept. The Cronbach's alpha is expressed as follows:

$$\alpha = \frac{k}{k-1} \left[ 1 - \frac{\sum \sigma^2(V_i)}{\sigma^2 x} \right] \text{ [eq 3.1]}$$

Where:

$\alpha$ =Cronbach's alpha

K= number of items in the scale

$\frac{\sum \sigma^2(V_i)}{\sigma^2 x}$  the numerator represents the sum of item variances and the denominator the variance of the total composite.

With the purpose to understand whether the dimension under consideration is well measured by the scale chosen, the alpha needs to assume a value higher than 0.50 or 0.70, otherwise it doesn't measure the construct adequately (Churchill, 1979). Following the study made by Cortina, (1993) and Nunnally, (1978), when the index is higher than 0.70 it can be considered satisfactory and suitable for almost all the research aims.

In this study the Cronbach's alpha was calculated on the data gathered during the pilot study for both manufacturers and private labels. In this way, it allows to evaluate whether some potential changes are needed. Since for all the constructs the alpha index has undertaken values higher than 0.70 no changes/modifications have been made as the table 25 and 26 show.

Once that all the scales have been defined suitable/adequate for measuring the value creation through the brand, the exploratory factor analysis has been run.

The purpose of this procedure is to explore the dimensions of each construct. In literature, two different types of EFA have been developed: common factor analysis and principle component analysis. The first one is based on the principal axis factoring to identify the latent dimensions descended from the original variable as pointed out by Hair et al. (1995). In addition, the oblique rotation allows a more detailed description of the data structure compared to the solution given by the orthogonal one, such as varimax. Moreover, if some items are removed the Cronbach's alpha is recalculated.

It should be underlined that the EFA can be run using different software. A solution can be the use of Lisrel 8.80 referring only to the measurement model and not to the structural one. As a matter of fact, isolating the first is possible to assess the reliability of the constructs without the effect of the ensemble.

The last step is the CFA (confirmatory factor analysis) with the goal to confirm the measurement model and test all the hypotheses made before. Here, some goodness-of-fit measurements were developed. More accurately, there are three different types of measures: absolute fit, incremental fit and parsimonious fit.

The first six indices represent the absolute fit ones, indicating "the degree to which the overall model (structural and measurement model) predicts the observed covariance or correlation matrix" (Hair et al. 1995). Instead the second six are the incremental fit, used for the null model when the purpose is to measure a single construct model and finally, parsimonious fit have been defined by Hair et al. (1995, p. 686-687) as "... measurements

which relate the goodness-of-fit of the model to the number of estimated coefficients required to achieve this level of fit and their basic objective is to diagnose whether model fit has been achieved by over fitting the data with too many coefficients.

**Table 28. Goodness-of-fit indices**

| Name                                    | Symbol   | Acceptable level              | Comments                                                                                                                                             |
|-----------------------------------------|----------|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chi-square                              | $\chi^2$ | $p > 0.05$                    | -it is affected by sample size<br>- $n < 100$ : there is the opportunity to accept the model even though the model relationships are not significant |
| Noncentrality parameter                 | NCP      | Not applicable                | -it is less affected by the sample size<br>-suitable comparison to alternative models                                                                |
| Goodness- of-fit index                  | GFI      | 0=poor fit<br>1=perfect fit   | -there is not a predefined threshold for acceptability                                                                                               |
| Root mean square residual               | RMR      | Set by researcher or $< 0.05$ | -it is based on residuals                                                                                                                            |
| Root mean square error of approximation | RMSEA    | Between 0.05 and 0.08         | -it is suitable for avoiding the influence of the sample size                                                                                        |
| Expected cross validation index         | ECVI     | Not applicable                | -suitable for comparison to alternative models                                                                                                       |
| Adjust goodness of fit index            | AGFI     | 0.9                           | - value $> 1$ indicates poor fit                                                                                                                     |
| Tucker-Lewis index                      | TLI      | 0.9                           | - value $> 1$ indicates poor fit                                                                                                                     |
| Normed fit index                        | NFI      | 0=poor fit<br>1=perfect fit   | -0.09 is a recommended value                                                                                                                         |
| Relative fit index                      | RFI      | 0=poor fit<br>1=perfect fit   | -value $> 1$ indicates over fit                                                                                                                      |
| Incremental fit index                   | IFI      | 0=poor fit<br>1=perfect fit   | -value $> 1$ indicates over fit                                                                                                                      |
| Comparative fit index                   | CFI      | 0=poor fit                    | -value $> 1$ indicates over fit                                                                                                                      |

|                                    |      |                                                  |                                                                                                                                                       |
|------------------------------------|------|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    |      | 1=perfect fit                                    |                                                                                                                                                       |
| Parsimonious normed fit index      | PNFI | Not applicable                                   | -suitable for comparison to alternative models                                                                                                        |
| Parsimonious goodness of fit index | FGFI | Not applicable                                   | -it is the same as GFI, but using the parsimony of the estimated model than degree of freedom<br>-when the index is close to 0, it indicates poor fit |
| Normed Chi-square                  |      | Lower limit: 1.0<br>Upper limit: 2.0/3.0 or 5.00 | -when the value is <0 it means that the model is over fitted<br>-when the value is >2.0 / 3.0 it means that the model has not good fit                |
| Akaike information                 | AIC  | Not applicable                                   | -when the value is small, it indicates parsimony                                                                                                      |

**Source: our elaboration drawn on Hair et al. (1995) and Hooper, Coughlan and Mullen (2008)**

In this study, based on the past literature, it has been decided to use only some of the indices described above.



## CHAPTER 5

### DATA ANALYSIS

#### 5.1 Sample characteristics: a descriptive framework

Table 29 and 30 show the characteristics of the samples. As it can be seen, in both samples most of the subjects are female: 66,3% in the manufacturers' sample and 64,6 in that of the private labels. It's pretty obvious because women are often the purchase decision makers and those who usually manage this kind of activities. Almost all the people interviewed are between 18 and 32 years old and only a small minority is older than 32 years old; in fact, mostly of them are students (83% and 90,5% referred to the private label). This can be explained by the usage of the University's community where the survey has been sent. In terms of level of education, the 49,4 owns a bachelor's degree, 35,5 school-leaving certificate and 13,9 a master's degree for the first group; instead in the second group 58,2 have earned the school-leaving certificate, 36,1 the bachelor's degree and only 5,1% a master's degree. Nevertheless, it can be said that the level of education is acceptable. Referring to the frequency of the purchase of the category (biscuits), in the first group we have a very similar percentage between people who are used to buying the product once a month (40,4) and those who are used to buying it once every two weeks (39,8); on the other hand, in the second sample shoppers purchase biscuits both once a month (29,7) and once every two weeks (41,1) and once a week (25,3). Despite the different behaviours of the consumers we can consider them comparable, also because this variable is not considered influential in the value creation towards the brand.

**Table 29. Characteristics of the sample: manufacturers' label**

|                             | %    |
|-----------------------------|------|
| <b><i>GENDER</i></b>        |      |
| Male                        | 33,7 |
| Female                      | 66,3 |
| <b><i>PROFESSION</i></b>    |      |
| Housewife                   | /    |
| Director/manager, executive | 0,6  |
| Unemployed                  | 1,8  |
| Employee, professor         | 12,7 |

|                                           |       |
|-------------------------------------------|-------|
| Workman, salesperson                      | 0,6   |
| Retired                                   | /     |
| Student                                   | 83,00 |
| Other/different                           | /     |
| <b>EDUCATION</b>                          |       |
| Second school certificate                 | 0,6   |
| School-leaving certificate                | 35,5  |
| Bachelor's degree                         | 49,4  |
| Master's degree                           | 13,9  |
| Other/different                           | 0,6   |
| <b>AGE</b>                                |       |
| Until 17                                  | /     |
| From 18 to 32                             | 91,6  |
| From 33 to 53                             | 4,8   |
| From 54 to 72                             | 3,6   |
| >72                                       | /     |
| <b>FREQUENCY OF BISCUITS<br/>PURCHASE</b> |       |
| Once a month                              | 40,4  |
| Once every two weeks                      | 39,8  |
| Once a week                               | 19,3  |
| Few times a week                          | 0,6   |

**Table 30. Characteristics of the sample: private label**

|                             |      |
|-----------------------------|------|
|                             | %    |
| <b>GENDER</b>               |      |
| Male                        | 35,4 |
| Female                      | 64,6 |
| <b>PROFESSION</b>           |      |
| Housewife                   | /    |
| Director/manager, executive | 0,6  |
| Unemployed                  | /    |

|                                           |      |
|-------------------------------------------|------|
| Employee, professor                       | 7,6  |
| Workman, salesperson                      | 0,6  |
| Retired                                   | /    |
| Student                                   | 90,5 |
| Other/different                           | 0,6  |
| <b>EDUCATION</b>                          |      |
| Second school certificate                 | /    |
| School-leaving certificate                | 58,2 |
| Bachelor's degree                         | 36,1 |
| Master's degree                           | 5,1  |
| Other/different                           | 0,6  |
| <b>AGE</b>                                |      |
| Until 17                                  | /    |
| From 18 to 32                             | 96,8 |
| From 33 to 53                             | 1,9  |
| From 54 to 72                             | 1,3  |
| >72                                       |      |
| <b>FREQUENCY OF BISCUITS<br/>PURCHASE</b> |      |
| Once a month                              | 29,7 |
| Once every two weeks                      | 41,1 |
| Once a week                               | 25,3 |
| Few times a week                          | 3,8  |

**Source: our elaboration**

## **5.2 Validity verification for both national brands and private labels**

The model developed has led to create a specific framework drawn on the review of the literature. Some of the hypotheses have already been tested during the past but referring to a different context or different sector. As a matter of fact, this is the first time that Keller's pyramid is tested on the manufacturer's context firstly, and then in the retailing one without changing the variables under consideration.

In doing so, a structural equation modeling has been run using Lisrel 8.80 as software.

All the constructs investigated are latent variables, thus there isn't a well-known unit of measurement because of the inability to observe them directly. For this reason, a different way is needed, and, in this study, we have decided to set the lambda parameter, which describes the relationship between the latent and the observed variable, to 1 in order to solve/fix the problem. And by doing so, the item representing the latent variable has become the unit of measurement.

In order to evaluate the validity of the model, we have decided to consider more than one index, in order to satisfy different requirements. It is well-known that the Chi-Square is often affected by the degree of freedom and the sample size. Table 31 and Table 32 display the indices which were considered.

**Table 31. Indices of goodness for both samples. Manufacturers**

| Name                                            | Value |
|-------------------------------------------------|-------|
| Chi square ( $X^2$ )                            | 2,2   |
| Root mean square error of approximation (RMSEA) | 0,07  |
| Non-normed fit index (NNF)                      | 0.96  |
| Normed fit index (NFI)                          | 0.95  |
| Comparative fit index (CFI)                     | 0.96  |

**Source: our elaboration**

**Table 32. Indices of goodness for both samples. Private label**

| Name                                            | Value |
|-------------------------------------------------|-------|
| Chi square ( $X^2$ )                            | 2,07  |
| Root mean square error of approximation (RMSEA) | 0,07  |
| Non-normed fit index (NNF)                      | 0,97  |
| Normed fit index (NFI)                          | 0,95  |
| Comparative fit index (CFI)                     | 0,97  |

**Source: our elaboration**

Chi-Square  $X^2$  is an absolute fit index and it can be considered as the traditional way for measuring and evaluating the overall model fit and according to Hu and Bentler (1999:2) it *“assesses the magnitude of discrepancy between the sample and fitted covariances*

*matrices*”. Nevertheless, it presents some issues, such as the assumptions on which the index is calculated as it assumes multivariate normality (Hooper, Coughlan and Mullen, 2008), in addition it is affected by the size of the sample and because it is a significant statistical test when the number of units increases, its value increases too (Hooper, Coughlan and Mullen, 2008). In order to avoid this problem, some researchers have developed different indices to exceed this limitation like the use of the Chi-Square divided by the degree of freedom, relative/normed chi-square ( $\frac{\chi^2}{df}$ ) by Wheaton et al. (1997). The threshold for accepting a good fit model is in a value  $>0.50$ , following the well-accepted recommendations by Wheaton et al. (1997) and Tabachnick and Fidell (2007) already done in the literature.

Another absolute fit index is the Root mean square error of approximation. We have decided to use it because, in the last years, it has been considered as one of the most informative fit indices (Diamantopoulos and Siguaw, 2000; Hooper et al., 2008). It describes how well the model would fit the populations covariance matrix, based on the choice of the parameter estimates done in an unknown but optimal way. Even if there is no consensus about the right value to indicate a good fit of the model, in recent years values close to 0.06 (Hu and Bentler, 1999) or an upper limit of 0.07 (Steiger, 2007) are considered acceptable. Furthermore, there is the opportunity to calculate a confidence interval around its value based on the known distribution values of the statistic. This latter point gives the chance to test the null hypothesis more precisely (McQuitty, 2004). When the model is good enough, its value varies in a range from 0 to 0.08.

Moreover, RMR and SRMR have been considered to evaluate the goodness fit of the model. Both of these represent the square root of the difference between the residuals of the sample covariance matrix and the hypothesised covariance model (Hooper et al., 2008). The reason why SRMR is easier to interpret is because the different levels of the scales are exceeded, thus it becomes more meaningful. In order to obtain a good fit, its value needs to be less than 0,05 (Byrne, 1998; Diamantopoulos and Siguaw, 2000). Nevertheless, also values as high as 0,080 are considered acceptable (Hu and Bentler, 1999).

In terms of incremental fit indices, in this study we have considered NFI and CFI. The first one works by comparing the  $\chi^2$  value of the model to the  $\chi^2$  of the null model. For a good fit, values greater than 0,90 are required, as recommended by Bentler and Bonnet (1990). In order to avoid the issue related to the sensitivity, the NNFI index or Tucker-Lewis index, can be taken into account. Since it is advisable to use it when the model is simple, sometimes, when the sample is bigger it could be possible to get discrepancy among it and the other

indices. Bentler and Hu (1999) have suggested to consider only values greater than or equal to 0,95.

Lastly, the CFI index was considered. It assumes that all latent variables are uncorrelated and compares the sample covariance matrix with the null model (Hooper et al., 2008). The cut-off is set higher or equal to 0,95. Sometimes, also a value higher than 0,90 is considered good. Moreover, it is not affected by the sample size, that's why it has gained popularity in this area.

Considering the fact that the assumption of multivariate normality is violated, the estimates have been calculated using the robust method developed by Satorra-Bentler (Satorra and Bentler, 1994).

All the parameters of the variables seem to be significant (Brown and Cudeck, 1993; Hu and Bentler, 1995); furthermore, almost all the values of the average variance extracted (AVE) and the composite reliability (CR) assume values considered acceptable proving the validity of the model.

Additionally, the indices of goodness of fit have been calculated and a very good adaptability of the model has been. Obviously, if more constructs should be considered, a higher adaptability could be achieved since the shoppers' behaviour and, thus the value creation towards the brand, is affected by a huge number of variables and dimensions.

Subsequently, the goodness of the model has been tested in two different steps: the measurement and the structural test.

Furthermore, also the normality of data needs to be tested. This is functional for choosing the most suitable estimation method in structural equation modeling, as suggested by Hair et al. (1995). When the values of univariate skewness indexes are higher than 3.0, they are considered extremely skewed, just like those with a kurtosis index higher than 8.

The estimation of the normality is violated; therefore the maximum likelihood estimation can't be applied in the structural equation modeling (when the normality is not respected another method must be used). The estimation method implemented, considered suitable to overstep this issue, is the robust method of Satorra-Bentler (Satorra&Bentler, 1994).

### **5.3 Measurement model: national brands and private labels**

In order to evaluate the psychometric properties of the scales, the confirmatory factor analysis with maximum likelihood has been implemented relying on/using the software Lisrel 8.80.

Given that the assumption of normality has not been satisfied, we have decided to use the indices of fit described in the previous paragraph. All of them have been calculated with the robust method by Satorra-Bentler (Satorra and Bentler, 1994).

The significance of the factor loadings, CR and AVE (Bagozzi and Heatherton 1994) have been considered and thus calculated in order to assess the convergent and the discriminant validity.

In order to take account of the validity of these indices the threshold values, recommended in the literature of reference, are 0,70 for the CR (Steenkamp and Van Trijp, 1991) and 0,50 for the AVE (Fornell and Larcker, 1981). In addition, for a greater discriminant validity, some researchers (Fornell and Larcker, 1981) have pointed out the needed for an AVE higher than the squared correlation of each couple of factors.

With regard to what explained above, the values found were acceptable with exception for two constructs, that is to say brand loyalty and brand awareness. Actually, the AVE was under the threshold expected, 0,33 for loyalty and 0,31 for awareness. This can be ascribed to the fact that measuring the awareness of a brand through a survey is not the best way and, sometimes people can misinterpret the meaning of the questions. Anyway, we have decided not to leave this construct because it is very important in the process of the value creation and also because other ways suitable to catch up with the awareness of a brand don't exist. On the other hand, the reason why brand loyalty got a very low score can be explained with the presence of the purchase intention. In fact, both are able to describe the consumer's behaviour in terms of repeated purchases and it is obvious that some similarities can occur. In addition, what we were measuring was the behavioural loyalty and not the attitudinal one, the part more similar to the shopper's purchase pattern. This happened because for the attitudinal side a concrete data, such as the sales data, are needed.

Despite this, since the CR has reached the value of 0,70 for all the constructs, we can consider the results admissible.

The table 33 and 34 show the values.

**Table 33. Average variance extracted (AVE) and composite reliability (CR) (private label)**

|                        | AVE  | CR   |
|------------------------|------|------|
| <b>BRAND AWARENESS</b> | 0,31 | 0,71 |
| <b>PERCEIVED VALUE</b> | 0,6  | 0,88 |
| <b>PERFORMANCE</b>     | 0,5  | 0,74 |

|                                  |      |      |
|----------------------------------|------|------|
| <b>LIFESTYLE-<br/>CONGRUENCE</b> | 0,84 | 0,94 |
| <b>PANAS</b>                     | 0,64 | 0,95 |
| <b>PERCEIVED QUALITY</b>         | 0,7  | 0,92 |
| <b>BRAND PERSONALITY</b>         | 0,65 | 0,87 |
| <b>BRAND TRUST</b>               | 0,71 | 0,95 |
| <b>BRAND LOYALTY</b>             | 0,33 | 0,70 |
| <b>PURCHASE INTENTION</b>        | 0,71 | 0,88 |

**Table 34. Average variance extracted (AVE) and composite reliability (CR) (national brand)**

|                                  | <b>AVE</b> | <b>CR</b> |
|----------------------------------|------------|-----------|
| <b>BRAND AWARENESS</b>           | 0,30       | 0,70      |
| <b>PERCEIVED VALUE</b>           | 0,50       | 0,81      |
| <b>PERFORMANCE</b>               | 0,54       | 0,78      |
| <b>LIFESTYLE-<br/>CONGRUENCE</b> | 0,86       | 0,95      |
| <b>PANAS</b>                     | 0,60       | 0,94      |
| <b>PERCEIVED QUALITY</b>         | 0,70       | 0,92      |
| <b>BRAND PERSONALITY</b>         | 0,63       | 0,87      |
| <b>BRAND TRUST</b>               | 0,76       | 0,96      |
| <b>BRAND LOYALTY</b>             | 0,35       | 0,73      |
| <b>PURCHASE INTENTION</b>        | 0,61       | 0,82      |

**Source: our elaboration**

#### **5.4 Structural analysis: findings**

The next step of the analysis is related to the measurement and the structural model.

In doing so, the indices of goodness of fit were tested. All of them have proved the adaptability of the model to the data (Private label's model:  $X^2=2402,646$ ;  $df=1159$ ;  $RMSEA=0,07$ ;  $NNFI=0,97$ ;  $NFI=0,95$ ;  $CFI=0,97$ . Manufacturer's model:  $X^2= 2613.027$ ;  $df=1159$ ;  $RMSEA=0,07$ ;  $NNFI=0,96$ ;  $NFI=0,95$ ;  $CFI=0,96$ ). In both contexts the model is able to explain more than the 0,30 of the variance, as required by the literature, hence it can be said that the brand equity can be described well by the constructs selected and its value and intensity depends on them.

All the standardized values coefficient are shown in the table 36.

Since the fit of the model is acceptable, we have tested the hypotheses expressed in the chapter. In the manufacturer's contexts all the hypotheses were proved, with exception for some sub-hypotheses of the HP8, specifically: the performance doesn't have a significant effect on brand trust, likewise the brand personality as social image; additionally there is not a meaningful relationship between brand trust and purchase intention. This latter is explained by the fact that the process is a sequential process and not a parallel one.

With regard to the private label's model, the hypotheses that are not significant are those connected with the emotional side of the Keller's pyramid. In fact, as hypothesized, even if retailer's brand can be considered as a fully-fledged brand, the dimensions able to explain the emotions of the shoppers, are not yet fully developed. Also in this case, the HP9 is not significant.

**Table 35. Hypothesis for private and national brands**

| <b>HYPOTHESIS</b> | <b>STATEMENT</b>                                                                                                                                                                                                                  | <b>PRIVATE LABEL</b> | <b>NATIONAL BRAND</b> |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|
| H1                | Customer-based brand equity is proposed as a multi-dimensional construct including brand awareness, perceived quality, performance, perceived quality, lifestyle-congruence, brand personality, panas, brand trust, brand loyalty | Confirmed            | Confirmed             |
| H2                | There is a positive and direct relationship between brand awareness and perceived quality                                                                                                                                         | Significant          | Significant           |
| H3                | There is a positive and direct relationship between brand awareness and performance                                                                                                                                               | Significant          | Significant           |
| H4                | There is a positive and direct relationship between brand awareness and perceived quality                                                                                                                                         | Significant          | Significant           |

|                       |                                                                                                                                                                       |                 |                 |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| H5                    | There is a positive and direct relationship between brand awareness and lifestyle-congruence                                                                          | Significant     | Significant     |
| H6                    | There is a positive and direct relationship between brand awareness and brand personality                                                                             | Significant     | Significant     |
| H7                    | There is a positive and direct relationship between brand awareness and panas                                                                                         | Significant     | Significant     |
| H8                    | There is a positive and direct relationship between perceived quality, performance, perceived quality, lifestyle-congruence, brand personality, panas and brand trust | Confirmed       | Confirmed       |
| <i>H8<sub>a</sub></i> | There is a positive and direct relationship between perceived value and brand trust                                                                                   | Significant     | Significant     |
| <i>H8<sub>b</sub></i> | There is a positive and direct relationship between performance and brand trust                                                                                       | Significant     | Not significant |
| <i>H8<sub>c</sub></i> | There is a positive and direct relationship between lifestyle-congruence and brand trust                                                                              | Not significant | Significant     |
| <i>H8<sub>d</sub></i> | There is a positive and direct relationship between brand personality and brand trust                                                                                 | Not significant | Not Significant |
| <i>H8<sub>e</sub></i> | There is a positive and direct relationship between panas and brand trust                                                                                             | Not significant | Significant     |

|        |                                                                                                   |                 |                 |
|--------|---------------------------------------------------------------------------------------------------|-----------------|-----------------|
| $H8_f$ | There is a positive and direct relationship between perceived quality and brand trust             | Significant     | Significant     |
| H9     | There is a positive and direct relationship between brand trust and brand loyalty                 | Significant     | Significant     |
| H10    | There is a positive and direct relationship between brand loyalty and purchase intention          | Significant     | Significant     |
| H11    | There is a positive/negative and indirect relationship between brand awareness and brand trust    | Not significant | Not significant |
| H12    | There is a positive/negative and indirect relationship between brand awareness and brand loyalty  | Not significant | Not significant |
| H13    | There is a positive/negative and indirect relationship between brand trust and purchase intention | Not significant | Not significant |

**Source: our elaboration**

Since the indices of both models are acceptable, it can be said that the Keller's pyramid, and more especially the Keller's brand equity model can be considered as a suitable tool to measure the value created through a brand. What emerges from the findings is the strong differences between these two kinds of brands in terms of functional and emotional features. So, for the manufactures, as hypothesized in the previous chapters, the side that appears to be stronger is the right one, that is the emotions; on the other hand, for retailers, the functional characteristics are still the most important and those that the customers are considering predominant.

As a proof, brand awareness, for both the shoppers part of the retailers' sample and national's sample has a direct and positive impact on perceived value, performance, lifestyle-congruence, panas, brand personality and perceived quality confirming H1 (national brands:  $\beta$  brand awareness on perceived value = 0,6;  $\beta$  brand awareness on performance = 0,9;  $\beta$  brand awareness on lifestyle-congruence = 0,5;  $\beta$  brand awareness on brand personality =

0,6;  $\beta$  brand awareness on panas = 0,5;  $\beta$  brand awareness on perceived quality = 0,8). private label:  $\beta$  brand awareness on perceived value = 0,5;  $\beta$  brand awareness on performance = 0,9;  $\beta$  brand awareness on lifestyle-congruence = 0,8;  $\beta$  brand awareness on brand personality = 0,8;  $\beta$  brand awareness on panas = 0,6;  $\beta$  brand awareness on perceived quality = 0,7).

This shows that the process can't start without the awareness of a brand. Furthermore, the insignificant relationship between brand awareness and brand trust, thus the absence of a direct effect, is explained by Keller (1993), who pointed out the need to respect a sequence of steps where the satisfaction of the first is obliged to reach the following. Indeed, the H11 is not significant.

What appears is a clear success of the emotional side of the pyramid for national brands. Actually, lifestyle-congruence and panas are significant only in the manufacturer context ( $\beta=0,10$ ;  $\beta=0,10$ ). Otherwise, performance is significant only for private label ( $\beta=0,39$ ), and none of the emotional constructs are significant, meaning that the customers don't evaluate and feel emotions when they are assessing private label. For this reason, it can be said that the functional characteristics are still paramount even if retailer's brands are increasing their value and changing their shape.

The hypothesis that the construct related to the third block of the pyramid has a direct and positive impact on brand loyalty is confirmed. Sure enough, in both models the relationship is significant and the intensity is not negligible ( $\beta$  private label=0,6;  $\beta$  manufacturers =0,75). The higher value got by the national brands can be ascribed to the fact that these brands have a longer history and a long presence on the market, and they are often available for a long time. Additionally, it is logical to consider that the differences appeared in the scores of the constructs linked to the second block are explained by the dimensions standing for the feelings of the consumers. The higher the emotions, the higher the strength of the relation and the impact on brand loyalty.

What is not significant is the effect of the brand trust on the purchase intention, in fact, as previously pointed out, being a sequential model, indirect effects among variables are not expected. In addition, a relationship of this nature should be underling a different interpretation of the importance of the variables. Indeed, following the Keller's approach, loyalty can be created only if trust is "present". Since both brands must consider that, in both contexts this situation is expected to happen.

Reaching the top of the pyramid, meaning the purchase intention, an overlap between brand loyalty and this latter construct has occurred in the manufacturers' context. It is reasonable to assume that this can happen when the loyalty is a behavioural loyalty and the thought in

the shopper's mind is very similar to the intention to buy a product or brand. Also, in the retailer context the intensity of the relationship between these two variables is very high, and the reasons explaining this phenomenon are those just described above ( $\beta$  private label=0,9;  $\beta$  manufacturers =0,99). In order to get more generalisable results, what a researcher could do is to remove purchase intention variable from the model, conferring all the meaning to brand loyalty. Furthermore, a more experimental method is needed. So, to understand the consumers' behaviour fully, concrete data, such as sales data, are needed and should be more useful.

In conclusion, it can be said that also a private label can be considered as a fully-fledged brand as suggested in the literature, but what is different is the importance and the intensity that the constructs assume in the consumers' mind. Sure enough, there is still a higher relevance of the emotional side in national brands and the highest intensity in the retailer context is focused on the functional dimensions. This can be explained by the nature and the way in which these brands have been developed and, above all, the reason why people are, more often, inclined to purchase them. They are able to satisfy both a demand for lower prices and a quality-experience need.

A key role is conducted by trust. This concept can be created by the emotions, but by the functional characteristics as well. When all the dimensions belonging to the second block of the process are satisfied, a higher level of trust takes place.

**Table 36. The coefficients of the models**

| <b>HYPOTHESIS</b> | <b>STATEMENT</b>                                                                                                                                                                                | <b>PRIVATE LABEL</b> | <b>NATIONAL BRAND</b> | <b>B PL</b> | <b>B NB</b> |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|-------------|-------------|
| H1                | Customer-based brand equity is proposed as a multi-dimensional construct including brand awareness, perceived quality, performance, perceived quality, lifestyle-congruence, brand personality, | Confirmed            | Confirmed             | /           | /           |

|    |                                                                                                          |             |             |     |     |
|----|----------------------------------------------------------------------------------------------------------|-------------|-------------|-----|-----|
|    | panas, brand trust,<br>brand loyalty                                                                     |             |             |     |     |
| H2 | There is a positive and<br>direct relationship<br>between brand<br>awareness and<br>perceived value      | Significant | Significant | 0,5 | 0,6 |
| H3 | There is a positive and<br>direct relationship<br>between brand<br>awareness and<br>performance          | Significant | Significant | 0,9 | 0,9 |
| H4 | There is a positive and<br>direct relationship<br>between brand<br>awareness and<br>perceived quality    | Significant | Significant | 0,7 | 0,8 |
| H5 | There is a positive and<br>direct relationship<br>between brand<br>awareness and<br>lifestyle-congruence | Significant | Significant | 0,8 | 0,5 |
| H6 | There is a positive and<br>direct relationship<br>between brand<br>awareness and brand<br>personality    | Significant | Significant | 0,8 | 0,6 |
| H7 | There is a positive and<br>direct relationship<br>between brand<br>awareness and panas                   | Significant | Significant | 0,6 | 0,5 |
| H8 | There is a positive and<br>direct relationship<br>between perceived                                      | Confirmed   | Confirmed   | /   | /   |

|        |                                                                                                         |                 |                 |      |      |
|--------|---------------------------------------------------------------------------------------------------------|-----------------|-----------------|------|------|
|        | quality, performance, perceived quality, lifestyle-congruence, brand personality, panas and brand trust |                 |                 |      |      |
| $H8_a$ | There is a positive and direct relationship between perceived value and brand trust                     | Significant     | Significant     | 0,13 | 0,13 |
| $H8_b$ | There is a positive and direct relationship between performance and brand trust                         | Significant     | Not significant | 0,39 | /    |
| $H8_c$ | There is a positive and direct relationship between lifestyle-congruence and brand trust                | Not significant | Significant     | /    | 0,10 |
| $H8_d$ | There is a positive and direct relationship between brand personality and brand trust                   | Not significant | Not Significant | /    | /    |
| $H8_e$ | There is a positive and direct relationship between panas and brand trust                               | Not significant | Significant     | /    | 0,1  |
| $H8_f$ | There is a positive and direct relationship between perceived quality and brand trust                   | Significant     | Significant     | 0,65 | 0,87 |
| H9     | There is a positive and direct relationship                                                             | Significant     | Significant     | 0,6  | 0,75 |

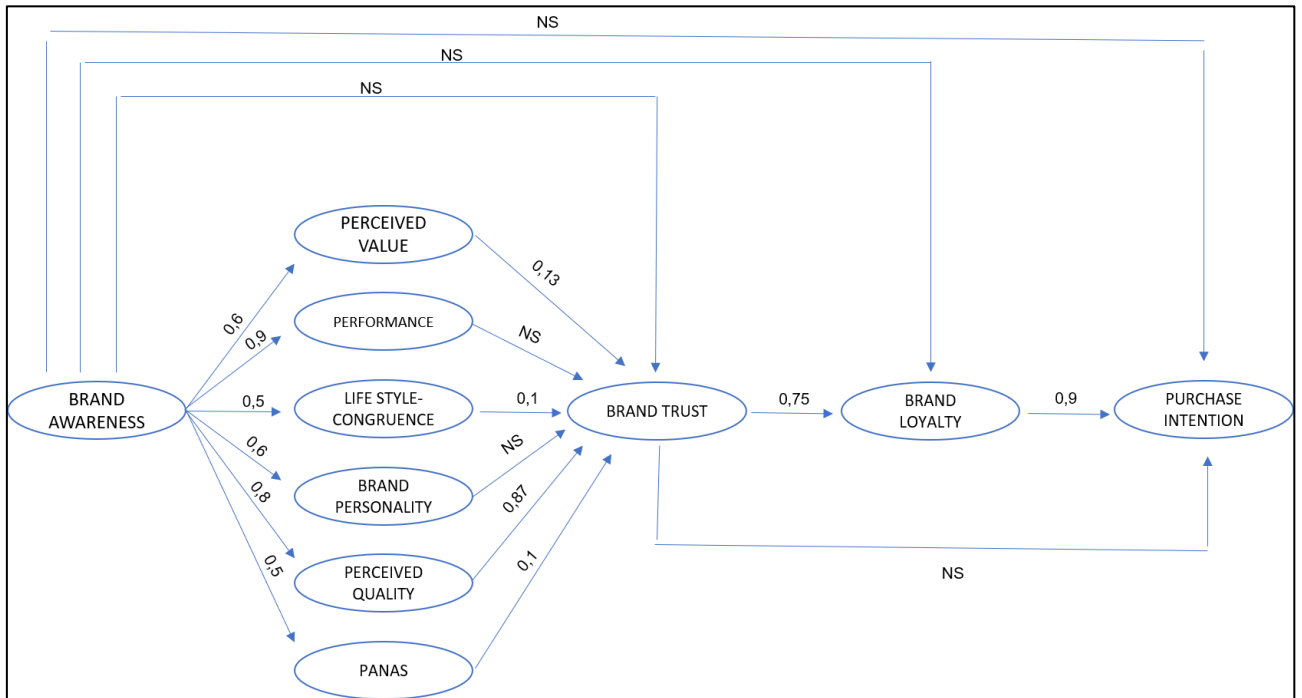
|     |                                                                                                   |                 |                 |     |      |
|-----|---------------------------------------------------------------------------------------------------|-----------------|-----------------|-----|------|
|     | between brand trust and brand loyalty                                                             |                 |                 |     |      |
| H10 | There is a positive and direct relationship between brand loyalty and purchase intention          | Significant     | Significant     | 0,9 | 0,99 |
| H11 | There is a positive/negative and indirect relationship between brand awareness and brand trust    | Not significant | Not significant | /   | /    |
| H12 | There is a positive/negative and indirect relationship between brand awareness and brand loyalty  | Not significant | Not significant | /   | /    |
| H13 | There is a positive/negative and indirect relationship between brand trust and purchase intention | Not significant | Not significant | /   | /    |

**Source: our elaboration**

Table 36 shows the values of  $\beta$  for private label and national brands.

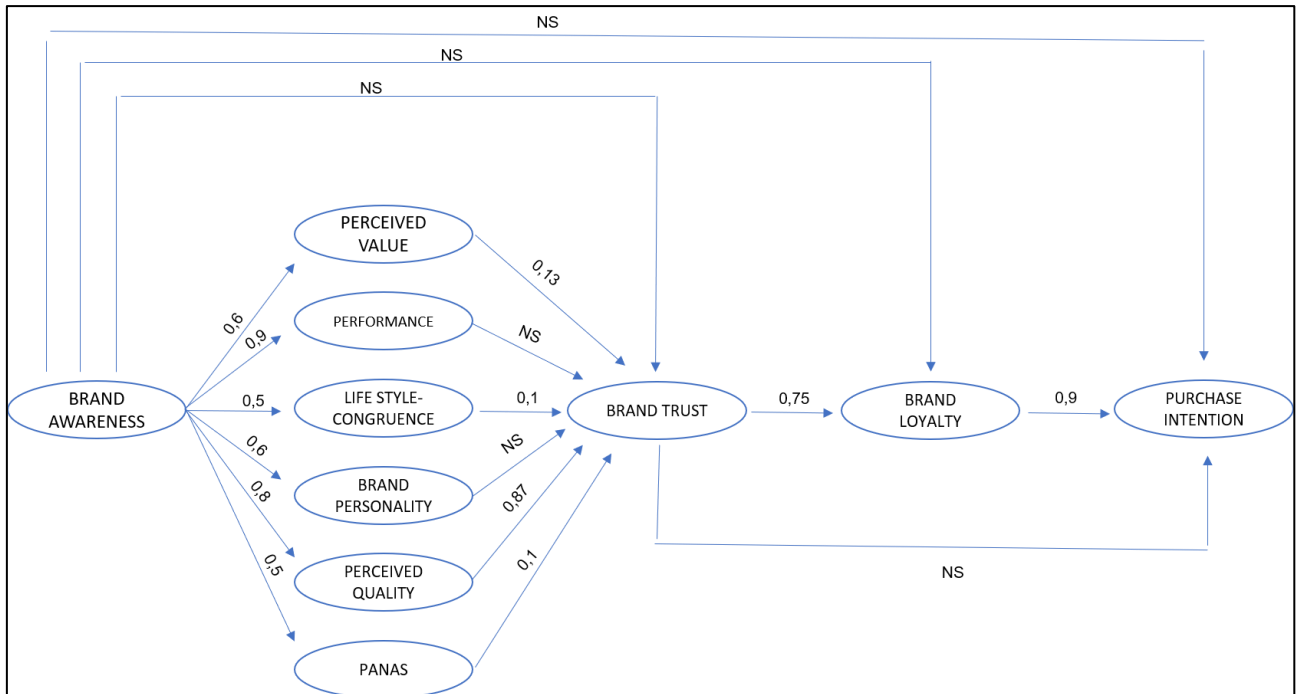
The only variable that does not have significant effect on brand trust is, in both models, the brand personality as social image. This can be explained by the fact that the deep meaning of this concept is not easy to condense in a simple question within a survey. Moreover, this kind of exercise would have been easier if the category of reference had been fashion and, or luxury because for the consumers the identification with the brand and its values would have been simpler.

**Figure 14 – Model estimation (National brand)**



$X^2 = 2613.027$ ;  $df = 1159$ ;  $RMSEA = 0.07$ ;  $NNFI = 0.96$ ;  $NFI = 0.95$ ;  $CFI = 0.96$

**Figure 15 - Model estimation (Private label)**



$X^2 = 2402.646$ ;  $df = 1159$ ;  $RMSEA = 0.07$ ;  $NNFI = 0.97$ ;  $NFI = 0.95$ ;  $CFI = 0.97$ .

**Source: our elaboration**

**Table 37. Factor loading values (national brand)**

|            | <b>PVAL<br/>UE</b> | <b>PER<br/>F</b> | <b>LS<br/>C</b> | <b>BPE<br/>RS</b> | <b>PAN<br/>AS</b> | <b>PQUA<br/>L</b> | <b>BTRU<br/>ST</b> | <b>BLO<br/>Y</b> | <b>PIN<br/>T</b> | <b>BA<br/>W</b> |
|------------|--------------------|------------------|-----------------|-------------------|-------------------|-------------------|--------------------|------------------|------------------|-----------------|
| <b>X1</b>  | 0,844              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X2</b>  | 0,535              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X3</b>  | 0,698              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X4</b>  | 0,713              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X5</b>  | 0,576              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X6</b>  |                    | 0,609            |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X7</b>  |                    | 0,769            |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X8</b>  |                    | 0,666            |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X9</b>  |                    |                  | 0,927           |                   |                   |                   |                    |                  |                  |                 |
| <b>X10</b> |                    |                  | 0,938           |                   |                   |                   |                    |                  |                  |                 |
| <b>X11</b> |                    |                  | 0,914           |                   |                   |                   |                    |                  |                  |                 |
| <b>X12</b> |                    |                  |                 | 0,889             |                   |                   |                    |                  |                  |                 |
| <b>X13</b> |                    |                  |                 | 0,740             |                   |                   |                    |                  |                  |                 |
| <b>X14</b> |                    |                  |                 | 0,563             |                   |                   |                    |                  |                  |                 |
| <b>X15</b> |                    |                  |                 | 0,937             |                   |                   |                    |                  |                  |                 |
| <b>X16</b> |                    |                  |                 |                   | 0,643             |                   |                    |                  |                  |                 |
| <b>X17</b> |                    |                  |                 |                   | 0,737             |                   |                    |                  |                  |                 |

|                 |  |  |  |  |       |       |       |  |  |  |
|-----------------|--|--|--|--|-------|-------|-------|--|--|--|
| <b>X1<br/>8</b> |  |  |  |  | 0,808 |       |       |  |  |  |
| <b>X1<br/>9</b> |  |  |  |  | 0,811 |       |       |  |  |  |
| <b>X2<br/>0</b> |  |  |  |  | 0,823 |       |       |  |  |  |
| <b>X2<br/>1</b> |  |  |  |  | 0,631 |       |       |  |  |  |
| <b>X2<br/>2</b> |  |  |  |  | 0,830 |       |       |  |  |  |
| <b>X2<br/>3</b> |  |  |  |  | 0,858 |       |       |  |  |  |
| <b>X2<br/>4</b> |  |  |  |  | 0,755 |       |       |  |  |  |
| <b>X2<br/>5</b> |  |  |  |  | 0,800 |       |       |  |  |  |
| <b>X2<br/>6</b> |  |  |  |  |       | 0,866 |       |  |  |  |
| <b>X2<br/>7</b> |  |  |  |  |       | 0,847 |       |  |  |  |
| <b>X2<br/>8</b> |  |  |  |  |       | 0,852 |       |  |  |  |
| <b>X2<br/>9</b> |  |  |  |  |       | 0,861 |       |  |  |  |
| <b>X3<br/>0</b> |  |  |  |  |       | 0,775 |       |  |  |  |
| <b>X3<br/>1</b> |  |  |  |  |       |       | 0,884 |  |  |  |
| <b>X3<br/>2</b> |  |  |  |  |       |       | 0,914 |  |  |  |
| <b>X3<br/>3</b> |  |  |  |  |       |       | 0,858 |  |  |  |

|                 |  |  |  |  |  |  |       |       |           |      |
|-----------------|--|--|--|--|--|--|-------|-------|-----------|------|
| <b>X3<br/>4</b> |  |  |  |  |  |  | 0,865 |       |           |      |
| <b>X3<br/>5</b> |  |  |  |  |  |  | 0,871 |       |           |      |
| <b>X3<br/>6</b> |  |  |  |  |  |  | 0,870 |       |           |      |
| <b>X3<br/>7</b> |  |  |  |  |  |  | 0,824 |       |           |      |
| <b>X3<br/>8</b> |  |  |  |  |  |  |       | 0,6   |           |      |
| <b>X3<br/>9</b> |  |  |  |  |  |  |       | 0,678 |           |      |
| <b>X4<br/>0</b> |  |  |  |  |  |  |       | 0,653 |           |      |
| <b>X4<br/>1</b> |  |  |  |  |  |  |       | 0,57  |           |      |
| <b>X4<br/>2</b> |  |  |  |  |  |  |       | 0,45  |           |      |
| <b>X4<br/>3</b> |  |  |  |  |  |  |       |       | 0,77<br>9 |      |
| <b>X4<br/>4</b> |  |  |  |  |  |  |       |       | 0,80<br>9 |      |
| <b>X4<br/>5</b> |  |  |  |  |  |  |       |       | 0,75      |      |
| <b>X4<br/>6</b> |  |  |  |  |  |  |       |       |           | 0,55 |
| <b>X4<br/>7</b> |  |  |  |  |  |  |       |       |           | 0,43 |
| <b>X4<br/>8</b> |  |  |  |  |  |  |       |       |           | 0,6  |
| <b>X4<br/>9</b> |  |  |  |  |  |  |       |       |           | 0,55 |

|            |  |  |  |  |  |  |  |  |  |      |
|------------|--|--|--|--|--|--|--|--|--|------|
| <b>X50</b> |  |  |  |  |  |  |  |  |  | 0,55 |
|------------|--|--|--|--|--|--|--|--|--|------|

Source: our elaboration

**Table 38. Factor loading values (private label)**

|            | <b>PVAL<br/>UE</b> | <b>PER<br/>F</b> | <b>LS<br/>C</b> | <b>BPE<br/>RS</b> | <b>PAN<br/>AS</b> | <b>PQUA<br/>L</b> | <b>BTRU<br/>ST</b> | <b>BLO<br/>Y</b> | <b>PIN<br/>T</b> | <b>BA<br/>W</b> |
|------------|--------------------|------------------|-----------------|-------------------|-------------------|-------------------|--------------------|------------------|------------------|-----------------|
| <b>X1</b>  | 0,825              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X2</b>  | 0,734              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X3</b>  | 0,739              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X4</b>  | 0,749              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X5</b>  | 0,800              |                  |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X6</b>  |                    | 0,617            |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X7</b>  |                    | 0,847            |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X8</b>  |                    | 0,567            |                 |                   |                   |                   |                    |                  |                  |                 |
| <b>X9</b>  |                    |                  | 0,898           |                   |                   |                   |                    |                  |                  |                 |
| <b>X10</b> |                    |                  | 0,935           |                   |                   |                   |                    |                  |                  |                 |
| <b>X11</b> |                    |                  | 0,914           |                   |                   |                   |                    |                  |                  |                 |
| <b>X12</b> |                    |                  |                 | 0,923             |                   |                   |                    |                  |                  |                 |
| <b>X13</b> |                    |                  |                 | 0,778             |                   |                   |                    |                  |                  |                 |
| <b>X14</b> |                    |                  |                 | 0,493             |                   |                   |                    |                  |                  |                 |
| <b>X15</b> |                    |                  |                 | 0,946             |                   |                   |                    |                  |                  |                 |

|                 |  |  |  |  |       |       |       |  |  |  |
|-----------------|--|--|--|--|-------|-------|-------|--|--|--|
| <b>X1<br/>6</b> |  |  |  |  | 0,713 |       |       |  |  |  |
| <b>X1<br/>7</b> |  |  |  |  | 0,827 |       |       |  |  |  |
| <b>X1<br/>8</b> |  |  |  |  | 0,839 |       |       |  |  |  |
| <b>X1<br/>9</b> |  |  |  |  | 0,829 |       |       |  |  |  |
| <b>X2<br/>0</b> |  |  |  |  | 0,853 |       |       |  |  |  |
| <b>X2<br/>1</b> |  |  |  |  | 0,650 |       |       |  |  |  |
| <b>X2<br/>2</b> |  |  |  |  | 0,842 |       |       |  |  |  |
| <b>X2<br/>3</b> |  |  |  |  | 0,822 |       |       |  |  |  |
| <b>X2<br/>4</b> |  |  |  |  | 0,772 |       |       |  |  |  |
| <b>X2<br/>5</b> |  |  |  |  | 0,812 |       |       |  |  |  |
| <b>X2<br/>6</b> |  |  |  |  |       | 0,830 |       |  |  |  |
| <b>X2<br/>7</b> |  |  |  |  |       | 0,751 |       |  |  |  |
| <b>X2<br/>8</b> |  |  |  |  |       | 0,864 |       |  |  |  |
| <b>X2<br/>9</b> |  |  |  |  |       | 0,918 |       |  |  |  |
| <b>X3<br/>0</b> |  |  |  |  |       | 0,762 |       |  |  |  |
| <b>X3<br/>1</b> |  |  |  |  |       |       | 0,881 |  |  |  |

|         |  |  |  |  |  |  |       |       |           |           |
|---------|--|--|--|--|--|--|-------|-------|-----------|-----------|
| X3<br>2 |  |  |  |  |  |  | 0,915 |       |           |           |
| X3<br>3 |  |  |  |  |  |  | 0,818 |       |           |           |
| X3<br>4 |  |  |  |  |  |  | 0,845 |       |           |           |
| X3<br>5 |  |  |  |  |  |  | 0,849 |       |           |           |
| X3<br>6 |  |  |  |  |  |  | 0,842 |       |           |           |
| X3<br>7 |  |  |  |  |  |  | 0,748 |       |           |           |
| X3<br>8 |  |  |  |  |  |  |       | 0,532 |           |           |
| X3<br>9 |  |  |  |  |  |  |       | 0,599 |           |           |
| X4<br>0 |  |  |  |  |  |  |       | 0,726 |           |           |
| X4<br>1 |  |  |  |  |  |  |       | 0,722 |           |           |
| X4<br>2 |  |  |  |  |  |  |       | 0,229 |           |           |
| X4<br>3 |  |  |  |  |  |  |       |       | 0,87<br>2 |           |
| X4<br>4 |  |  |  |  |  |  |       |       | 0,82<br>7 |           |
| X4<br>5 |  |  |  |  |  |  |       |       | 0,81<br>1 |           |
| X4<br>6 |  |  |  |  |  |  |       |       |           | 0,56<br>1 |
| X4<br>7 |  |  |  |  |  |  |       |       |           | 0,5       |

|                 |  |  |  |  |  |  |  |  |  |           |
|-----------------|--|--|--|--|--|--|--|--|--|-----------|
| <b>X4<br/>8</b> |  |  |  |  |  |  |  |  |  | 0,63<br>7 |
| <b>X4<br/>9</b> |  |  |  |  |  |  |  |  |  | 0,56<br>5 |
| <b>X5<br/>0</b> |  |  |  |  |  |  |  |  |  | 0,45      |

**Source: our elaboration**



## CHAPTER 6

### CONCLUSIONS

#### 6.1 Summary of the work and discussion of the findings

Over the years, branding has gained attention from scholars and managers. According to some authors (Ambler 2003; Davis, 2000), brand is an intangible, market-based asset and provides a rich understanding of marketing performance, reconciling short and long-term activities, and as an intangible asset, it represents a more suitable competitive advantage (Hunt & Morgan, 1995). However, in the grocery context, a model brand that is increasingly chosen by the consumers is represented by private label. Indeed, since 1976, several generations of retailer brands have emerged (Kumar & Steenkamp, 2007; Laaksonen & Reynolds, 1994; Wileman & Jary, 1997) differentiating retailers, including their tangible and intangible values and symbols (Jara & Ferrandi, 2017). The retail context has significantly changed in the last few years. Indeed, retailers, all over the world, have started to introduce different variants of private labels. Players, like Tesco, Sainsbury's, Lidl have launched premium lines (Tesco Finest, Sainsbury's taste the difference, Lidl Deluxe and so on) with the purpose to gain a competitive advantage relying on the new customers' needs and preferences. Nowadays, people are changing their choices in terms of both format stores and brands. More and more frequently, consumers buy healthy products, free from products, gluten free, vegetarian or vegan products. Unlike the past, increasing purchases are converging on retailer's brand and the customers show a greater satisfaction based on quality, price, ethic, sustainability, innovation perception compared to those of manufacturers.

Although it is clear that retailers are brands, the measurement of their equity has been treated differently: as retailer equity (Londoño, et al., 2016). Retailer brands are typically more multi-sensory in nature than product brands and can rely on rich consumer experiences to impact on their equity (Ailawadi & Keller, 2004).

According to Ailawadi and Keller (2004), Lodono et al., (2016) customer-based retail brand equity involves a "shortcut" in the minds of consumers that recalls from memory the most salient elements of satisfaction from past shopping experiences and goods purchased, which in turn influences future patronage and minimises the potential influence of competitor efforts.

Given its highly competitive nature, branding can be essential in retailing industry in influencing customer perception, as well as in motivating store choices and loyalty (Ailawadi & Keller, 2004; Hartman & Spiro, 2005; Swoboda, et al., 2016). Thus, retailers increasingly

aim to position their chains in the consumers' minds as strong, attractive and unique brands (Ailawadi & Keller, 2004; Verhoef et al., 2002; Swoboda et al., 2013).

Up to now, the attention has been focused on the national brand, but retail brand equity has increasingly garnered interest in recent literature (Grewal et al., 2004; Hartman & Spiro, 2005; Jinfeng & Zhilong, 2009; Burt & Davies, 2010) and the rise of the retailer as a brand is one of the most important trends in retailing (Grewal et al., 2004).

Despite some practitioners and marketing researchers (Kramer, 1999; Keller, 1998) have suggested that, like brands, retailers possess equity and claim that branding and brand management principles could be applied to retail branding (Ailawadi & Keller, 2004; Pappu & Quester, 2006), the evidence is still missing. Moreover, some of them are trying to measure retail brand equity but attempts at measuring it have been scarce and recent. Indeed, there is a lack of clarity about the nature and dimensionality of retail brand equity (Pappu & Quester, 2006b) and literature does not provide any empirical evidence supporting the structural similarity of retailer equity and brand equity, but for marketers examine whether the retailer equity structure mirrors that of the brand equity (Pappu & Quester, 2006b) has been become crucial. Therefore, it is necessary to investigate the retail brand equity and understand in depth the main factors affecting it and how to measure it.

In addition to investigate whether the private label equity has the same structure as national brand equity, it wants to investigate and identify the most influential variables in the model. This is why, once that the model has been validated in the manufacturer context, it has also been tested in the retail sector maintaining the same dimensions.

The commitment toward this theme originates from the huge importance that private labels are fulfilling in recent years, as described above and in the previous chapters. Furthermore, since understanding the reasons why consumers are more willing to buy this new type of brand has become an absolute imperative and could help manufacturers in managing both their strategies and resources in a better way, a thorough analysis is required. As a matter of fact, comprehending the key determinants of the value creation will become an essential prerequisite for companies in order to gain more and more shoppers in a very complex and competitive market, even in the face of structural changes and the affirmation of new way of shopping.

Moreover, also in an omnichannel point of view, firms must be able to identify the differences in the consumer's behaviour and path of purchase to create a more effective strategy focused on the extent of importance of the dimensions involved in the brand equity process/development.

The value creation through the brand has been investigated with the proposal of a model grounded on Keller's (1993, 1996) theory and his simplification, identified as a pyramid. After a very thorough literature review, where the most important contributions have been considered and reviewed (as described and summarized in the previous chapters), it has been decided to create a new model in which all the dimensions of Keller's conceptualisation have been evaluated/contemplated. In addition, related to the double aim of the study, also the retailer brand equity literature has been contemplated and from that, the most influential works have been considered as reference points in the model development.

Specifically, the following constructs have been taken into account: brand awareness, perceived value, performance, life-style congruence, brand personality as social image, brand personality, perceived quality, brand trust, brand loyalty and purchase intention. It should be noted that all ten constructs have been proposed in both contexts, private and national brands. This because, in order to assert whether retailer's brand is a fully-fledged brand, the model must be the same.

What comes to light is that both brands share the same structure, since the model results acceptable in both contexts. Anyway, there are some significant differences in terms of the weight of each variable. For example, when the consumers evaluate private brands seems not to be influenced from the more affective side of the brain, that is the right side of the Keller's pyramid. In other words, even if the retailer's brands can be considered fully-fledged brands, the core of their value is not yet the emotions. This can be explained by the fact that they were born with the aim to give the shoppers a better price alternative.

As a matter of fact, the variables that weren't significant were lifestyle-congruence and the brand personality as social image representing the second level of the pyramid and more specifically the emotional side of the process. On the other hand, for the manufacturers the performance and the brand personality as social image were not significant underlying the more emotional nature of this type of brand. Moreover, it can be said that in both contexts brand personality is not able to explain the value creation since the consumers evaluate it as a dimension of secondary importance. Based on this finding, companies aiming to create value through their brands, should avoid investing too many resources on this dimension focusing on different variables suitable to transfer to the customers specific characteristics linked with their lifestyle and more especially more similar to it.

As assumed in the aforementioned chapters and grounded on the current literature, the indirect relationships are not significant. This is the proof that in order to establish/produce real value there is the need to satisfy sequential and well-defined steps, meaning that the

development of loyalty depends on the creation of brand trust which in turn originates from the rise of the previous dimensions. Once again, this reflects the conceptualisation made by Keller (2001) according to which the value creation (brand equity) is a sequential process and not a parallel one (Aaker, 1991). It should be underlined that following Aaker's description, all the variables assume the same level of importance and this would mean that brand equity should be developed also in the case of absence of brand awareness (the first block of the pyramid). On the other hand, the findings of this study highlight the need to build the brand step by step observing all the stages very strictly.

Moreover, the same results take place in both contexts reinforcing the framework of reference. In other words, regardless the type of brand, private label or national brand, the customers can trust a brand, hence a company, only if they know it, and if the functional and emotional features are satisfied. Obviously, the weight of each variable, both the right and left side of the pyramid, will depend on the strategies and the ability that the company has had over the years. Sometimes, not necessarily a very high extent of some dimensions will always translate in sales, in fact, there is the need to supervise the competitive scenario both for understanding the changes and the new challenges and also because people don't always do what they have said. It means, that a brand can be evaluated very high at a given time and then goes through changes leading to a worst perception in the consumers' mind. That's why supervision is a key point in the brand building process. It could happen that, because of the changes in the target market, also the shoppers' preferences and needs may switch. An example can be the growing demand for organic and healthy products. This has affected not only the product as such, but also the values at the heart of the strategy.

In addition, the findings show that the brand awareness has a significant effect on all the variables of the second block, on either the sides, named brand image. Indeed, this is a proof that if a company wants to develop brand equity, it must spread awareness as a first step, in other words people need to know the availability of the brand on the market and they have to know both the value proposition and the promise behind the offer. Once that the customer knows about the product/brand, he/she will be able to assess whether the proposition matches with his/her request, otherwise it could represent a missed sale just because is not part of its consideration set.

It should be pointed out that not all the relationships have the same intensity, and this can represent a useful highlight for companies. This because depending on the intensity of the link the firm's decision and investment can change. Anyway, even a weak relationship can imply an opportunity for the retailer who could focus on it and develop a better consumer

experience based on a growth in the emotions and, at the same time, increase the score of the dimensions standing for this concept.

The dimension that seems to represent a pivotal role is brand trust, either for retailers and manufacturers: a very strong relationship has been found, meaning a strong need for transparency and integrity. The brand building process can be implemented only if the person who is offering the product is trusted, even more so today in a competitive scenario where people are able to speak to each other and they own all the tools suitable to recognize whether the proposition is believable or not. Additionally, with the increase/growth of the use of social network, shoppers are more willing to trust in other shoppers than in the communication made by the company itself. Thus, retailers and manufacturers must be capable to take advantage from all the touchpoints and not underestimate the potential of the word of mouth (representing a more believable tool) in creating equity for the brand.

In the model there are two dimensions that show a very high relationship, that are brand loyalty and purchase intention. This can be explained by the fact that in this study we have taken into account loyalty of the behavioural kind, consequently these two dimensions are very similar. In addition, as hypothesized in the previous chapters, to a greater loyalty corresponds, obviously, a greater intention to buy. Unfortunately, with the survey it is not possible to test the real and concrete behaviour of the shoppers in terms of purchases, but only their intention. In order to overtake this issue, an experiment could be a good confirmation.

In conclusion, it can be said that the choice that we made at the beginning of this research, of distinguishing two different parts of the pyramid identifying them in emotional and functional is reasonable. In fact, depending on the kind of brand, one side weighs more than the other, as a consumers' reaction to the different strategies implemented by the players, and it represents a very important highlight to rise the brand value. Moreover, depending on the aim of the company, each of the variables involved in the process will be stressed more or less, leading to a different offer/proposition for the shoppers. It is very important that a firm identifies some core variables keeping them as a fixed feature upon which to focus the whole strategy changing the other according to the behavioural changes of the shoppers that take place in the target market.

Adopting a more general point of view, it seems logical to think not only to the brand itself and its strategies, but also in terms of other marketing levers. For example, once that a retailer has understood that the core dimensions of the private label are more functional, it must try to transfer them in the shop using a right and coherent communication, otherwise all the

previous exertions will prove to be pointless. Obviously, in an omnichannel context, even the activities implemented online must be consistent with the main strategy, obviously by making some adaptations to this different context and in some cases with the different behaviour of the shopper. This latter wants to find the same values of a brand both online and offline, only with small changes due to the different expectations originating from the nature of the channel itself.

## **6.2 Managerial implications**

The findings of this study can lead to some interesting implications for both retailers and manufacturers. Indeed, once these two players have understood the way in which the value is created, they will be able to implement better strategies. Furthermore, the likelihood to develop value propositions consistent with the consumers' needs and changes will increase, representing a win-win deal and relationship with the shopper.

Identifying and understanding the structure of the brand building process leads to a better understanding of the sales trends and it could be used as a monitoring tool to decide whether some modifications are required. As a matter of fact, sometimes the core values characterising a brand may change in relation to some changes in the consumers' behaviour and feelings. Additionally, since the private labels represent a kind of brand constantly growing and increasingly chosen by the shopper, manufacturers must seek to contrast them with an effective strategy. If they know which variables weigh more in the evaluation and in the choice pattern, they will be able to offer a brand and a product suitable to gain the people's choice.

The fact that the results confirm the presence of an identical structure in the value creation through a brand and it respects and follows the conceptualisation made by Keller (1993,1996, 2001) depicts a very useful insight for firms. Indeed, they will be able to manage the resource that they have at their disposal more efficiently and, in addition, they can understand why their competitors are behaving in a specific manner focusing on determinate dimensions.

For example, the lack of significance of the construct "brand personality as a social image" in both samples can lead to a very interesting consideration. Even though people are increasingly considering brands as a tool suitable to speak to others and to describe themselves, we are currently observing a greater affirmation of a lifestyle inspired by some brands, or at least people looking for brands that reflect the values in which they believe.

Consequently, four main implications can be considered.

The first one is related to how retailers could and should work drawn on the results found. Since the dimensions that are more significant are those with a more functional soul, it means that shoppers are not yet ready to consider private label as an example and a tool able to touch themselves. Hence, distributors have to focus their attention on the abstraction of the brand, as suggested by some authors (Keller, 1996, 2001; Keller, Busacca and Ostilio, 2005), in order to release it from the traditional characteristics of this kind of brand due to its history and to the reason why it was born. Furthermore, there is the need to consider the value created by the brand not only in terms of single product, but instead in terms of something which is under the same roof and works for all categories using only one strategy and sometimes just one banner. Only in this way, the consumer will be able to evaluate and assess the real worth, stretching it in all the channels. This could be an opportunity for the retailer, since he owns the shop and so he can decide the strategy of all the levers of the retail mix. For example, he can choose to implement a certain type of communication applying it to all the categories regardless the type of products thanks to the cross values on which it is based. This might allow the distributor to be more incisive with the consumer who will be able to retrieve the same value proposition cross categories and thus making him/her willing to prefer the retailer's brand, instead of the national brand.

Furthermore, a concept gaining more and more importance is transparency, which can indeed be considered as the second main implication. This idea can assume different meanings depending on the context in which it is used. Drawn on the research results it can be said that the modern consumer is more willing to socialize with other consumers focusing and relying on mutual trust. Today, an increasing number of shoppers are willing to trust others who are at their same level instead of trusting corporate communication, which is now perceived as something imposed. This phenomenon is related to the thought in the consumer's mind that companies have interests in persuading people even if the promise is not real and authentic. All of this has been emphasized by new technologies available to the shoppers who are able to check whether the information is believable or not. In addition, the role of social networks and social media must be considered. People are used to seeing them as a way of talking and socializing and consider the experiences lived by other customers as a proof of truth (for example the reviews). This behaviour has been highlighted by the omnichannel context in which people are living which raises the even greater need to share their own experiences with the others.

Consequently, firms have to develop a brand able to speak to their clients and a brand perceived as trustworthy. This is true both for manufacturers and retailers, obviously this

latter can rely on the private label transversal nature that is suitable to communicate and transfer its values in almost all the categories. Additionally, distributors can rely upon the shop and the instore marketing communication that allow to stress some peculiarities of the strategy and the brand fundamental for the shopper and able to influence them. Anyway, this is possible only if retailers will be able to develop a retailer strategy and not just a strategy focused on the single product, thus a single brand. This means that the private label becomes the focus of the strategy and it might allow to create critical mass causing the retailer to establish real value not only for itself, but also for the entire channel resulting in a win-win relationship.

Even if consumers evaluate the brand very positively as a tool able to differentiate the company value proposition and they consider it able to satisfy their needs and requests, this is not always enough to persuade him/her. This is still more obvious when talking about private label, indeed the dimensions with highest intensity, resulting from the study, are those related to the functional side of the pyramid. For example, the lack of significance of the relationship between lifestyle-congruence, the brand personality as social image and the *panas* and brand trust are proof that private label is not yet considered as a brand grounded on the emotional features like the national brands. On the other hand, national brands, although able to rely on the shoppers' emotions, don't have to neglect the importance of the functional variables. In other words, they can focus their strategy on the storytelling of the values they have built their brand on, and, obviously, this represents a more sentimental way to create value, but they can't avoid keeping their promise in terms of quality, performance and value. That's why, the first step, even for national brands, is represented by the satisfaction and the accomplishment of those parts that stand for the functionality of the product. Consequently, in order to create and increase brand trust, *panas* and brand loyalty, the consumer needs to be first fulfilled in terms of primary needs, especially in the grocery context. In conclusion, it can't be said that either the emotional or the functional part is more important than the other since in order to create the real value both are essential. Furthermore, just like our findings show very clearly, in order to build value, all the blocks of the pyramid must be fulfilled and, additionally, a very strictly process needs to be followed.

The reason why national brands are losing market share and the consumers' preference is linked to their perception. Indeed, the evaluation of the manufacturers is usually very high in terms of values consistency and ability to communicate them, but the importance given to the functional dimensions is reducing and people are not so willing to reward the company

with a premium price since they feel betrayed because companies don't keep their promises all the time. Consequently, they are showing more and more interest for those brands that can satisfy them in both contexts.

It can be said, that based on the explanation above, there are many opportunities both for retailers and manufacturers even if they have to focus their force on different aspects.

The last implication originating from the results is related to the intensity of the price promotion. For example, in Italy, and especially in some specific categories such as biscuits, pasta, tuna, etc., it can reach 35-40 %. This means that some products might be sold for a very lower price than the one thought by the company. This can lead to some issues in terms of brand value creation for the manufacturers because almost all the levers will need to be modified. Additionally, more and more often people are used to linking price and quality, possibly causing a devaluation of the product because of the presence of the promotion leading them to a wrong conclusion. Moreover, this huge intensity can create losses in general into the category. For example, dropping the price of national brands with the promotion, also the positioning of private labels (especially mainstream) has to change, otherwise it can result in a price higher the manufacturers and in a failure to respect the promise.

In conclusion, it can be said that in order to develop real value toward the brand all these considerations must be taken into account.

### **6.3 Originality and limits of the research**

The present study has some contributions to offer, but as with any research has several limitations. This should not be considered as an issue, but rather as an opportunity for developing new approaches for future research on the same topic. Additionally, there is the need to highlight these limitations because of their impact on the generalisability of the findings.

By the way, it can be considered one of the few researches that have tested Keller's pyramid using all the dimensions defined by the author. Indeed, many scholars used to select only some of the variables from Keller's conceptualization connecting them with some of those described by Aaker and other researchers. The main difference was the different process at the core of the value creation. As underlined in the previous chapters, the model tested in the study follows a sequential method instead of a parallel one, in other words the first block needs to be fulfilled before moving onto the next, after that the second, then the third and so forth. This implies a more difficult and complex strategy, but if well implemented, it

provides a real creation of value and leads to the development of a real brand perfect in all its aspects. Sometimes - this being one of the reasons why some researchers have decided to use only few variables - it is easier to put together fewer dimensions and consider them at the same level exceeding the issue of the sequential accomplishment, but it might mean lower strength in the predictability of the model and the brand building process. That's why this study can be considered one of the few that have tried to test many variables in only one model, and this can be identified as a point of originality.

Furthermore, the results of the study support the structure hypothesized at the beginning of the work grounded on the current literature and it highlights the existing huge perspectives. The findings have confirmed the hypotheses developed strengthening Keller's conceptualization of brand equity and leading to the admittance that private label follows the same brand building process (thus it can be considered as a fully-fledge brand) even if there are differences in the significance and in the intensity of some relationships.

In addition, testing the brand equity model in all its shades in reference to the private label context can be considered as an evolution of the literature on this topic. There is no doubt that, until now, only few scholars have tried to test the likelihood to use some similar dimensions and variables originating from the manufacturer context in this different world. As a result they have adapted some models without being able to affirm the applicability of the whole brand equity model and consequently without succeeding in affirming the specularity between national and private label. This doesn't have allowed to point out that also retailers' brands can be considered fully-fledged brands. In reply to this, this research has first tested the validity of the brand equity model in its typical framework and successively it was tested on private label using the same variables and hypothesizing the same relationships. In order to get more reliable results, a multigroup SEM is suggested for future research.

Regardless what said above, the study is not free from limitations.

First of all, despite the fact that brand loyalty represents one of the main variables of the model, especially because of its positioning at the top of the sequence, some issues derived from the measurement of this dimension. Since we measured the perception and not financial data, we have introduced also the purchase intention as a proof of the consumer's attitude. This leads to develop a model in which brand loyalty, evaluated like behavioural and not attitudinal, was very close to the purchase intention, and the items used for testing the value were very similar each other. As shown by results, in particular in the national brand context, there is a very high intensity in the relationship between these two dimensions. For future

research, we suggest selecting one or the other in order to avoid the overlapping by running the risk of getting worst results. Differently, it could be interesting to test whether the cohesion of the two dimensions can lead to a better measurement of the shoppers' behaviour flanked by a field experiment suitable to gather real data. Indeed, the performance of all the dimensions was evaluated using scales in which the perception was the key element: in other words an objective approach, like how financial or sales data, was not implemented. We used a subjective method, that is the shoppers' perception and this could represent a hypothetical second limit.

Thirdly, although biscuits can be considered as a correct category to be used in this kind of research, because of the representative size of the market share of the private label, thus the likelihood to compare these two different brands, additional or different categories should have been taken into account. This aspect can limit the generalization of the findings bearing in mind that the shopper usually behaves in a different way depending on the product in front of him/her. Moreover, the nature of the product can affect the people's perception and feeling, thus leading to a different assessment of the concepts and consequently causing different relationships among variables under study. Also, the study has taken into account only the Italian market, where both food culture and food habits are very different from other countries. Based on this, there is the need to replicate and, if necessary expand, the same model to other product categories.

Finally, the choice of the sample, made by students from the University of Parma, requires a note of caution in terms of generalization of the findings. Consequently, it seems appropriate to broaden the research to a bigger and more diversified sample. This extension might allow to test a higher level of truthfulness more thoroughly.



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