Swedish University of Agricultural Sciences
Faculty of Natural Resources and Agricultural Sciences
Department of Economics

Brand equity and corporate responsibility

- A review of brand valuation methods

Ashkan Pakseresht

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Brand equity and corporate responsibility
- A review of brand valuation methods

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The inspiration for this thesis was initially engaged during participating in course environmental and social responsibility marketing at the Swedish University of Agricultural Sciences (SLU) in Uppsala. With a branding background, brand valuation was always one of my favourite fields. The lectures during my studies encouraged me to study the relationship between corporate conduct and brand value.

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Abstract

During the last decades, brand equity has been a priority topic for both practitioners and academics. In accordance with the structural changes in the economic settings caused by the so-called "new economy", corporations being confronted with a shift on perceived business value structure from tangible assets to intangibles. On the other hand firms increasingly are adopting more responsible behaviour towards their societies. In this context, one critical question is to understand how corporate conduct may affect brand equity. The purpose of this study was to find how brand equity (BE) measurement methods embrace corporate responsibility (CR), based on a literature review.

Brands can build trust and loyalty among consumers and help them make their purchase decisions faster. In returns, this relation provides adequate wealth that enables corporate to develop their equipments and efficiencies. Likewise, brands create substantial social values in addition to economic values due to increased competition, improved product, process performance and also pressure on business owners to behave in socially responsible manner.

Brand evaluation started with traditional economic brand valuation. Financially based approaches tend to place an overall monetary value on brands (Keller, 2008). The comparative approaches on the other hand, tend to assess the impacts of consumer perceptions and preferences on their response to the marketing activities. The insufficiencies in above mentioned approaches gave way to introducing composite approaches such as economic use and real option approaches.

Analysing BE evaluations respect to possibility of inclusion of environmental, economic, and social attributes revealed that, in financial based approaches the likelihood of inclusion of social and environmental attributes in their framework is not possible. For customer based approaches on the other hand, the possibility of inclusion these dimensions are limited exist while the economic aspect hardly can be measured or related. Conversely composite approaches, have the possibility of inclusion social and environmental attributes and metrics as well as measures for economic performance of the brand; nevertheless, the empirical data that support this rarely exist.

As a final point, the number of articles issued from 1970's (especially after Bruntland report) showed that in general, CR and BE phenomena gained attention gradually over past decades. The signs of scholars' attention to the effects of CR on BE is also emerged since last decade while the number of articles are far from separate issues. This study concludes that, in general, we can say that different methods are developed to response and satisfying various business needs over decades. A number of methods are in accordance with privileging production orientation marketing sub-discipline, while other methods applied to product orientation, sales orientation as well as market orientation purposes respectively. Correspondingly, during last decade and after dominating societal marketing orientation we can expect emerging new frameworks to accomplish this relatively new trend.

Sammanfattning

Värdering av varumärken är ett högprioriterat område för såväl näringslivsaktörer som för forskare. Förväntningar på företagsroller och förändringar på marknader har bidragit skapandet av en så kallad ”ny ekonomi” där värdering av företag till stor del baseras på image och immateriella äganderätter (bland annat varumärken). Förväntningarna på företag är kopplade till samhällsansvar (*Corporate Responsibility, CR*). Givet denna ”nya ekonomi”, reflekterar värdering av varumärken företagsansvar? Syftet med denna studie är att beskriva hur varumärkesvärderingsmetoder (*Brand Equity, BE*) inkorporerar företags ansvarstagande baserat på en genomgång av företagsekonomisk litteratur.

Värdet för varumärken är grundat i tillit och lojalitet hos konsumenter. Det vägleder konsumenten i sin konsumtion. För företaget innebär ett varumärke ett framtidsorienterat värde, en investering i något som kunden uppskattar. Värdet för företaget kan vara av många slag, bland annat socialt och ekonomiskt – och det innebär att företaget kan investera i utveckling av nya produkter och processer, stärkta marknads positioner och en fortsatt utveckling av ansvarsfullt företagande.

Behovet av att uppskatta ett varumärkes värde är grundat i en tradition av ekonomisk värdering. Finansiellt baserade ansatser ger varumärket ett monetärt värde (Keller, 2008). Andra ansatser baseras på kundbehov, där kundens uppfattning och värdering av ett koncept och ett företag utgör grunden för att skatta ett värde. Ingen av ansatserna ger ensam en bra bild av vad ett varumärkes värde är, men kombineras de blir bilden mer rättvisande.

Givet att ett företag förväntas agera ansvarsfullt, i den så kallade ”nya ekonomin”, speglar metoder för varumärkesvärderingar av ekonomiska, miljömässiga och sociala aspekter av deras agerande. Traditionella modeller för varumärkesvärdering ger dock uttryck i huvudsak för ekonomiska värden. I kundorienterade metoder är det möjligt att inkludera miljö- och sociala aspekter – men det är sällan fallet i praktiska förfaranden.

Den politiska milstolpen Bruntlandrapporten pekar på behovet av ansvarsfullt företagande. Området ansvarsfullt företagande (CR) och värderingen av varumärken som inkorporerar mer än ekonomiska värden utgör en utmaning för såväl näringsidkare som för akademiker. Genomgången av värderingsmetoder visar på en mångfald av metoder för att uppskatta varumärkesvärde. Var och en av dessa metoder tillfredställer olika behov – men få av dem omfattar ekonomiska, miljö och sociala värden - kort sagt ett företags ansvar. Utvecklingen under de senaste decennierna visar dock att det finns intressen för att utveckla mer sofistikerade metoder för att värdera varumärken som tar hänsyn till ansvarstagande.

Abbreviations

BE	Brand Equity
BVC	Brand Value Chain
BCCCC	Boston College Centre for Corporate Citizenship
CBBE	Customer-Based Brand Equity
CC	Corporate Citizenship
CE	Customer Equity
CR	Corporate Responsibility
CSM	Corporate Social Marketing
CSR	Corporate Social Responsibility
EEIO	Environmental Extended Input-Output
ESI	Environmental Sustainability Index
EU	European Union
FASB	Financial Accounting Standards Board
FMCG	Fast Moving Consumer Goods
FTSE	Financial Times Stock Exchange
IASB	International Accounting Standard Boards
ISA	Integrated Sustainability Assessment
IFRS	International Financial Reporting Standards
OECD	Organization for Economic Co-operation and Development
RHM	Rank Hovis McDougall
SIA	Sustainability Impact Assessment
SRI	Stanford Research Institute
UNDP	United Nation Development Program
UNEPI	United Nations Environment Program
WBCSD	World Business Council for Sustainable Development

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1 Introduction

Chapter one provides background information of the study followed by a presentation of a problem area. The background and problem presentation provide a context for the aim of this paper which is defined within its own section. Thereafter, delimitations and scope of the study discussed and finally, a brief outline of the paper is provided.

1.1 Background

During the late 1980’s there was a remarkable shift in understanding of the construction of shareholder value (Knowles, 2008). Prior to that time, tangible assets were mostly regarded as the major source of business valuation and therefore the primary interest for the shareholders. By increasing the global competition, the competitive advantages like technology became more transitory short-lived and the contribution of brands to business owners’ long-term value raised (Lindemann, 2004). A good brand keeps the products on shelf for longer period even years, like Coca-Cola, Disney, IKEA and GE and which are established respectively in 1886, 1923, 1943, and 1978.

Brands can build trust and loyalty within consumers and help them make their purchase decisions faster. In return this enables companies to develop their equipments, qualities, efficiency in a larger quantity production and lower prices (Keller, 2008). On the other hand registered strong brands can provide a legal shelter from imitations. It is now common knowledge that branding is essential to business success, and brands as a financial intangible asset are regarded as value generators. In other words brands can add value and aggregation of these values builds equity (Kapferer, 2004; Keller, 2003). Although some researchers (Keller, 2003; Jones, 2005; Raggio & Leone, 2007; Salinas, 2009b) distinguished brand value from brand equity and stated that brand value is outcome of brand equity (Keller, 2003), nevertheless the importance of the brand management serves as the basic for creating corporate value. So it is necessary for brands to be valued like other assets a company have.

In the same way, brands create substantial social values in addition to economic values due to increased competition, improved product, process performance and also pressure on business owners to behave in socially responsible manner (Lindemann, 2004). A shift in the perception of corporate roles and responsibilities also took part with a start in the late 1980’s (Tjärnemo, 2001), that has led to increased expectations on corporate conduct. Businesses are showing more ethical behaviour in their strategies to convince their customers and show their responsibility in recent years. As Vidaver-Cohen and Altman (2000) argues, the ultimate objective of the firm is to maximize wealth of its owners but in a sustainable way as an active partner in the society. This is a perspective that goes beyond just pure economic aspects (Friedman, 1984). The statement above refers to the increasing concerns about responsibility a company really has toward its stakeholders. It seems that the more ethical awareness companies express, the more credible they are although, their social value is not as much of their economic value clear (Lindemann, 2004).

CR practices help businesses to differentiate themselves from competitors and enhance brand equity (McElhaney, 2008). In fact CR ties to brand equity and measuring performance of brands or estimation of brand values merely from financial perspective is not sufficient and assessing the behaviour of brands on other stakeholders is also important. In view of the fact that, CR has a significant role on brand equity, the question is how CR affect corporate image in general and the value of brands in particular.

1.2 Problem

Since its emergence in the 1980's, brand equity concept has been one of the critical marketing research priorities (Gil *et al.*, 2007) and gained much attention in recent decades (Aaker & Biel, 1992; Leuthesser, 1988; Keller, 1993). An accurate assessment of brand equity is an important part of strategic management. However, brand equity estimates can be viewed from various perspectives (Aaker, 1991; Farquhar, 1989; Keller, 1993; Myers, 2003; Srivastava & Shocker, 1991; Tauber, 1988).

Brands build mutual understanding of business strategies with customers (Internet, Interbrand, 2010, 2). Strong brands by increasing awareness and recognition create confidence in consumer buying behaviour (Murphy, 1990). Meanwhile, business may enact perceived responsibilities in, for example fair treatment of their employees, adopting more environmental friendly methods or dealing actively with ethical dilemmas inside the business and beside financial objectives (Löhman & Steinhilz, 2003). Fulfilling the interests of the society has a direct effect on brand equity since it is a means to developing a corporate credibility of being an organization with an ethical attitude to all stakeholders (Godfrey *et al.*, 2009). Corporate responsibility can facilitate to building customer loyalty based on unique ethical values (Paluzek, 1973). Brands consequently, considered as a communication tool and cultural assets that may affect the consumer behaviour and corporate responsibility engagements on the other hand, provide a ground for transparent mutual correlation (Gregory and Wiechmann, 1997). Although there is no unique way of brand evaluation (Soto, 2007), it is important for businesses to know the effectiveness of corporate conduct effects on their brands as financial assets (Keller, 1993). However, brand equity or in general brand value is not just created through the brand relationship with customers, rather various players are engaged in this context (Ambler, 2000; Jones, 2005).

Strong brands are valuable intangible assets (Aaker, 1991; Doyle, 2001a; Kerin and Sethuraman, 1998; Mortanges & Van Riel, 2003). Millward Brown research agency reported on the most valuable global brands (2009) that Coca-cola brand merely worth about $ 68 billion[1] or IKEA value estimated nearly $ 7 billion (MilwardBrown, 2009). From financial perspective and accounting, it is important to know the value of brands in licensing, franchising, tax plans, mergers, and security borrowing purposes (Barwize *et al.*, 1989; Wentz, 1989). It is essential for businesses to manage their licensed brands rigorously than the one which is owned (Lindemann, 2004). However, brands are not just merely financial assets; in fact the brand value to the large extent depends on the added value that gained through strategic or management decisions (Riezebos, 2003). Financial valuations will be less relevant if businesses don't know how this value exploits from their brand strategies (Keller, 1993, 1). For senior managements, a brand valuation helps businesses to analyse their performance and competitive status (Lindemann, 2004; Internet, Pentor, 2010). This evaluation enables them to use that information to make better informed decisions. This evaluation facilitates them to understand how their programs improve the value and helps them to assess the factors that affect it (Internet, Pentor, 2010). Besides, given increasing competition in flatted demand markets, firms seek to improve their productivity and efficiency of their marketing programs (Keller, 1993). As a consequent, marketers are eager to determine the sources of brand value

[1] A list of most valuable brands is presented in Appendix 1.

to better allocation of resources and make necessary adjustments in communication programs and their budgets (Keller, 1993).

Moreover, in corporate branding literatures it is suggested that enhanced brand equity can improve employee's motivations and productivity (Ind, 1997). Positive perceived value can build confidence within employees and increase loyalty and responsibility (McElhaney, 2008). The public opinion, which is regarded as social capital, has an important function to the society as whole (Jones, 2005). The role of positive public opinion and popularity is more evident regarding business relations with Medias and NGO's. Considering free market framework, customers (or organizational customers) are free to select their suppliers. Industrial businesses or suppliers prefer to deal with a reputable firm in business to business context (Jones, 2005). The company not only has to compete with its rivals in such a situation, but it is also threatened by danger of not to be selected or even hostile takeovers (Jones, 2005). The relationship between firms and distribution channels, retailers as well as suppliers is affected by political features, where negotiation power and reputation play an important role (Stern & El-Ansary, 1992).

Likewise, financial institutions and lenders also concerns about the value that brand convey. They are more interested to invest in corporations with ownership of brands that generate more return with a less risk. Accordingly, brand owners and share holders need to analyze how brands generate value and identify its drivers. They want to have brands with more revenue with greater margins and higher stock prices. Strong brands by constructing brand loyalty boost up more demands, reducing the risk of upcoming earnings; reinforce business economic success (Murphy, 1990; Internet, Interbrand, 2010, 2). Furthermore, the "*more a company seems to the financial markets and the other audiences that it is a sustainable business, the lower are a series of risks associated with that company*" (WBCSD & UNEPI, 2010, 17). Measuring brand value is useful to arrive at the return on brand investment (brand ROI) that can be compared with other firm investments (Lindemann, 2004).

Brand equity assessment thus serves as an important measurement of strategic value for internal (corporate) use as well as for a number of external stakeholders (Ambler, 2000; Jones, 2005). However, brand equity assessment proves to be executed in very heterogeneous ways (Keller, 2006; Kotler *et al*., 2005) and calls for more holistic view (Ambler, 2000) in line with stakeholder thinking, where the firm's performance linked to multiple stakeholder considerations (Greenley & Foxall, 1997).

Studies of brand equity suggest a variety models for estimating brand value (Keller, 2006; Kotler *et al*., 2005). However, few of them offer an understanding of an established method for including corporate responsibility values in the brand equity estimate. The challenges associated with attributing value to brands – or rather estimates of the value- imply challenges for a number of stakeholders including investors, businesses, NGOs, governmental agencies. Thus expectations on brand equity and brand valuations may not be shared with other stakeholders. The problem becomes more complicated, where definition of both terms i.e. corporate responsibility and brand equity is vague. Besides, the uncertainties exist on what is included in the assessment and how the various components of the value estimate is measured. This study sought to investigate the function of corporate conduct on corporate brand value and how it can be analysed in this context.

1.3 Aim

The aim of this study is to review publications on different approaches to estimate brand equity. The study focuses the relationship between "corporate responsibility (CR)" activities and concerns in "brand equity (BE)". The objective is to provide a picture of how brand equity measurement methods embrace CR based on a literature review. Valuation methods can be scrutinized for different purposes for example accountants and financial institutions tend to analyse it from financial and technical point of view while marketers predominantly have a tendency towards sources of brand value and policies that affect it.

The central research question that this study aimed to answer is; “what is the role of CR practices in brand equity assessment?” This study focuses on the following research questions:

- Why is brand valuation important?
- What are characteristics of brand equity measurements?
- What are the identified brand equity drivers?
- How do CR and ethical behaviour relate to brand equity?

In present paper the historical review of emerging the brand equity measurements and the role of CR activities on the brand’s value have been investigated and sought to raise consciousness regarding CR concerns in brand valuations. The concentration of present paper is just on detecting evidences of CR and its importance in brand valuations and the other consequent questions that may arise for e.g. how and to what extent responsible behaviour manner taken by corporate, can affect their brand equity?; must be surveyed on the succeeding supplementary studies. Hence, on this score, present paper can be considered as an initial study and act as a stepping stone.

1.4 Delimitations and errors

Because of the considerable complexity and extensiveness of essence of this research field, some delimitation and clarification are needed. In this section three kinds of delimitations are presented. The delimitations are related to choices of method, theory and empirics.

Methodological boundaries- time, choice of study
The work is limited to a review of secondary materials, and literature review. For the time constrains articles that are accessible from SLU databases considered for this study. Because of the language barriers only the English written articles have been used. Although, in this thesis has been attempted to present an thorough review of relevant literatures there is possibility of missing some literatures or perspectives that were not considered, The overview on brand equity measurement from corporate point of view is thought to be most relevant subset towards the research objectives.

Theoretical boundaries
Theory rests on a stakeholder analysis and value creation, with focus on triple-bottom line corporate responsibility issue. Since corporate responsibility lies within sustainability context (European Commission, 2002) with its economical, environmental and social fundamental aspects, this study aims to analyse the place of CR in creating and measuring brand value from corporate point of view, by comparing different valuation approaches in terms of three fundamental aspects of sustainability. Different stakeholders can be considered for brand

value and corporate responsibilities, but this study, is written with a corporate perspective. However, where possible other perspectives have been taken into account with the aim of building a holistic view. The term "brand" is restricted to corporate brand (name) which is distinct from a product brand (Keller, 2000b). Hence, non-profit organizations, charity funds and so on are not included in this study.

Empirical boundaries
This paper is based on literature review of accessed articles from SLU University during the time of conducting this study. That is also a limiting factor for this study, as practical implications were not tested in real life situations. When considering the results, one should keep in mind that this study mainly aimed to review and analyze theoretical aspects of brand equity and corporate responsibility. So the research structure is considered as *synthesised coherence* that "*brings previously unrelated work together highlighting points of agreement in order to demonstrate the need for further investigation*" (Golden-Biddle and Locke, 2007, 33).

All individuals are subject to societal and cultural influences, which affect insight and perceptions. That is to say that subjectivity may give rise to differences in interpretation of results.

1.5 Definitions of terms

Since, a few terms used frequently throughout this thesis, for e.g. corporate brand, corporate responsibility (CR) and brand equity (BE), it is important to briefly define some of them in this part to make sure that everyone has the same understanding.

As mentioned the corporate brand is the concern of this paper. "*A corporate brand is a powerful means for firms to express themselves in a way that is not tied to their specific product or services*" (Keller, 2000b, 115). "*Corporate brand puts the manifestations of identity in service of the brand, including the company's name, symbols and logotype, and nomenclature system. In addition, the corporate brand may be reflected in the company's societal concerns or by the style of its architecture and decor, if these are intended to create a specific impression*" (Gregory and Wiechmann, 1997, 11). Gregory and Wiechmann (1997) by linking the corporate brand name with attributes and aspects like value, innovation, community mindedness, environmental consciousness and good management, explained the role of brand as a mean to building a special relationship with its favourable target audiences.

Brand equity (BE), is widely accepted concept among different disciplines such as marketing, finance and accounting, but there is no a common agreed definition on it (Knowles, 2008). In this paper, the focus is on the marketing perspective which is broader and encompasses other disciplines' viewpoint. David Aaker (1991, 15) defined BE as "*a set of assets (or liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or a firm's customers*".

Corporate responsibility (CR) is also called: corporate social responsibility, corporate citizenship, corporate philanthropy (McElhaney, 2008, 5), responsible entrepreneurship (Moon, 2004), and responsible business; though there is no common agreement on definition of CR (or CSR). Various associations have used their own definitions for example European Commission adopted CSR as '*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their* *stakeholders on a voluntary* basis' (COM, 2002, 374). The idea of corporate citizenship is from the view that considers corporations as citizens and believes that they should act like a citizen in the community in which they are active (Vidaver-Cohen and Altman, 2000). Corporate philanthropy has been more concerned to the deliberately and voluntary role of corporations that they have in the society (Collier and Esteban, 2007) which develops the premise that, enterprises want to act well, as member of the society (Sundström, 2009). In the present paper European Commission definition of CR is considered.

Another expression that is widely used in this paper is *stakeholder*. Freeman (1984, 40) demonstrated broad definition of a stakeholder as "*any group or individual who can affect or is affected by the achievements of an organization's objective"*. In this paper stakeholder is referred to Friedman (1984) definition.

1.6 Outline

The outline of the thesis, illustrated in Figure 1, is intended to give the reader a picture of the structure of the present study. Chapter one, gives the reader a brief introduction about the problem background, the reason for the study, statement of the problem, and the research questions. The second chapter explains the research methods including the form of data collection, data analyzing, the rationale for using qualitative research methods, the validation strategy that used to increase the validity and reliability of the study. Chapter three reviews related literature in this field and tries to provide a cornerstone of the involved phenomenon such as: brand equity and its origin, valuation methods, corporate responsibility. In chapter four a theoretical frame, based on the definitions and perceptions of the central terms such as: brand equity, and the role of business are presented. Chapter five contains a comprehensive review of the literatures on brand equity valuations. This part includes a historical review of emerging brand equity measurement methods along with some classifications regarding their type, source, essence and approaches.

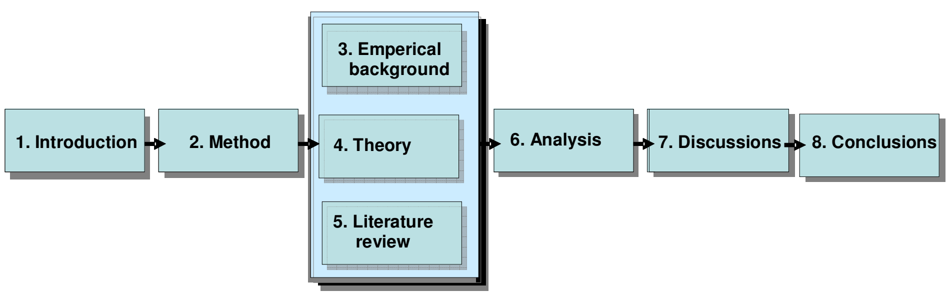

Figure 1. An illustration of the outline of the study.

Chapter six offers a constructed comparative analysis of articles that are presented and highlighted in the previous chapter. In this part, each brand equity measurements will be described in great detail in relation to the existing grounded theories and the role of the CR issues in this set. In chapter seven, the results of the analysis are discussed in relation to expectations on corporate conduct for all key stakeholders in branding value context. The last chapter discusses the findings of the work, future research, the strengths and limitations of the study, all parts of conclusions.

2 Method

In the following chapter the research method is presented. The main purpose of this chapter is to describe the research design and provide sufficient details to ensure that this research is repeatable (Day, 1998). First a general approach presented and then choices of qualitative approach, data collection techniques, analysis method and discipline choices are explained and reflected.

2.1 General approach

Present research uses *inductive and qualitative approach* which is more subjective and contextual, through analysis of literatures. *Exploratory* method will be applied in order to be able to explain the role of corporate conduct on brand equity (BE). The central point of this paper circumference of brand equity and the approaches of estimating BE. There is no unique scientific definition of what BE encompasses within different disciplines (Knowles, 2008). A number of scholars defined it from accounting or financial point of view and others characterize it from marketing perspective (de Chernatony, 2010; Keller, 2008). Similarly, different views exist on CR. They range from Milton Friedman (1970) that believed the social responsibility of firm is to increase its financial benefits, to the broader views that defines it, as a businesses' response to issues beyond financial, legal and technological requirements of the company, to achieve environmental and social advantages for its stakeholders along with certain traditional economic advantages (Davis, 1973). In the following parts the research approach explained in detail.

2.1.1 Choice of qualitative approach

"Research is a systematic process of collecting, analyzing and interpreting information in order to increase our understanding of the phenomenon about which we are interested or concerned" (Leedy and Ormrod, 2005, 2). The method provides researchers with remarking of what to be considered in the research, how to perform it, and what type of inferences can be expected based on the data collection (Williams, 2007). In addition, the nature of the data compiled, partly determines the appropriate method to analysing them with the purpose of finding the research problem answer (Walliman, 2001). Since the field is fragmented with no dominating theories, this research uses *inductive and qualitative approach* which is more subjective and dependant on context (Williams, 2007*,* 66), based on analysis of documents and literatures.

Qualitative research is a through analytical review of a certain topic which enables researcher to compare, contrast and criticise previous published works on the area over a certain number of years (Brown, 2006) and produces soft data "*that is subjective and not easy to replicate, often based on small samples or case studies*" (Jupp, 2006, P 249). The nature of the qualitative research is emphasising on depth and detail on understanding or explanation of phenomenon (Jupp, 2006). In this study *exploratory* method (Hypothesis-generating) applied, which is beneficial when the problem is regarded relatively new. Exploratory research is "*a vehicle for mapping out a topic that may warrant further study later*" (Babbie, 2010, 19). Using exploratory method helps researcher to explain the phenomenon (Adams *et al*., 2007). Meanwhile, this approach considered inductive since its aim is generating hypothesis from data in the research process that contradicts with the convenient research where the researcher picks and apply theorical frame work to the investigated phenomenon (Adams *et al.*, 2007, Lancaster, 2005).

Since, the BE constitutes the backbone for this thesis, it is essential to cover it thoroughly. However, the role of business behaviour on brand equity is in the interest of the current study that increases problem complexity. Multiple methods are needed to better addressing and solving complicated topics (Kessel *et al.*, 2008). Complexity and novelty of a problem cause a need for using a holistic analysis. A holistic approach by aggregating information will lead to increase the understanding of the research problem (Yin, 2003). Figure 2, shows how the degree of complexity of investigated phenomenon has affected the research approach.

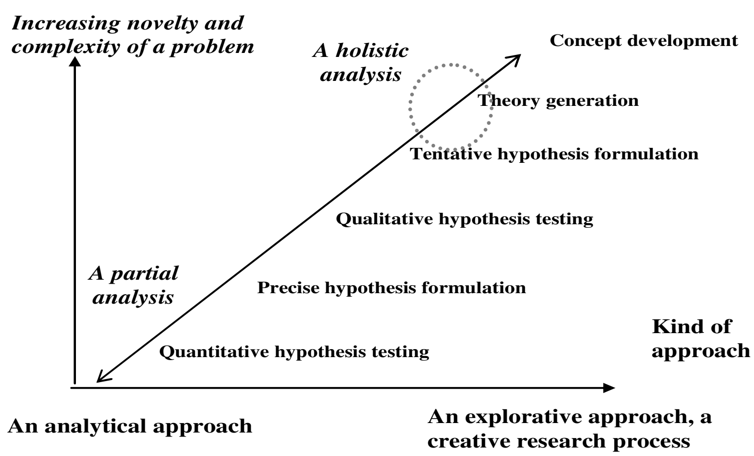

Figure 2. How increasing novelty and complexity of a problem affects the research approach and desired research contribution (Mark-Herbert, 2002, 17).

A holistic approach is used, illustrated in dotted ring in Figure 2. Increasingly, researchers have come to compromise that multiple standpoints are required to have comprehend analyse and explain the complex phenomena (Given, 2008). For this reason, *interdisciplinary* strategy applied as this integrates perspectives from two or more grounds, in order to examine an issue (Given, 2008). These disciplines should have a generic topic in common (in this paper BE) to better understanding and analysing overall problem (i.e. CR in this study). An interdisciplinary method has proved invaluable to building theory, knowledge practices, burnishing new methods and topics (Belk, 2006) But the methods of investigation vary among different fields of study (Given, 2008), and there is no widespread agreement how interdisciplinary research must be carried out (Robertson *et al.*, 2003). In this thesis, interdisciplinary approach employed by analysing BE and CR disciplines.

2.1.2 Literature review

A literature review is a systematic investigation on a particular subject and explanation or interpretation of the research result (Vogt, 1999, 13). Chris Hart (1998, 13) stated that "the *literature review is integral to success of academic research*" and defines it as:

"*The selection of available documents (both published and unpublished) on the topic, which contain information, ideas, data and evidence written from a particular standpoint to fulfil certain aims or express certain views on the nature of the topic and how it is to be investigated, and the effective evaluation of these documents in relation to the research being proposed*" (*ibid*, 13).

Hart (1998, 14) illustrates the typical questions that can be addressed by review of the literature (see Figure 3). The problem questions of current thesis can be fitted in this frame. The major question of this study is "what is the role of CR practices in brand equity assessment?" This can be developed through understanding of how the knowledge on the brand equity structured. What is the origin of brand equity and key theories in this concept? What are brand equity drivers and to whom it is important. Finally how corporate conduct can affect brand equity.

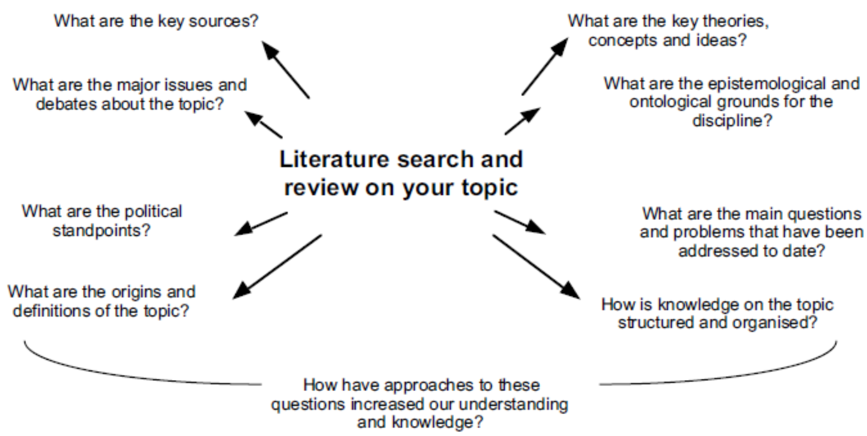

Figure 3. Question types that a literature review can address (Hart, 1998, 14).

Fox (1969) states two types of literature that must be reviewed. First one is '*conceptual literature*' which is mainly presented in the form of article and books that entails theories, opinions and experiences on the subject of interest. The second is '*research literature*' often published and available in the form of reports and papers which presents the results of previous studies has been carried out in the common subject. Characteristically, the basis of such an approach is that one does not predetermine or delimit the paths the investigation might take. Thus, it is particularly important to document details of the specific phases or elements that this study will follow in addressing the research questions. In this project, literature review has been carried out in three phases, further presented in 2.1.3.

First related text books, articles and papers in brand equity and corporate responsibility have been studied to find the theoretical grounded that can connect these two disciplines with the intention of making a theoretic framework. Next, by using defined key terms (see table 1 for details) peer articles proceeding corporate responsibility in BE context have examined which is mentioned in part 2.2 in detail. These papers utilized to enrich the context of the theoretical frame as well.

2.1.3 Data collection approach

The research strategy in this paper is document analysis through a literature review. The literature review also is mostly based on peer-reviewed articles from academic management journals. As Day (1998, 36) declares a study to be of 'scientific merit', it must be reproducible by others and provide the basis for reputation of the experiments. Hence, a systematic method of literature collection has been pursued, in order to ensure that all the available important articles on the topic covered. It is systematic, because it implies an organized searching of pertinent sources, collection and compiling information, and providing inferences based on information (Hutton & Ashcroft, 1998). This systematic literature collection has been followed in three main phases described below.

1st phase:
First the recommended literatures received from my supervisor had been reviewed primarily, to recognize the search terms to be considered. Also, it provided an opportunity to get acquainted with the main journals that cited in these literatures as guidance for the sources to be focused. Different terminology, changing languages over time and even spelling variations used for concepts in different countries may cause a problem in literature review (Miller & Brewer, 2003). A way to minimize this is to retrieve all the possible varieties of a search term (*ibid*, 173). Table 1 shows the search terms used collecting relevant articles for this study.

Table 1. Search terms

TX All Text		TX All Text
brand equity*	AND	corporate responsibility*
brand value*		corporate social responsibility*
brand valuation*		corporate citizenship*
brand performance*		sustainable responsible business*
brand assessment*		responsible business*

The main databases that are used to access the literature; considering the availability of relevant articles to the research subject of this study, are Business Source Premier, EconLit, Emerald SpringerLink, ScienceDirect, Elsevier and Sage Premier. Moreover, some marketing textbooks, marketing research reports and financial literatures have used along with accessed articles to have an overall sight about the subject and shaping the theoretical framework (presented in chapter three and four).

2nd phase:
The five main databases, namely, Emerald, SpringerLink, ScienceDirect, Scopbus (Elsevier) and Sage Premier initially searched due to the possibility and availability of relevant articles with the subject of this paper in these databases (according to the University librarian expert's

advice). Then the rest of noted databases used for searching purposes to make sure that all possible literatures are accessed. Since the corporate responsibility came in to common use and accredited in the early 1970s (Wood, 1991), therefore, the time interval has been set between 1970 and 2010 (present) and using above mentioned search terms, totally, 160 peer-reviewed articles had been accessed. Because all the articles were not pertinent to the subject of this study, they were screened quickly in order to evaluate the relevancy of them. The primary screening brought the number of articles of interest to ~120.

3rd phase:
Ultimately, the reference list part of articles had been scrutinized cautiously in order to reduce the problem of missing pertinent literatures that did not use exactly the same key terms as this study used and to make sure that all possible relevant articles are considered. Additionally, some literatures recommended by my supervisor have been taken to consideration.

2.2 Choosing disciplines

Brand equity has been developed from three main disciplines namely marketing, financial, and accounting (Knowles, 2008). Marketing perspective definitions concentrate is more on the creation of the consumer value, finance's focuses is rather on capturing value and accounting perspective is on the reporting of value but they have one thing in common which is value added. Nevertheless, these three disciplines can be regarded as a different point on a single continuum (Knowles, 2008). In this study, financial and accounting perspectives are aggregated (since both of them characterizing the outcome of brand equity as an economic figure) and marketing perspective as another discipline (see Table 2).

Table 2. Brand equity disciplines and key authors in each discipline

Discipline	Typical approaches	Author/s
Accounting and Finance perspective	***- Cost based methods*** ***- Income based methods*** ***- Brand sales comparisons***	Ambler and Barwise (1998) ; Anson (2005); Haigh (1997); Nielsen (2006); Smith (1997);
Marketing perspective	***- Brand-based comparisons*** ***- Conjoint analysis***	Aaker (1996a); Keller (2008); de Chernatony (2010)

The reason for choosing these disciplines is due to interdisciplinary thinking behind BE valuations methods as identified by Keller (2008) and Salinace (2009a).

2.3 Choosing and using analytical methods

Different views exist on brand equity and how to quantify it. Traditionally accounting brand valuation methods have been used to estimate the value of brands by businesses. Aaker (1996b) believe that financial valuation methods are rather short-time oriented and by introducing *Brand Equity Ten* presented an inclusive and long-term oriented method for establishing brand equity. Keller (1993) also, by differentiating sources and outcomes of brand equity, explains the effect of marketing decisions as a source of brand equity on brand value as an outcome. Riezebos (2003) distinguished brand added value to customer from brand value to firms. Considering both the consumer and company viewpoints enables tracking the consequences of customer interactions on the brand equity.

In current study Riezebos (2003) brand equity model applied to find initially, the relation between conducting CR activities and brand added value. Then valuation methods as an output of brand equity overviewed to find supporting data related to assessing CR in their process. The aim of this part is just to having an overview on these methods' process, based on three fundamental CR aspects i.e. economical, environmental and social and not a deep technically evaluation of each methods. By doing these reviews the general conclusive statement of this study formed and by conducting an expert interview the broader view of problem obtained.

In chapter 5.2 classification of existing valuation methods under comparative and holistic approaches provided. Not all of these methods practically applicable and also there is no inclusive approach that suffice for any usage. In addition, there are some private agencies that working on brand valuation and brand equity field, but not all of them are publicly available and some are not theoretically sound (salinace, 2009a). A list of providers that are cited in scholars (Kotler & Keller, 2006; Salinace, 2009a) presented in Appendix II. Hence, in this paper the focus will be on the methods that are available and academically valid.

3 Empirical background

The purpose of the following chapter is to provide the reader with adequate insights about the selected theoretical framework. The following chapter deals with the in-depth literature review that provides the reader with adequate insights about the selected theoretical framework. The chapter starts by exploring the connection between marketing and corporate responsibility. It continues with explanations of how these concepts are tied to bran and brand equity assessment. First, the social marketing and its intersections with sustainability presented. Then the importance of brands as a valuable intangible asset declared. There after the concept of brand equity reviewed followed by the concept of creation of value. At lasts a historic review on brand equity measurement background provided.

3.1 Social marketing and sustainability

Marketing can be described as a "*social process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and value with others*" (Kotler, 1994, 6). Different views exist on developing marketing theories but marketing theoreticians agree that five distinct eras in the direction of marketing theories can be identified, namely; production orientation, product orientation, sales orientation, market orientation, and the societal marketing orientation (Keith, 1960; Dawson, 1969; Bartels, 1974; Kotler and Keller, 2006).

The concept of consumerism and customer orientation marketing philosophy was developed by Philip Kotler in 1960's emphasising the customer satisfaction principle. By the 1970's, and arising general concerns regarding limited resources and environment protection anxiety within the society, some authors noted the importance of attention to material consumption with regards to finite resources and long run social benefits (Dawsan, 1969; Kotler & Levy 1971). Cconsequently, the scholar faith emerged among authors that marketing is not merely concern financial and managerial activities, but also as a social contribution (Bartels, 1970; Bartels, 1974; Hunt, 1976; Kotler, 2000). It is a common belief among businesses and society that the marketing decision making should be governed by a set of moral principles or ethical values (Ferrell & Gresham, 1985). Authors like Kotler (1972) and Dawson (1969) have implicit belief that what is considered good for society in the long run is good for firm.

By definition, corporate societal marketing (CSM) "*encompass, marketing initiatives that have at least one non-economic objective related to social welfare and use the resources of the company and/or one of its partners*" (Drumwright and Murphy 2001, 164). Increasingly, businesses are adapting innumerable social and environmental marketing activities in various forms (*ibid*, 162). According to Drumwright and Murphy (2001) numerous scholars and businesses have been used a variety of different terms to describe these supporting activities, including: cause related marketing, corporate social marketing, cause branding, cause marketing, issue advocacy, joint issue promotion, mission marketing, passion branding, social alliance, and environmental marketing (*ibid*, 163). The realization of people's perceptions of a firm as a whole and its role in community can considerably affect the corporate brand's strength and equity (Aaker, 1989).

Businesses contribution to social liabilities and well-being started as voluntary reaction to societal problems, followed by advancements into a stage of mandated corporate involvement, and currently new phase began in which social responsibility is considered as an investment by firms (Stroup and Neubert 1987). Corporate social marketing (CSM) rooted in general societal marketing and developed by Kotler (1972) during the early 1970's (Drumwright & Murphy, 2001). CSM is the part of the broader field i.e. corporate social responsibility (CSR) (Drumwright & Murphy, 2001).

Corporate responsibility (CR) is regarded as a modern term and has gained attention in recent decades (Löhman & Steinholz, 2003 in Mark-Herbert and Rorarius, 2010). The consciousness of balance between business financial performances and community is of interests of scholars (Mark-Herbert and Rorarius, 2010). Responsibility comes where stakeholders demanding that businesses operate actively in a more environmentally and socially responsible way, while staying healthy profitable. McElhaney (2008) characterized corporate (social) responsibilities as a strategy that is integrated with core business objectives and core competencies of the firm and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business culture and operations. The World Business Council for Sustainable Development declares that corporate (social) responsibility "*is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large...* " (Internet, WBCSD, 2010, 3). Corporate responsibility defined in the corporate governance context (Statt, 1999) which is regarded as the responsibility and accountability that the firm has in favour of the effects of its conduct on its community (ibid, 35).

Corporate (social) responsibility "*is the way in which businesses work towards sustainable development*" (Svenskt Näringsliv, 2004, 9). As Brady (2003) stated it is the spirit of one of the most prominent socio-political trends (Brady, 2003) of current generation, i.e. triple bottom line. Corporate sustainability is defined as "*a business approach that creates long-term shareholder value by embracing the opportunities and managing the risks associated with economic, environmental and social developments*" (Bruntland, 1987, 63). It is widely accepted that sustainability has influence on overall business and its brands, but the problem is there is no standard solution to determine it (WBCSD & UNEPFI, 2010). As World Business Council for Sustainable Development (WBCSD) states "*businesses, like the other parts of the society, will be seriously affected by the sustainability challenges facing the word*" (Internet, WBCSD, 2010, 1), and since the brands as a most important intangible assets are the key tool for growing firm more profitably (Kapfere, 2004); the role of CR issues and regulations on brands will be more significant in near future.

3.2 Brands as an intangible assets

Around 1970, increasing numbers of successful business leaders leads to development of branded consumer goods (Murphy 1990), though branded products was not totally new concept at that time (Low & Fullerton, 1994). The first signs of importance of brand as phenomena in academic literatures date back to 1955 when Gardner and Levy (cited in Riezebos, 2003, 266) published article titled "the product and brand" emphasizing importance of distinction between product and brand. However, the concept of brand management introduced during 1930's by Neil McElroy (Aaker, Joachimsthaler, 2000) and soon became a strategic marketing issue. King (1990 cited in Randall, 2000, 4) was one of the first authors that pointed out the importance of branding concept by stating "*a product is something that is made in a factory; a brand is something that is bought by the consumer*".

In the marketing literature a brand is "*is a name, term, sign, symbol, design or a combination of these that identifies the maker or seller of the product or service*" (Kotler *et al.*, 2005, 549). Brand "*is a class of goods identified by name as the product of a single firm or manufacturer*" (Marriam-Webster's Collegiate Dictionary, 150). Murphy (1990, 24) defined a brand as "*the product or service of a particular supplier which is differentiated by its name and get up*". But the role of brands is more than just the names and symbols of products and services. Brands stand for customers' perceptions and judgment of goods or services and its performance (Kotler *et al.*, 2005, 549).

Brands are desired by both customers and businesses. Brands for customers serve as an additional guarantee of quality (Murphy, 1990). Brands for firms have a distinctiveness role on the products/ services or even corporation as whole, which cannot be easily replicated (Balmer & Greyser, 2003). de Chernatony and McDonald (1992, 31–41) have enumerate eight different roles for brands. These functions include brand as 1) a sign of ownership; 2) a differentiating device; 3) a communicator of functional capability; 4) a device which enables buyers to express something about themselves; 5) a risk reducing device; 6) a shorthand communication device; 7) a legal device and 8) a strategic device.

Traditionally two types of brand identification have been presented by scholars; *erstwhile* and *established* (Balmer & Greyser, 2003). "Erstwhile" refers to denoting a name, logo type or trademark which principally has used to signify ownerships (*ibid*, 245) and dates back to history of trademark and livestock demarcation (Internet, University of Texas Libraries, 2010). "Established" addresses to the added values that a brand conveys to a product/service. This value influence firms activities and marketing communications (Balmer & Greyser, 2003). In general two major approaches to branding can be identified: 1) manufacturer brands and 2) private label brands which is also known as own label, retailer, distributor or store brands. Manufacturer brands also known as corporate brands when company name used for products. Private labels (brands) are produced often in bulk with a manufacturer but the brand marketed and owned by retailer (Ashley, 1998). The store brand is based on the concept of vertical integration where a banded article sold through a retailer that runs the manufacturer as well (Solomon & Rabolt, 2004).

Brand investments in the past, were regarded as expenses like other overhead costs which deducting firms profit and assets accrual (Doyle, 1998), but this view has changed. Murphy (1990, 25) defined brand as a complex phenomenon which "*not only it is the actual product, but it is also the unique property of a specific owner and has been developed over time so as to embrace a set of values and attributes - both tangible and intangible - which meaningfully and appropriately differentiate products which are otherwise very similar*." Kotler *et al.* (2005) consider for the brands a level of value. He enumerate four levels of brands as *attributes* (that corresponds to the features a branded article can include), *advantages* (special benefits), *personality* (supposing the brand is a person) and *value* (which the brand users will mostly share the value with brand).

Doyle (1998) believe that brands have value since selection process of competitive products are hard, time consuming and expensive for most of the consumers and strong brands can enhance confidence in purchase decision making (Bagozzi *et al.*, 1998, 320). In addition, Doyle (1998) states that people buy their brands not just for functional reasons but for emotional reasons. Consumers choose brands to reflect their life style, desires and values (*ibid*, 169).

The importance of brands as a valuable intangible asset can be traced in the market where it is gaining prominence nowadays to refurbish and re-launch the old-abandoned brands (Franklin 2002; Mitchell 1999; Wansink, 1997) [for instance Old Spice deodorants and Ovaltine chocolate drink return] (Internet, BusinessWeek, 2010, 2) or line extensions as a business strategy(Aaker & Keller,1990). The reason for this trend is; brands are accumulated of goodwill which takes a long time to build up from scratch (Internet, BusinessWeek, 2010, 2). It is hard to build new brands due to enormous costs associated with advertising and distribution expenditures (Murphy, 1990). It is estimated that the cost of launching a new brand in some markets ranging between \$50 million to more than \$100 million (Brown, 1985). Part of this cost relates to the dramatic increase in media expenses, aggressive competition on promotions by established firms and difficulties of having efficient distribution channels (Aaker & Keller, 1990).

However, brand extension facilitates entrance to the new market category by taking advantages of established brand name recognition and image (Aaker & Keller, 1990). Leveraging of a strong brand can diminish the risk of launching new product in a new market (Aaker, 1991; Aaker & Keller, 1990; Smith & Park, 1992; Tauber 1981, 1988) and increase the efficiency of promotional expenses (Aaker, 1991; Morein, 1975). Yet, always there is a risk of wrong brand extension which may damage the brand image totally or proportionally (Ries & Trout, 1981). The presence of "*halo effect*" for brand extensions is a two-edged sword from the managerial point of view, since the risk of organizational failure (Hutton, 1997) that may leads to brand-related negative intangible asset known as "*brand liability*" (Aaker, 1991).

Another reason for financial value of brands is the fact that market-to-book ratio of firms value which is influenced by intangibles (Millward Brown, 2007). Further evidence lies in high prices paid in merger or acquisitions, even five or six times of book values (Doyle, 2008, 227). Since brands are one of the major intangible assets (Riezebos, 2003, Simon & Sullivan, 1993), a portion of the market value relates to brands (Riezebos, 2003). Brand can multiply the book value of a certain assets or organization *per se* (Riezebos, 2003) that can be seen in the mergers and acquisitions. Some of popular business takeovers in mid 1980 have included Danone, Grand Metropolitan and Nestle buying respectively Nabisco, Pillsbury and Rowntree (Seetharaman *et al.*, 2001, 244).

Moreover, there is a growing recognition; regarding considerable proportion of business performance can be determined by intangible assets (Falkenberg, 1996; Lusch and Harvey, 1994; Srivastava *et al.*, 1998). It is regarded that the needs of accounting treatment of goodwill between mergers and acquisitions improvements led to advances in financial reporting systems of intangible assets and brands (Keller & Lehmann, 2006). A study by the US Federal Reserve Board (see Figure 4) illustrates the dramatic increase in the importance of intangibles versus tangible assets to overall corporate value over time (Lindemann, 2004).

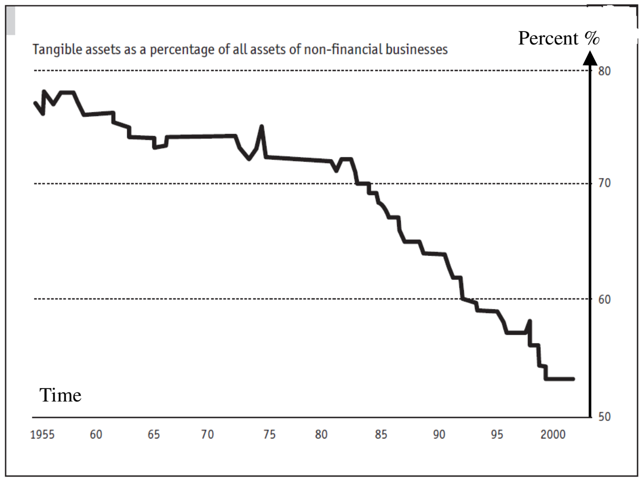

Figure 4. Increasing importance of intangible assets in corporation valuation over time (Lindemann, 2004, 28).

As Figure 4 illustrates, the importance of intangible assets in valuating businesses has increased from about 20% in 1960's to more than 45% in late 1990's. Figure 4 clearly illustrates that in recent decade businesses were acquired less in terms of their tangible assets versus their intangible assets. Traditional accounting assets for the S&P 500 companies in 1980 composed on average 80% of market value for tangible assets; by 2002 however, this figure had drop to about 25% (Ballow, Burman & Molmar, 2004). Doyle (2000, 19) also, admitted that "*75% of the value of the companies lies in their brands and other marketing-based intangibles*". Sometimes it is considered as a cultural change from the view that regards brands as cost centre to the one of the most companies' valuable asset (Millwardbrown, 2007). Nevertheless, the contribution of brands value to their businesses depends on mostly to the business that they are active and varies (see Figure 5) broadly between product categories (Millwardbrown, 2007) for instance Mcdonald's brand accounts for nearly 70% of its company stock market value and this figure for Coca-Cola is around 50% of the shareholders' value (Lindemann, 2004).

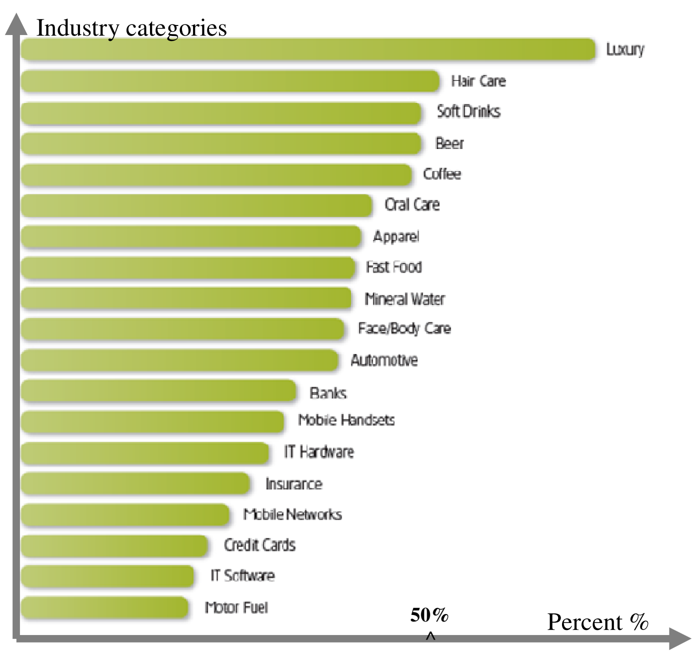

Figure 5. Schematic comparison of brand contribution to the company earnings as among different categories (Millward Brown, 2007, 1).

Figure 5 shows graphically the comparison of brands proportion on firm value contribution as intangible assets among diverse industries. This graph shows that in business to consumers industries and fast moving consumer goods (FMCG) the proportion of brands contribution to future earnings are greater than business to business categories like industrial products and finance. Sattler *et al.* (2003) pointed out that share of brand values from total firms' value ranging from around 18% in industrial goods to more than 60% in FMCG industries.

Knowing the value of brands has a significant importance to accountants for merging and acquisitions purposes. Furthermore, the prominent role of brands as an intangible asset for financial and stock market, are increasing day by day (Internet, BusinessWeek, 2010, 2). Brands has a value to the organization and based this assumption many support the idea of the inclusion of brand value on the balance sheet to have a realistic and balanced balance sheet (Riezebos, 2003). Brands usually aren't listed on company's balance sheets, but they can be used in analysing a business's success and scientific and technological advancements obtained by firm (Internet, Business Week, 2010, 1). Although, opponents argue that it is too difficult to estimate the actual value of brands (Riezebos, 2003).

3.3 Brand equity

A brand is not just a name or symbol (Kotler *et al.*, 2005) and has a capability in it to make value which is known as brand equity in business literatures (Aaker, 1991). Brand equity is one of the important business concepts (cf. Aaker 1990; Farquhar 1989; Smith and Park 1992) and yet with no common viewpoint among scholars from its emergence in 1980s (Keller, 2008).

Typically, firms by offering products and services that have value to their target customers achieve superior economic performance (Hunt & Morgan, 1995). The efficient supply of target segments' needs, increase wealth (Aaker, 1996b; Doyle, 2001b) and can be detected in the form of higher value of dividends or stocks (Falkenberg, 1996). This concept is referred to as brand equity. In general, it is assumed that brand represents intangible corporate asset (De Mortanges & Van Riel, 2003), that posses value (Brady, 2003). The added-value that a brand confers to a product or service is generally referred as brand equity (Aaker, 1991). It is a kind of property with measurable value that an organization tries to maximize. In marketing the scope of brand equity not only includes the financial advantages that brand can guarantee for a business, but also the management and strategic advantages (Riezebos, 2003). A brand is all of the promises and perceptions that a business seeks its customers believe about its product and services. The brands that are well recognized can add significant value and positive impacts in the mind of the consumers.

Kotler *et al*. (2009, 454) argue that brand equity "*should be defined in terms of marketing effects uniquely attributable to a brand*". That is to say, in reality BE relates to the fact that diverse outcomes result in the marketing efforts of a certain product and service owing to its brand, as judged or compared with the consequences of marketing if the same product and service was not recognized by that brand (Kotler *et al*., 2009). Kotler (2003, 422) defied brand equity as "*the positive differential effect that knowing the brand name has on customer response to the product or service*." David Aaker gives a definition of brand equity in his book, 'Building Strong Brands' (1996a, 7) as "*a set of assets (or liabilities) linked to a brand's* *name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or a firm's customers*". In this view four major categories introduced which make up brand equity (see Figure 6) including: *brand loyalty*, *name awareness*, *perceived quality*, *brand associations* and *other proprietary assets* (Aaker, 1991, 15).

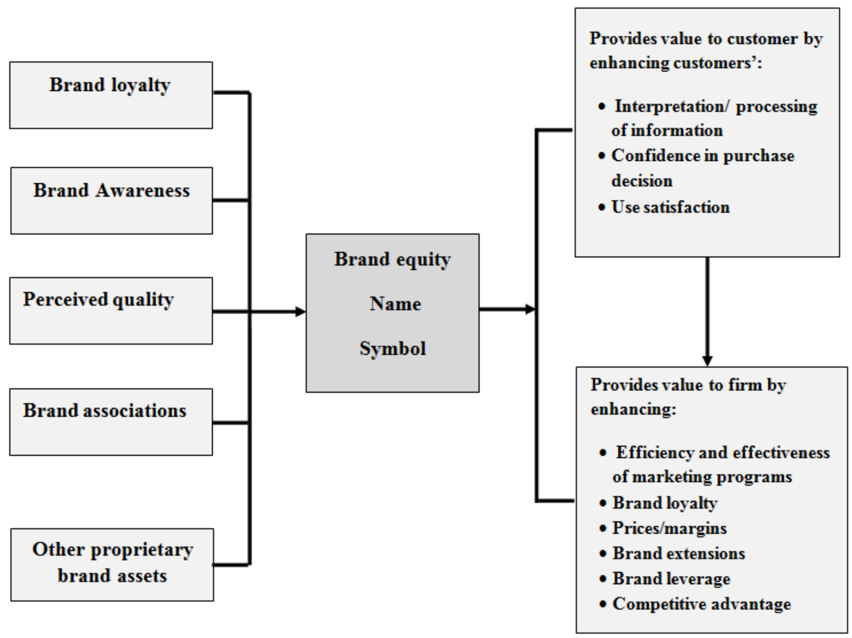

Figure 6. Brand Equity Components (Aaker, 1991, 15).

Figure 6 illustrates brand equity components which ultimately accrue value to firm and customer. Brand awareness is the presence ability of brands in the consumer's mind. Brand loyalty is the consumer's willingness to re-purchase from the same purchased brand. Perceived quality is the rational reason-to-buy from customer behaviour point of view and can be seen in form of premium price payments. Brand associations, is related to the attributes that consumers associate with a brand. The Aaker's brand equity dimensions have been commonly referred and used by many authors (Keller 1993; Motameni and Shahrokhi 1998; Yoo and Donthu 2001; Bendixen *et al.*, 2003; Kim *et al.*, 2003).

Brand equity has been defined in several ways (see Appendix III) and encompasses a broad array of concepts (Aaker, 1991; Farquhar, 1989; Srivastava & Shocker, 1991). Literature review revealed that, BE has been regarded as a *managerial* concept (Aaker, 1990), as an *accounting* concept (Kapfere, 2004), as a *relationship* concept (Falkenberg, 1996; Hunt, 1997) or as a *customer-based* concept (Keller, 2003). According to Brandt and Johnson (1997), brand equity is the unique range of real and/or perceived features and distinctions connected to a certain brand by customers. Kotler & Keller (2006, 276) defined brand equity as "*the added value endowed to products and services. This value may be reflected in how consumers think, feel, and act with respect to the brand, as well as the prices, market share, and profitability that the brand commands for the firm.*"

Bekmeier-Feuerhahn (1998, cited in Zimmermann *et al.*, 2001, 66), defined brand equity from accounting point of view as "*a net present value of future net surpluses over the cash inputs that owner of a brand can earn*". Alternatively, Simon and Sullivan (1990) defined it as the capitalized expected of future earnings as a result of the effect and association of an existing brand name on a products or services. The effect of brand on business profits arises via a firm's ability to inquire premium pricing, create brand loyalty, etc. (Leuthesser, 1988).

Kapfere (2004) tries to define brand equity using financial and customer-based perspective mutually. He argues that brands are one of the intangible assets but regarded as conditional assets. Since brands are elements that are able to create benefits over long-time period, and in order to produce financial values they have to work in conjunction with products and services (Kapfere, 2004). Without benefits there is no brand value and no maters whatever is the level of its customer-based assets like brand awareness, brand image and brand preferences (*ibid*).

Keller (1993) defines customer-based brand equity as the differential effect of brand knowledge on consumer response to the marketing of the brand. He developed a framework (Figure 7) of brand knowledge which can be divided into two components, brand awareness and brand image (a set of brand associations).

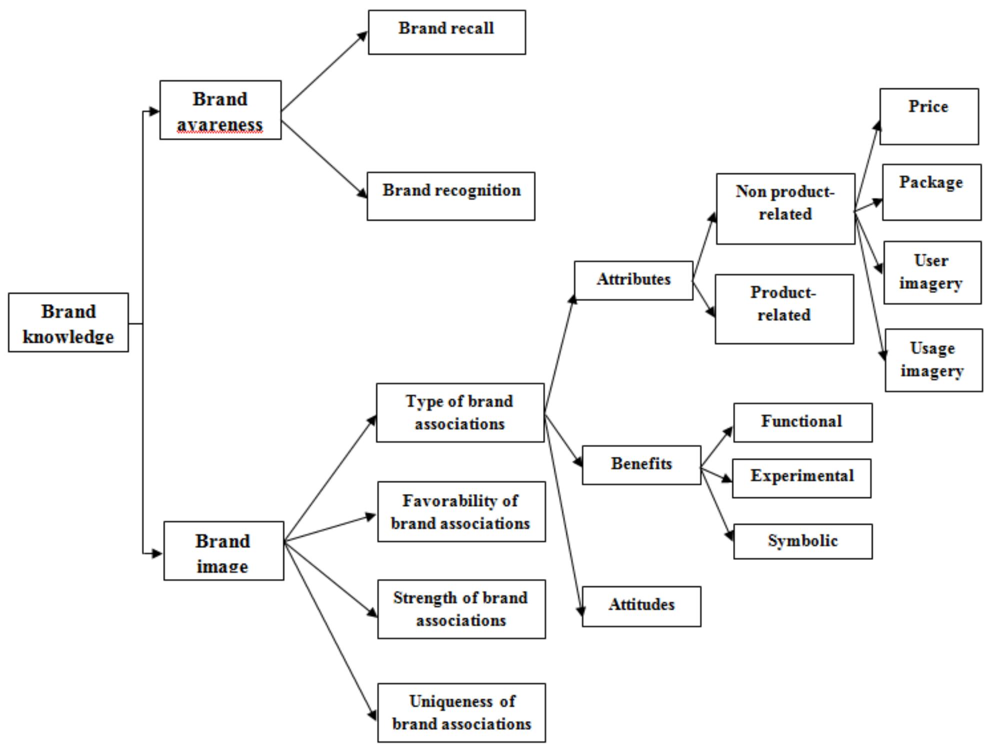

Figure 7. Dimensions of "brand knowledge" (Keller, 1993, 7).

Brand awareness like Aaker (1991) brand equity model, consists of brand recognition and brand recall performance. Brand image is defined as "perceptions about a brand as reflected by the brand associations held in consumer memory" (Keller, 1993, 8). Brand associations can be classified into three categories: attributes, benefits, and attitudes. Attributes are distinguished according to how directly they relate to product or services. One kind of attributes is product-related attributes such as the ingredients or functions of product or service. The other kind of attributes is non-product-related attributes such as price information, packaging or product appearance information, user imagery, and usage imagery. Benefits are the personal value consumers attach to the product or service attributes, for instance, functional benefits, experiential benefits, and symbolic benefits. Brand attitudes are defined as "consumers' overall evaluations of a brand" (Keller, 1993, 8). Blackston (1995) added a personality constituent to Keller's (1993) customer-based brand equity concept, and has distinguished two components of brand equity i.e. brand value and brand meaning (attitudes, images, association, and personality).

Reynolds & Phillips (2005) presented *share tire approach* which lies under theory that implies "*the behaviour of the core target group more closely reflects the true equity of the brand or at least the dynamic underlying its leveragability and resilience at the point in time*" (*ibid*, 176). In tire model loyalty is the soul of approach and defined with three components; belief, behaviour and trend. The belief represents the consumer behaviour in quality/price trade offs (*ibid*).

Reynolds and Phillips (2005) introduced two components as true brand equity measures; *resiliency* and *leveragability*. Resiliency is "*a brand's ability to protect itself and generate consistent volume and revenue, year by year*" (Reynolds & Phillips, 2005, 174). Leveragability is "*the potential energy to extend a brand successfully into related, or even unrelated, product categories*" (*ibid*, 175). Resiliency shows relative market share versus competitors by examining market evolution using three hypothetical brands i.e. brand A, B and C (see Figure 8).

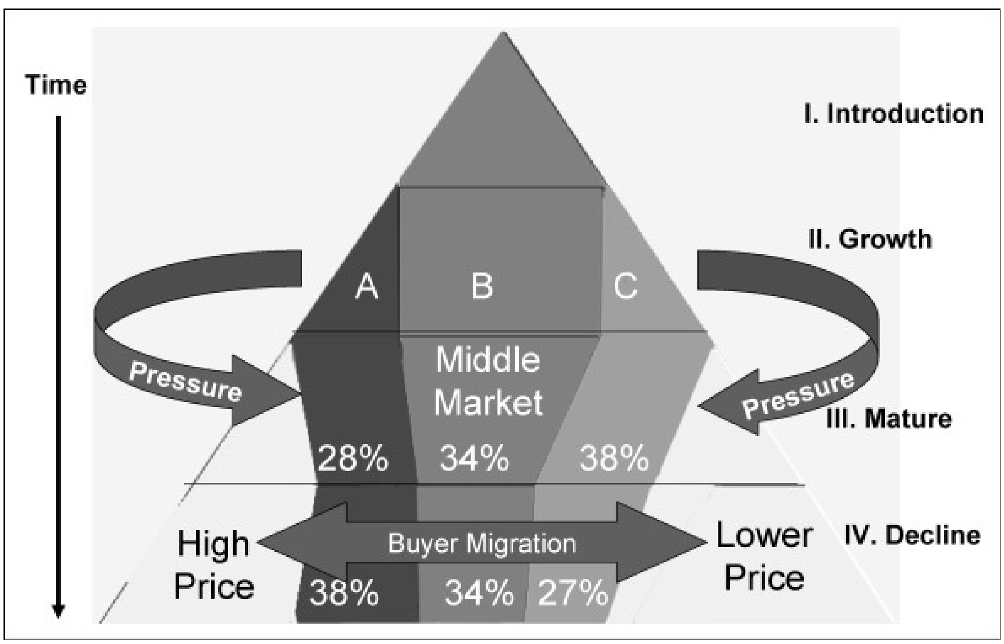

Figure 8. Market evolution: Introduction to decline (Reynolds & Phillips, 2005, 175).

As the Figure 8 exemplifies, brand C has little equity, brand B has a little more and brand A has the most (higher margin, more cost advantage or price premium and greater brand share). Reynolds and Westberg (2001, 340) suggested six subtypes of leveragable brand equity: bridge equity- which value created by extending a secondary brand from the original brand name; scarcity equity- that value gained since brand has limited availability in market; borrowed equity-value created via associations contributed by different brands; prestige equity- that value derived because customers belongs to a status group; promotional equity- which value created due to some promotional programs; latent equity- value gained from memories which are not currently utilized (Reynolds & Phillips, 2005).

Some another researchers (Falkenberg, 1996; Hunt, 1997; Srivastava *et al*., 1998, 2001) characterize the brand equity as a relational market-based asset. It is relational since the value creation by brands relates to great extent to the relationships with other external stakeholders e.g. distribution chain, end users (Aaker, 1991; Keller, 1993). It is said external asset because brands can merely be available without ownerships (Aaker, 1991; Keller, 1993). Berry (2000) mentioned two components of brand equity in service based enterprises (like banks); brand awareness and brand meaning. In this view brand meaning is influenced by consumers' expectations of firm (Berry, 2000). Factors such as employee satisfaction, environmental awareness, serviced operations, service features, self brand image, brand aroused feeling and brand personality used by banks for instance to define brand meaning (*ibid*). Brand equity is an important intangible asset that brings emotional and financial value to business (Kotler & Keller, 2006). Therefore, its value as an intangible asset is reflected in higher financial performance so it ends to sustainable competitive advantage, (De Chernatony and MacDonald, 1992), higher margins (Farquhar, 1989), greater sales figures and larger market shares (Hooley *et al*., 2005; Park & Srinivasan, 1994).

According Franzen (1999) the existing literature on brand equity can be divided into three main categories: *mental brand equity*, which is, the effect of the brand on the consumer's consciousness; *behavioral brand equity*, that is, the customer's backlash to the specific brand or what is attributable to the brand directly; and, lastly, *financial equity*, that is, the financial performance of the brand which can be measured and presented through some measures such as return on investment (ROI), profit, turnover, price-to-earnings ratio etc. (cited in Jones, 2005, 14). Similarly, Lassar *et al*., (1995), brand equity has been examined from a financial (Farquhar *et al*., 1991; Simon and Sullivan, 1993; Kapferer, 1997, Doyle, 2001b), and a customer-based perspective (Keller, 1993; Shocker *et al*., 1994; Chen, 2001).

Moreover, brand equity (BE) must be distinguished from customer equity (CE) that relates to customer acquisition, retention and loyalty (Ambler *et al.*, 2002). Customer equity is defined as the sum of the customer life time value (CLTV) to the firm (Blattberg & Deighton, 1996) which its focus is on customer management relationship decisions mainly (Blattberg *et al*., 2001). Ambler (2003, 46) defines the customer brand equity (CE) as "what is in peoples' heads about the brand." CE proposed by Balttberg & Peighton (1996) and has been developed by other researchers over previous decade (Guptas & Lehmann, 2003). According to Ambler (2003), the BE and CE are not two mutually exclusive concepts but representing two side of the same intangible asset (Ambler *et al.*, 2002). Marketing activities for improving CE can lead to BE improvements and vice versa (Keininghan *et al.*, 2005) However, the researchers revealing the relationship between these two concepts are scarce (Leone *et al*., 2006). BE outlook focuses on managing brands via marketing programs in order to create brand awareness and brand image with customers where as CE perspective put emphasis on the bottom-line financial value from customers (Leone *et al*., 2006).

Feldwick (1996) enumerates three different meaning for brand equity based on existing literatures depending on which context it is used. Brand equity can be used to refer to brand description or customer associations attributed to brand. Also, it is used as brand strength that shows consumer relative demand to a brand.

3.4 Creation of values

The objective of every effective enterprise is value creation (Cameron *et al.*, 2006). Traditionally, value creation has been defined in terms of financial metrics such as cost savings, revenue growth over and above profitability. But today enterprises adapt a more inclusive view to value creation by considering assessment of intangible assets as well as tangible assets (*ibid*, 4). Employees within the organization create value when they raise the flow of benefits by reducing the costs or recourses being consumed and so forth. In addition, enterprises create value by satisfying the customers, when the perceived benefits they deliver to customers are greater than costs of acquire it. Similarly, when an organization achieves its shareholder and sponsors goals, obeying the laws, developing the standards and supporting suppliers create value (*ibid*, 21). In general, value has been created by enterprises to different stakeholders when the benefits received surpluses the costs to those groups. In other words, "*value is created when every stakeholder is made better them off than he or she would be without the organization*" (*ibid*, 29).

Value creation and business management are affiliated with each other and have to go together (Freeman *et al.*, 2004). Value construction is an inherently dynamic process and judgement on it involves two basic concepts *concavity* and *convexity* (Cameron *et al.*, 2006, 88). The first concept implies that value creation must be judged on the basis of well defined financial metrics within short-term horizon, whereas the later necessitates the consideration of enterprise performances (including new technologies, processes and brand equity) on relatively long- term frame as well over value creation judgements (*ibid*, 88).

Spanning from a financial (profit-only) shareholder view (Friedman, 1970), to the wide-ranging view of stakeholders (Harrison & Freeman, 1999), enables firms to approach sustainability where economic, social and environmental aspects ties together. So, CR can be regarded as the business contribution to sustainable development (EC, 2001, 1). This definition is more than acquiescence with the responsibilities that the organization has towards the society in general, beyond the accountability to pursue the regulations and being profitable (Moon, 2004). While, researchers enumerated several drivers for businesses that may influence them to adopt CR practices, such as: social awareness (Roux, 2007) and education (Tullberg and Tullberg, 1996), ethical consumerism (Grace and Cohen, 2005, 147), governmental regulations and laws, globalization (Fry *et al.*, 1982, 105), crisis and their consequences (Grace & Cohen 2005), other scholars cited this practices under appeals for gaining benefits like risk management (Beth & Ruggie, 2005) and brand differentiation (Paluszek, 1973). Aligning firms value well-through-out with its stakeholder's value and those of brand, improve considerably competitive advantage inform of brand equity (Brady, 2003). This is also referred as "citizen branding" (Willmot, 2001) that differs from "cause-related" branding concept. Cause-related branding is a short-term concern of businesses to rather wider problems (Brady, 2003). The concrete case for instance is the McDonalds and UNICEF, when McDonalds-which is not known as pioneer in responsibility agenda- started negotiation with UNICEF for conducting a fundraising alliance in 2002 (Brady, 2003). In fact, the purpose of observing CR in business processes is to build value in long run perspective (Freeman *et al*., 2004). Corporate responsibility begins with the assumption that the business role is to create values and the condition for doing that is trust (*ibid*, 364).

Brands on other hand "*are at the heart of marketing and business strategy*" (Doyle, 1998, 165). Brands as one of the most valuable intangible assets create value in long term (Kotler &

Keller, 2006). Understanding of brand value deeply rooted in how the firm operate and behave as a collective allied (Johansson & Holm, 2006). Strong brands build trust (Keller & Lehmann, 2005). "[B]*rand trust is rooted in the result of past experience with the brand, and it is also positively associated with brand loyalty, which in turn maintains a positive relationship with brand equity*" (Delgado-Ballester & Munuera-Alema´n, 2005, 187) or at least helps to a better explanation of brand equity (*ibid*, 187). In fact, brands build customer loyalty and this helps them to generate growth, share, profit and shareholder value (Doyle, 1998). Baier (1986, 234) defined trust, as "*confident reliance on another's goodwill.*" This definition involve neither premise nor contract (Gusstafsson, 2008). Trust is a valued commodity that can be built over long time (McElhaney, 2008). The importance of trust has been highlighted in the brand management literatures and practices (see Ambler, 1997; Bainbridge, 1997; Kamp, 1999; Scott, 2000; Sheth and Parvatiyar, 1995).

One of the most important factors to build brand trust from the corporate perspective is reputation (Gusstafsoon, 2008). Reputation is changing constantly as a result of the responses of diverse stakeholders' involvement (Gusstafsoon, 2008). The popularity (reputation) component will create a positive intangible contribution to brand image and brand loyalty (Aaker, 1991). This popularity will bring effectiveness and efficiency in marketing, trade leverage and so on that will affect sales and market share indirectly (Aaker, 1991). Popularity drive value to customers by enhancing confidence in purchase and create assurance to consumers especially when buyers evaluate goods of which the product features cannot be easily compared among competitor alternatives (Kim, 1995). Researches (Page & Fearn, 2005) have shown that it is difficult to build strong brand through a poor corporate reputation, but there is no guarantee of success with a good reputation either. The effects of CR on brand trust, reputation and loyalty is shown in the Figure 9 adapted from literature reviews.

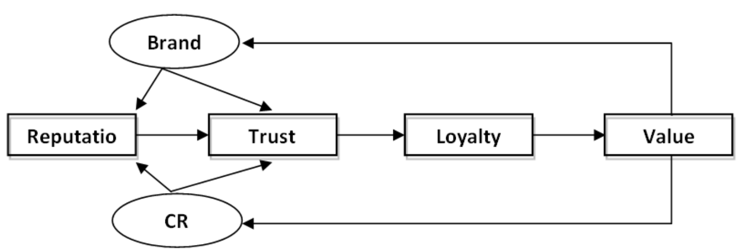

Figure 9. The relation of CR with brand trust and value (adapted from literature reviews).

This can be seen in the consumer behaviour where they find firms with community involvement more trustworthy, likable and prefer to purchase (Keller and Aaker, 1998). Also the findings of an experimental study by Keller and Aaker (1998) demonstrate that environmental concerns enhance perception of corporate. CR helps businesses to innovatively improvements in their quality. Consumers look for high quality and personal added value that they interpret it as real values (King, 1991). This real value seems to be changing over time (*ibid*, 261). However responsibility is not going to be conduct easily although the potential results and rewards are high, but it must be rooted in performance (Brady, 2003). Businesses need to measure relevance of sustainability issues they address and current perceptions towards their owned brands on this matter considering reputational risks concerning not doing so (WBCSD & UNEPFI, 2010). Brand value is a way to bring forward all this (WBCSD & UNEPFI, 2010).

3.5 A historic brand equity background

The importance of brands has been discovered by companies and numerous researchers have made several studies on the topic. Brand valuation is a part of the building and sustaining brand's process (de Charnatony, 2010). In history, branding originated to insure quality, build trust, made differentiation and shows source of ownership (Internet, Brand Strategy, 2010). In the medieval times water marks used to mark papers. Similarly other markers used to show trusted measured goods (*ibid*). In past, between 1600 to1800 criminals were branded in the England and France to be identified (*ibid*). Nevertheless, branding history goes back to 1300BC, that marking used as a signature to differentiate pottery in China, Greece, Rome and India. But branding (literally) of livestock even goes back further as far as 2000BC (*ibid*).

During the 1860-1914 after the Civil War (see Figure 10), because of changes in the U.S. trademark law, increasing industrialization and transportation improvements (Doyle, 1998); the first wave of national manufacturer brands emerged (Low & Fullerton, 1994). During the 1920's the national brands dominated the market and retail sector (Keller, 2003). Throughout 1915-1930, with help of advertising campaigns, mass market brands became well established and powerful (Doyle, 1998; Low & Fullerton, 1994). Some years later, a number of challenges of greater price sensitivity and less acceptable advertised products emerged among consumers during 1930-40 periods (Doyle, 1998). This situation continued for a while without significant changes due to World War II and radically environment changes (Low & Fullerton, 1994). After World War II and between 1946-85, by developing the economy and growth in high-quality brands' demand, the need for branding concept formed, and firm after firm adapted the brand management system (Keller, 2008). In this period, which continues today, consumer goods manufacturers (e.g. Colgate, Palmolive, Canada Dry for instance) installed formally 'brand equity managers' to protect their brand equity and prevent from short-termism by help of proceeding periodically measurements (Doyle, 1998; Low & Fullerton, 1994). This means owners tended to increase investments on brands rather than cut back (Doyle, 1998).

However, Pringle and Tompson (2001) specified that in the 1950's, brands had to resonate well with rationale of consumers, in 1970's branding motivation was to construct an emotional relationships with its customers, where as in the 1990's it is mental and ethical values of consumers that to be fulfilled to facilitate building long-lasting brand relationship.

As business attention to the brand and branding increased during last decades (Aaker 1991; Farquhar 1989; Keller 1991; Smith and Park 1992), remarkable shift in the perception of the structure of the shareholders values occurred especially after 1980's when the gap between the stock market value and book value of corporations in acquisitions and mergers was increasingly revealed (Lindemann, 2004). The difference between markets-to-book values of firms in their transformations propounded the concept of *brand equity*- which is said stemming from a Marketing Science Institute conference on the topic in 1988 (Leuthesser, 1988) and widely discussed over the past decades (Keller, 1998). Consequently, the need for quantifying intangible assets and brand equity gradually shaped.

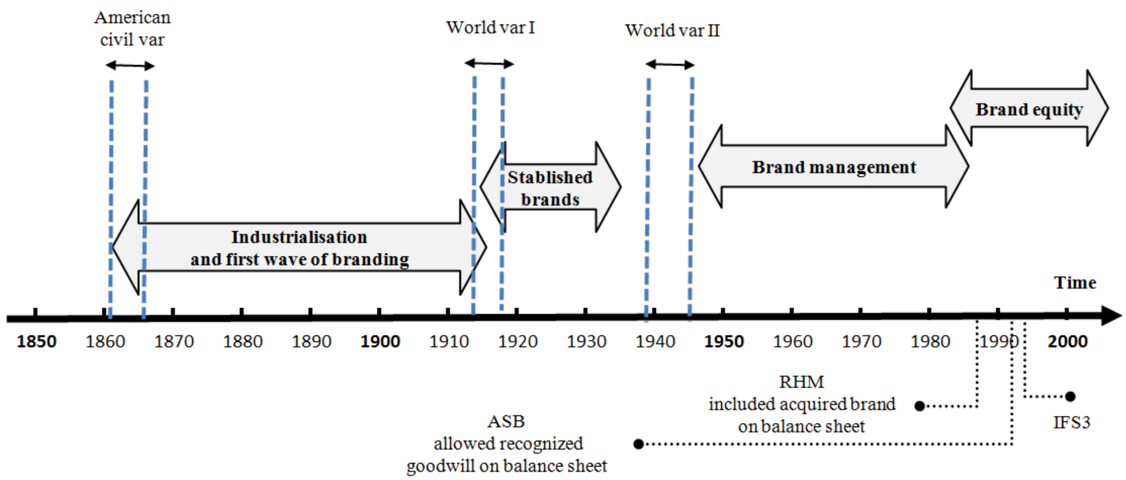

Figure 10. A historical brand equity background (based on literature review).

Traditionally, the accounting treatment of intangible assets handled in a very conservative way (Sinclair, 2005). In this view, tangible assets such as land, manufacturing equipments and financial assets like investments and receivables; were considered as the major source of businesses valuation (Lindemann, 2004). Although, intangible assets have had an important role in their businesses (Falkenberg, 1996; Lusch and Harvey, 1994; Srivastava *et al.*, 1998) its explicit value remained unclear (Lindemann, 2004).

Though an evidence that brand valuation in form of goodwill[2] treatment write-offs can be found in 1984 in US, however, a pioneering step occurred when the Rank Hovis McDougall PLC (RHM), British's major flour and baking company, put value on all its brands (acquired and otherwise) and referred this valuation in its balance sheet in 1988 (Murphy, 1990). This valuation initiated a debate and leads to follow up by other major U.K. quoted businesses, though these companies mainly included acquired brand values in their balance sheets (*ibid*, 23). Many other companies have valuated their brands merely for brand management purposes (not to presenting in balance sheet uses) like brand licensing and take over purposes (*ibid*, 23). After while, the brand valuation phenomena has spread to other countries like US, Australia and Japan during 1990's (*ibid*, 23).

In 1992 the UK Accounting Standards Board (ASB) for the first time introduced detailed regulations for allowance of recognising acquired goodwill on the balance sheet (Lindemann, 2004). These regulations posed the stipulation that capitalized good will must be amortized based on its useful life with the exception of brands. Since brands claimed that have infinite life span, so brands exempted of amortising but yearly impairment tests adaptation needed (*ibid*, 32).That leads to developments of US accounting standards (FAS 141) in 2001 by US FASB (Financial Accounting Standards Board), and followed by introducing IFRS 3 a few years later (Internet, Prophet, 2010, 1).

The IASB in 2004 has introduced the International Financial Reporting Standard 3 (IFRS3), which was adopted by most countries (excluding the US. that follows their own standards),

[2] The value of goodwill can be determined as the "*excess of purchase price over the value of physical assets*" (Carvens & Guilding, 1999, 60).

one year later (Sinclair, 2005). Some of more relevant aspects of this statement are presented as below (Wong, 2005, 1-3).

- All identifiable intangible assets of the acquired business must be recorded at fair value, using contemporaneous information.
- The intangible must be identifiable and controlled by company and enjoy the future economic benefits.
- Good will and certain other intangible assets can be declared to have an indefinite economic life
- All the intangible assets required impairment tests, whenever there is a sign of impairment or at least once a year.

These identical standards recognized brands that have to be valued like other intangibles (Internet, Prophet, 2010, 1). It is no longer permitted to report a figure representing excess of the purchase price over the tangible assets acquired as “good will” (Sinclair, 2005).
Goodwill has to be allocated into five distinctive groups of intangibles as: contract-based assets (e.g. leases, licenses, and royalties); technological-based assets (e.g. patents, databases); artistic assets (e.g. plays, films); customer-based assets (e.g. contracts, customer lists); and marketing-based assets (e.g. brands, trade marks) (Sinclair, 2005). However, this is allowed only to ‘acquired’ intangible assets, hence internally-generated brands and brands of owners should not be appear in balance sheets (Haigh & knowles, 2004b; Sinclair, 2005). Hence, new accounting regimes clearly recognize brands (trademarks) as asset but what is still unclear is the question of how these intangible assets should be valued (Internet, Prophet, 2010, 1).

4 Theory

The following chapter outlines the theoretical framework that is chosen for this project. It starts with a generic model for brand equity, followed by theories of value creation, and thereafter explains the role of business and stakeholder theory. "*Approaches to social research are not isolated in space. In simplified terms they can be understood as a certain set of explicitly or implicitly defined theoretical assumptions which are specifically linked with empirical data, permit specific ways of interpretation and thus reconnect the empirical with the theoretical field*" (Wodak & Meyer, 2001, 14).

4.1 Brand equity- a generic model

The importance of a brand has been discovered by companies and numerous scholars have investigated this area and written articles and books on the subject. Keller (1993) explains brand equity in terms of sources and outcomes of BE that can be evaluated as a financial asset. Aaker (1991) originally enumerated five major components of brand equity such as: brand loyalty, name awareness, perceived quality, brand associations in addition to perceived quality, and other intellectual properties like trademarks (see Figure 6 page 19).

Riezebos (2003, 267) distinguishes two kinds of values in his brand equity model. He expresses the value of brand for the firm as *brand equity* and the value of brand to customer as brand *added-value* and how the two relate to each other. Riezebos indicates that brands have value to their organizations and this value to large extent relates to the brand-added value which is manifested by consumers. In Figure 11 the components, advantages and relationship of both brand added-value and brand equity have been summarized.

In this study, Riezebos (2003) brand equity model has been selected as theoretical frame for the analysis. This choice of model is explained by the fact that, the Riezebos' model distinguishes values to consumers from values to firms but illustrates the relationship between these two (Figure 11). The branding literature review reveals that brand equity provides value for both the customer and the firm. Brand equity builds value to customers through communicating efficient information and facilitating shopping process and creating confidence in customer behaviour. Brand equity generates value to businesses due to enhancing marketing efficiency, increasing brand loyalty, improving profit margins, achieving leverage over distribution channels, and gaining distinctiveness over the competition (Bagozzi *et al.*, 1998, 320). Considering both the consumer and company perspectives enables tracking the consequences of interactions on consumer side that have on the added-value of the brand owner side (i.e. brand equity). Also this model scrutinizes the financial advantages as well as management and strategic advantages for brand equity.

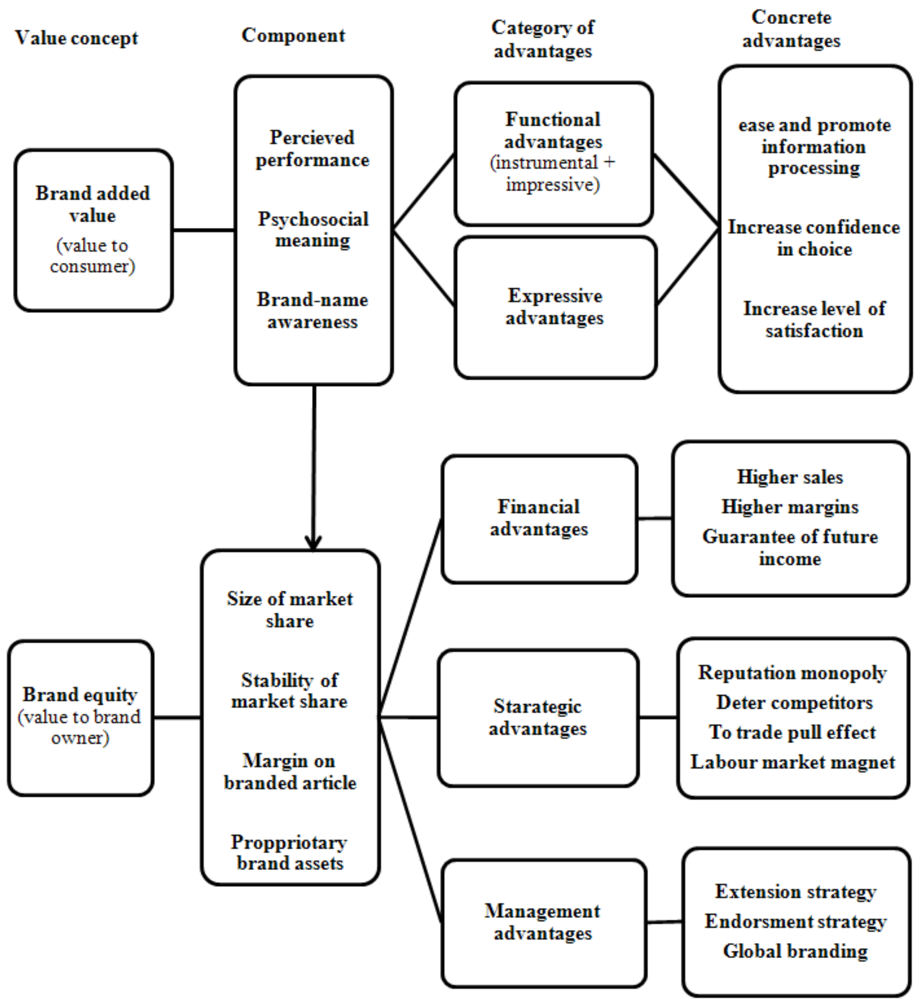

Figure 11. A model for brand value concepts (Riezebos, 2003, 270).

Figure 11 illustrates the relationship between brand equity components and brand added-value attributed by consumers. The Riezebos' brand equity model builds on David Aaker's (1991, 15) brand equity model. Both Aaker (1991) and Riezebos (2003) have distinguished between the so-called consumer-based brand value and the so-called producer-based brand value, Howerver, Aaker (1991) does not make an explicit distinction on which components belong to the added-value offers to consumer and which components belong to the added-value to the brand owner. In contrast, Riezebos (2003) identifies three components for brand added-value (value for consumer) and four components of brand equity (added-value to brand owner).

Riezebos (2003, 286) defines brand added-value as "*the extent to which a brand and related associations contribute to consumer's/customer's valuation of the brand product as whole.*" Doyle defined economic value to customers (EVC) as "*a difficult advantage is obtained when a firm offers customers value they cannot get elsewhere*" (1998, 235), and thanks to this advantage, the business can ask for higher prices (Fraquahar, 1998). Ambler (2003, 46) described this consumer brand equity as "*what is in people's heads about the brand.*" Keller (2008) used '*brand strength*' as an introduction for brand equity to signify the overall impact of the brand. As mentioned earlier, brand added-value in this model encompasses three components namely: *perceived performance, psycho-social meaning*, and *brand name awareness* (Riezebos, 2003, 268). These components presented as follows:

1. *Perceived performance*: which refers to the functions associated that brand evokes to its consumers. It is consists of two main sub components: *perceived quality* that mostly concerns the quality of branded article and *perceived material differentiation* that regards the existence or lack of specific characteristics. This factor implies that the more a brand achieves in satisfying the consumers' functional needs, the higher perceived performance and as a result higher brand added-value.
2. *Psycho-social meaning*: this factor is based on the principle that consumers can express themselves by choosing the certain brands. Therefore consumers with a high degree of tendency to display socially accepted behaviour are more likely to use brands that have a higher score on psycho-social meaning factor.
3. *Brand name awareness*: the other factor that contributes to the brand added-value is brand awareness.

Riezebos concludes that if customers affiliate a brand with a high degree of brand added-value, they will buy that brand frequently. In other words the esteem to a certain brand will lead to greater value for brand owner or brand equity. Riezebos (2003, 286) clarifies the meaning of brand equity as follows:

"*Brand equity is the extent to which a brand has value for the brand owners; this value can come in the form of financial, strategic and management benefits.*"

Riezebos (2003, 268) also presents four constituent for brand equity as: the *size of market share, the stability of market share, the price margin*, and finally *the rights of ownership associated with brand*. Each of these parts are presented below.

1. *Size of market share*: the first component is the *market share* of brand which "*is dependent on the extent to which consumers attribute added-value to the brand concerned*" (Riezebos, 2003, 269). This component is based on principle that customers willing to purchase a brand with a higher brand added-value rather than a low brand added-value. High market share gives relatively high presence and will bring more awareness (Cheverton, 2002). Table 1 shows the results of study conducted by PIMS (Profit Impact of Market Strategy), across 3000 UK businesses on average return on investment (ROI), based on two factors of market share and quality (Cheverton, 2002, 69).

Table 3. PIMS research on brands and ROI (Cheverton, 2002, 69)

	Low Quality	**Medium Quality**	**High Quality**
high market share	21.00	25.00	38.00
medium market share	14.00	20.00	27.00
low market share	7.00	13.00	20.00

Although these figures alone are not conclusive and hardly generalizable, they highlight relationship between return rate, market share and strong brands. It suggests investing in brand building in order to have greater market share is as beneficial as investing in product quality improvements. It also implies that strong brands in presence of good quality will likely be more profitable (Cheverton, 2002, 69). Therefore, having a high brand added-value will lead to greater market share. Accordingly brands with larger market share have higher value for their organizations comparing to the brands with small market share.

2. *Stability of market share* is the second factor that determines height of brand equity. This component addresses the related purchases in long run. David Aaker (1991) defined it as brand loyalty from the consumer perspective. Riezebos (2003) argues that brands with high stability on market share have both strategic and financial advantages for the business. Its financial benefit is obviously expressed in higher revenue in future with a relatively lower marketing budget. Speaking of strategic view point, organizations consider brands with a stable market share relatively more valuable seeing as these brands have an ability to gain respect from potential competitors and retailers dare not to ignore them from their shelves. Consequently, it is concluded that brands with a fairly raised stability in the market have more value to their firms than the brands with an unstable market share. Results of several research studies confirmed that brands with larger market share is more often purchased (Riezebos, 2003). It is also apparent that the larger market share relatively corresponds to a stable market share. Ehrenberg *et al.* (1990) expressed the statement which brands that have less market share are often less purchased frequently as "the *double jeopardy phenomenon*".

3. *Brand margin*: Other component of brand equity in Riezbos model known as the margin that a business can expect to realize from the difference of selling price and cost price of branded article. People are ready to pay a little extra for a clear conscience (King, 2003). A firm can benefit from margins (Doyle, 1989) in two ways; either by increasing the selling price (for example due to advertising) and / or by reducing its cost (end-factory price) as a result of scale advantage gained from increase in production (Riezebos, 2003). The margin like previous components of brand equity; is to large extent dependent on the added value contributed to the brand by consumers. It is clear that the brands with higher margins have a larger value to their organizations.

4. *Ownership rights*: the last component of brand equity is named the rights of ownership (proprietary assets). As Riezebos (2003) ascertained, this can be related to the legal protection of brand in form of licenses and patents. As it is graphically illustrated in Figure 11, this factor of brand equity unlike the other three preceding components is barely subjective to the extent to which customers accredit added-value to brand.

The two components of brand value are co-dependant but the same level of brand added-value will not necessarily lead to brand equity at the same level. The effects of price differences and availability of branded products in relationship between brand added-value and brand equity must be considered. In general higher prices demonstrating higher brand added-value but because of consumer budget restrictions just a few group of consumers can afford it. Similarly, the brand added-value of products and services with a poor availability will decrease even it encompasses number of advantages. So despite the fact prices and distribution differences can disturb the relationship between brand added-value and brand equity, this model assumes almost monotonous affinity between these two concepts for the sake of ease (Riezebos, 2003).

A strong brand not only gives value to its users but also will leverage the organizations' image and value. Aaker (1991) and Riezebos (2003) argue that the brand equity mostly related the added-value that the brand delivers to its buyers. The authors conclude that if the brand does not add any extra value to its customers, the business will not benefit from its brand. On the other hand considering a positive relationship will lead to high value to customers, brand equity will increase and firm can obtain more benefits.

4.2 The role of business

Businesses, regardless of their scope and size are the active members of society and reflect the visions, social realities and regulations of which they operate. The traditional view on the role of businesses is to increase the profit (Friedman, 1970). Milton Friedman believed that increasing profit for shareholders is the sole responsibility of the firm. He argued that, by building economic (with a fair return of investments), and legal imperative considerations, social wealth is provided. In this view businesses by generating more job opportunities, customer satisfaction (via enhanced products), and more taxes help social well-being and up holding ethics (Galbreath, 2006). Firms interact with society and construct different relations with diverse players. Figure 12 presents the major roles of businesses regarding different actors in the business set.

Companies benefit society by:

- Supplying goods and services that customer cannot, or do not want to, produce themselves.
- Creating jobs for customers, suppliers, distributors and co-workers. These people make money to support themselves and their families, pay taxes and use their wages to buy goods and services.
- Continually developing new goods, services and processes.
- Investing in new technologies and in the skills of employees.
- Building up and spreading international standards, e.g. for environmental practices.
- Spreading "good practice" in different areas, such as the environment and workplace safety.

Figure 12. Companies benefit to the society (Svenskt Näringsliv, 2004, 6).

As Figure 12 specifies, the firm has various roles in the society (Svenskt Näringsliv, 2004), though its basic objective is to operate and be financially successful (Friedman, 1970). Nevertheless, businesses also have responsibility to redound the individual's values and ambitions to organizational performance (Drucker, 1969). Of course a business has to be profitable from their investments in order to be surviving, but the purpose of business should be distinguished from the purpose of investors (Colley *et al.,* 2004).

Ford *et al. (*1998, 3) define an organization as *"a group of people who join together to work toward achievement of a specific purpose or goal"*. By this definition people are the essence of an organization and its ability to succeed sustainable success (Rainey, 2006). In addition, the effects of corporation on the environment and social welfare are important. In time past, issues like global environment and construction of society have been in domain of governments. However in a neo-liberalistic perspective, numerous businesses are globally active now and as influential as governments (Brady, 2003). Porter and Van der Linde (1995) argue that how organizations should handle this new trend strategically, by stressing that firms which consider environmental concerns and solutions as potential opportunity will be more competitive and profitable. Figure 13 illustrates different levels of corporate responsibility within society (McElhaney, 2008, 23).

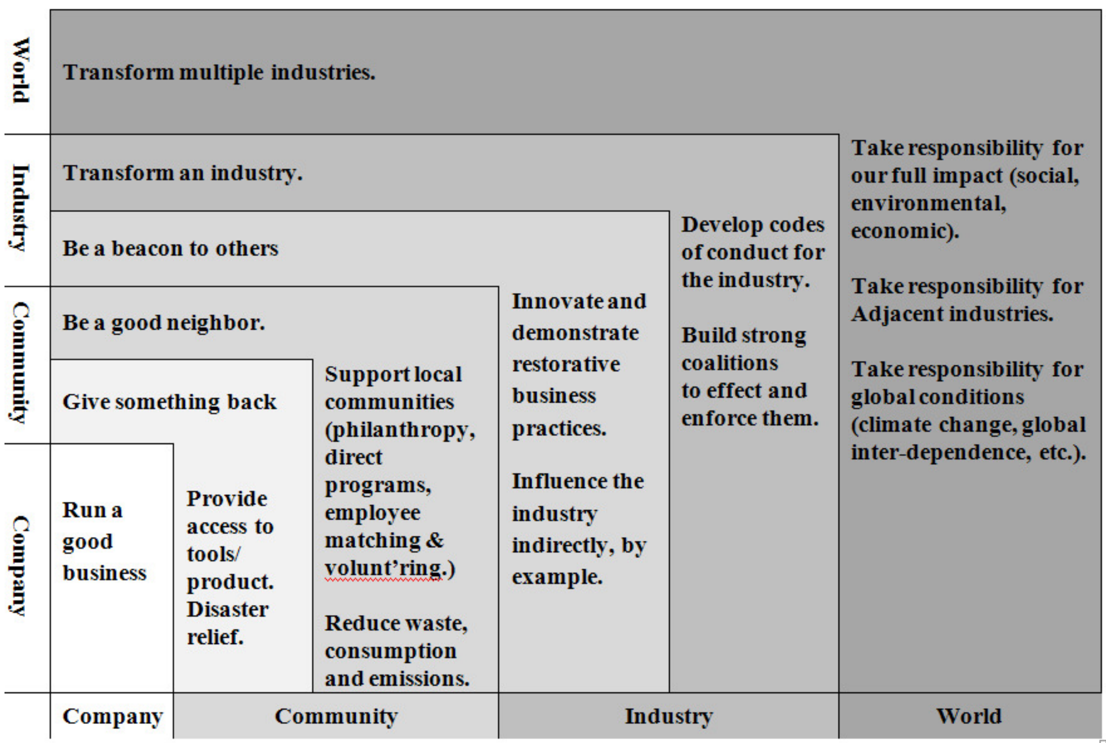

Figure 13. A corporate responsibility landscape (McElhaney, 2008, 230).

As McElhaney states most firms' CR engagements are either simply being a good neighbour, or giving back something to society. In addition, business can influence the industry or McElhaney (2008, 22) put it as "*be a beacon to others*". A good example of industry influence can be seen in Whole Foods as a business leader and its emphasis on organic foods which leads to industry trend on natural offerings (*ibid*, 22). Moreover, it is hard to argue against the business role in developing codes of conduct within industry, or in the bigger context taking responsibilities on global challenges like climate change (*ibid*, 22). CR scholars address communities as key stakeholder to whom organizations have moral, social and commitments (Lantos, 2001).

In a modern perspective, business is an organization that has some responsibilities toward people and the society. As Wood (1991) declared, corporations and society are intertwined entities, and that's why society as whole expects firms to behave ethically. Businesses will have economic development when they succeed to make productive values, ambitions and traditions of individual and community for common advantageous purpose (Drucker, 1969). Carroll (1979) defines imperative and voluntary roles toward legitimacy of business in society. He underlines four-part typology of *economic*, *legal*, *ethical* and *discretionary* business responsibilities, which emphasized to the economic prime role of enterprises to the society conducted above a legal essential framework as imperative roles. Carroll (1979) suggests businesses to define ethical norms over required regulations to show how they behave as well.

Accountability, responsibility and liability are three interchangeable terms often used in corporate governance context. However, accountability is referred to doing what one supposed to do; liability is clearly related to the legal side with a concentrate on enforcement (Huse, 2007). European Commission (EC, 2001, 11) defines corporate responsibility as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*." European Commission definition of corporate responsibility provides a useful starting point for businesses to define economic, social and environmental responsibilities. Today, many firms are realizing that CR is a valuable part of their overall business strategy (McElhaney, 2008).

CSR-related organizations promoting CR practices with numerous different business types within diverse industries also support the development of CR practices. A report by Catalyst Consortium (2002) pointed out in United States for example the business associations like Business for Social Responsibility alone counts about 1400 corporate members that employed above six million employers globally with total annual revenue of US$1.5 trillion. In Europe, similarly, the London-based International Business Leaders Forum has 60 major globally active business members. In developing countries such as Brazil, Philipine, India and Eygept organizations dedicated to CSR and corporate citizenship exist (Internet, Catalyst Consortium, 2002). Davis (1973, 321) summed up corporate responsibility as "*... the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social and environmental benefits along with the traditional economic gains which the firm seeks*."

A holistic perspective transfers the view of corporate conduct from "supply and demand" management view in to sophisticated framework concentrated on value creation, satisfaction, ethics and social responsibility (Rainey, 2006). This can be seen within the *Institutional theory* that asserts; firms are constrained by social rules and embedded in a large social system, hence their existence depends on legitimisation and complying with social rules (Huse, 2007). Corporate responsibility can be considered as an effective means for establishing and maintaining trust and shaping credibility (McElhaney, 2008). As Peter Drucker (1969, 52), stated, "*all institutions, including businesses, are accountable for the quality of life*".

Although, corporate responsibility came to account in the 1970's (Sunderstöm, 2009), the CR discussions prospered after Milton Friedman (1990, 273) notation of merely "*social responsibility of business is to increase its profits*". The idea of how business should approach CR can be viewed from different perspectives. Note that though CSR activities are often unrelated to the firm's ability in its ordinary process of producing and delivering products/services (Brown & Dolcin, 1997). Table 4 summarizes the main characteristics of CR perspectives (Sunderstöm, 2009, 26) that prioritized.

Table 4. Main characteristics of CR motives, legitimacy, orientation and limitations (Sunderstöm, 2009, 26)

CSR perspectives	Motives	Legitimacy	Orientation	Limitations
Shareholder	Economic	Business, legal, fairness in business	Profit-only orientation	Ignores economic side of social benefit
Stakeholder	Economic and social	Affect and affected by business objectives	Putting the interests of business first	Priorities based on stakeholder power, legitimacy and urgency
Philanthropy	Altruistic	Sponsorships, donations, charity Good image	Putting the voluntary aspect and altruism first	Short-term effects Encourages giver-taker mentality
Citizenship	Business and local community development	Welfare gains from business's proactive infrastructure building efforts, partnerships and reciprocity	Putting the interests of society first	Ideology Need for long-term Engagements
Cross-sector partnership	Business and society as collaborative, social partners	Tri-sector partnerships built on shared social responsibility	Putting the interests of business and society first	Need sector motives and business legitimacy to act

Corporate Philanthropy approach is based on the premise that, corporations want to do well as members of society. Despite the critiques on poorly defined (Porter & Kermer, 2002) and short-term vision (Galbreath, 2006) of voluntary contributions such as business participation in charity and sponsorships, builds altruistic image for corporation (Sunderstöm, 2009). Another approach is *Corporate Citizenship*(CC) which derives from the idea that business should consider themselves as a citizen and act as citizens in the communities they belong to (Vidaver-Cohen and Altman, 2000). Corporate citizenship perspective stress the high priority of community as a vital and integral part of economy, and implies making a reciprocal collaborations with the community via proactive programs beyond inactive philanthropy efforts, such as building local infrastructures to provide sustainable communities (*ibid*). Galbreath (2006) expresses that mutual collaborations and reciprocity role of corporations creates win-win strategy that builds value returns for community while creates economic benefits for corporations. Cross-Sector Partnership is another apposite strategy toward having sustainable business and society mutual relations (Boehm, 2002). The ideology of cross-sector partnership perspective lies in three-sector collaborations of private business, governmental parties, and local community organizations on social issues (Newell, 2005).

4.3 Stakeholders

The stakeholder theory has developed in a number of trails over the course of its history (Freeman, 1984). Stakeholder theory embraces a pluralistic view on organizations and is about balancing stakeholders interests (Huse, 2007). This theory rests on the supportive premise that, '*if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purposes'* (Harrison & Freeman, 1999, 234). Stakeholder concept, originated more than fifty years ago, but Edward Freeman (1984) brought it to prominence. The historical review on evolution of stakeholder concept among managerial disciplines is illustrated in Figure 14.

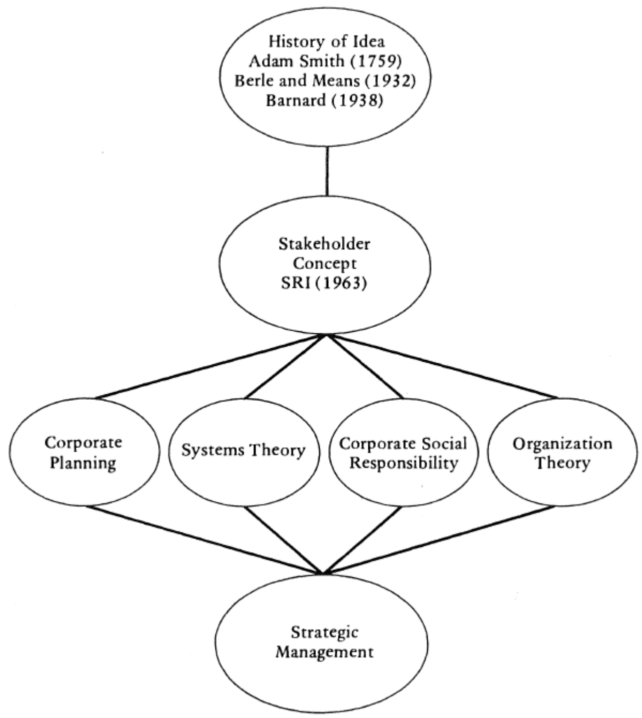

Figure 14. A history of stakeholder concept

The concept came to management discipline in 1963 by Stanford Research Institute (SRI) (Freeman, 1984, 37). The stakeholder term originally referred to "*the only group to whom management need be responsive*" (*ibid*, 37). The original use of stakeholder analysis was developing the measures of responses and satisfaction of key stakeholder groups to the changes of corporate strategy but limited in solely economical terms and traditional external groups (*ibid*). The main stream studies in strategic planning followed by various authors in different lines developed the stakeholder theory (*ibid*). In mid-1970's researchers in system theory field, used stakeholder theory to build up a powerful tool in developing system theory addressing a number of social issues (*ibid*). The social movements in the sixties and seventies such as environmentalism, consumerisms, and women rights gave a way rethinking of the role of organization in the society (*ibid*). This served as a motivate to changing the traditional view of stakeholder, in particular, less emphasis is put on the stockholder satisfaction and relatively more stress is put on communities and society as whole (*ibid*). It is said that work of Eric Rhenman (1968 cited in Freeman 1984, 41) in Sweden narrowed the definition of stakeholder concept including "any group who places demands on whom the company has claims, rather than any group whose support is necessary for the survival of the firm". However, Dill (1975 cited in Freeman, 1984, 38-39) broadened the notation of stakeholder to the groups that have insights about the economic and social responsibility of the firm.

Stakeholder theory "*begins with the assumption that values are necessarily and explicitly a part of doing business*" (Freeman *et al.*, 2004). The stakeholder theory contradicts with the *separation thesis* which counts only the economic view of business (ibid, 364). The separation theory, assumes that ethics and economics can be tidily separated. In this context business ethics and improving moral performances becomes a Sisyphean[3] task (*ibid*, 364). Stakeholder theory has two core questions (Freeman & Wicks, 2004). First it encourages firms to articulate what is the purpose of the business. Then asks what kinds of responsibility they feel have towards stakeholders. (Freeman & Wicks, 2004). This theory persuades managers to decide what they want to deliver and also pushes them to express what type of relationships they want to have with stakeholders to deliver their purposes (Freeman *et al.*, 2004). Mitchell *et al.* (1997, 853) develops a typology where seven stakeholder categories are distinguished based on power, legitimacy and urgency attributes, to know who really counts in this context as below Mitchell *et al.* (1997, 853):

- *Dormant stakeholders* are those who have power but suffering lack legitimacy and urgency;
- *Discretionary stakeholders* are group that have legitimacy but lack power and urgency;
- *Demanding stakeholders* are derived from urgency but suffering lack power and legitimacy;
- *Dominant stakeholders* have both power and legitimacy but less urgency;
- *Dangerous stakeholders* are those that have both power and urgency but lack legitimacy;
- *Dependent stakeholders* possess both legitimacy and urgency features but lack power;
- *Definitive stakeholders* have all three attributes – power, legitimacy and urgency.

The authors claimed that managers only take into consideration of those stakeholders that possess all three attributes (Mitchell *et al.*, 1997, 853-857). Morsing and Thyssen (2003, 14) defined several participating actors in CR concept (Figure 15).

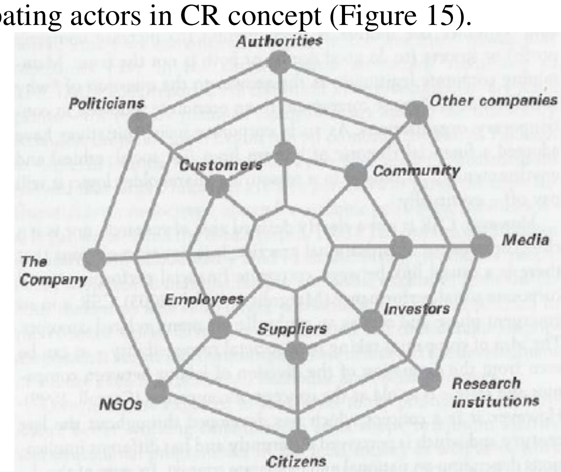

Figure 15. Actors that have participated in shaping the framework of CSR (Morsing & Thyssen, 200, 14)

Nearly a quarter century later after introducing stakeholder theory, the report prepared by Boston College Centre for Corporate Citizenship (BCCCC), maps the overall approaches toward corporate citizenship (Internet, WBCSD, 2010, 2). The report was prepared based on survey on nine countries, and classifies stakeholder groups as "*investors, employees,*

[3] Sisyphean task is denoting a task that can never be completed.

consumers, governments, media, communities and NGOs, among others"(Internet, WBCSD, 2010, 2). Nevertheless, in general, stakeholders can be divided in two categories; internal stakeholders and external stakeholders (Huse, 2007). Internal stakeholders are actors who making decisions and taking actions, and external stakeholders are actors which try to influence or control decisions (Huse, 2007).

All organizations have multiple stakeholders that needs to be considered in order to reach sustainable success (Colley *et al.*, 2004).The needs of different stakeholders can be seen as a hierarchy as: where the customers' needs are at the top of this hierarchy, which by fulfilling their needs competitive value will gain (*ibid*, 5). The next level is employees that their performance affects the business process and quality. They also in return entitle to be benefited from business in terms of wage and salary, job security and job satisfaction. Similarly to employees, needs of other actors such as suppliers, distributers and creditors must be considered (*ibid*, 5). Furthermore, the firm must meet the needs of the community that operates. However, the business should also obeying the laws, honouring tax payments, preserving the environment and participating in community governance as a good citizen (*ibid*, 5). It can be seen as a cycle where the more considering major stakeholders needs in the business activities, the more money the owners will make. This enables the owners to reinvest, that will lead to further improvements on fulfilling other stakeholders needs (*ibid*, 5).

Despite this fact that a certain number of stakeholders are expected to take more attention on CR issues (McElhaney, 2008), in general all stakeholders are concern in this context (Colley *et al.*, 2004) with different view points. This variety of perspectives makes analyzing the corporate responsibility more sophisticated. Because of the broadness of views in stakeholder analysis (Sundström, 2009), the research aim of this paper has been delimited to the managerial perspective.

4.4 Brand value dimensions

The concept of brand equity can be captured using brand value chain (BVC) model (Ouyang and Wang, 2007. The brand value chain framework shown in Figure 16 outlines how business strategies alter unaware prospects into loyal consumers (Ouyang and Wang, 2007). According to BVC model BE derived from a four stage process (Keller and Lehmann, 2003b, 28). The first stage is marketing program investments (1), the second stage is customer mindset (2), the next stage is market performance (3), and the last stage is shareholder value (4). This model elaborates the process which marketing attempts affect consumer mindset that will lead to financial performances. BVC links external and internal components of BE (Ouyang and Wang, 2007).

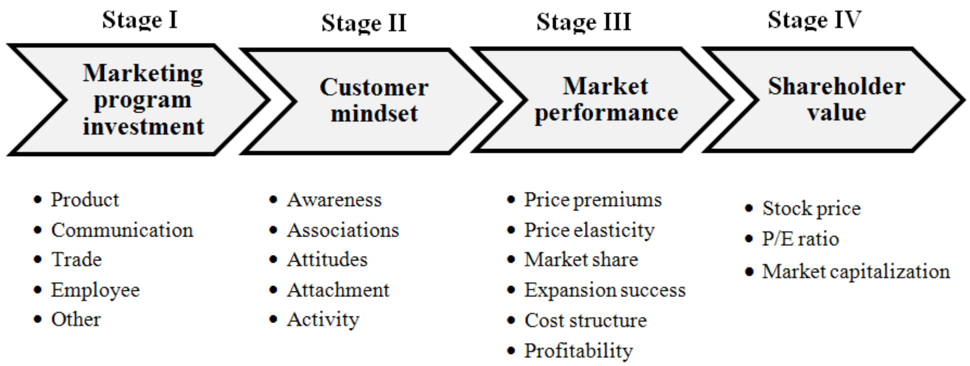

Figure 16. The brand value chain process (adopted from Keller and Lehmann, 2003b, 29).

First stage of brand value chain is investment phase. Firms first invest on their brands by improving product components and qualities, employees and communications which in turn, influence the customer mindset (Keller and Lehmann, 2003b).

According to Keller and Lehmann (2003b, 28) the customer mindset "*includes everything that exists in the minds of customers with respect to a brand*". Five key dimensions of customer mindset consist of awareness, associations, attitudes, attachment and activity (*ibid*, 28). These dimensions are related to each other so that brand awareness results in favourability and uniqueness of perceived brand attributes called brand associations. Those associations in turn, drive brand attitude. Brand attitude implies to what extent a consumer feels loyalty toward brand. The attitudes motives activities i.e. reflects to what extent consumer use brand, search for brand information and recommend it (*ibid*).

Next stage is refers to measures of brand performance. According to BVC the consumer mindset affects the customer responses and behaviour. For instance it measures the brand sensitivity respect to price changes (Keller and Lehmann, 2003b). The price premium and high market share with other brand successes ultimately leads to share holder value. The customer responses make brand demand hence; the market share could be an appropriate metric to assess the brand performance. Price premium measures the brand ability to charge more prices over generic brands (*ibid*). The final phase of the brand value chain is called shareholder value stage. Some key measures of fourth stage of BVC are stock prices, price / earnings ratios and market capitalization (*ibid*, 28).

The BVC framework helps businesses to track the effectiveness of their programs on developing brand imagery; how this image builds the right attitudes and beliefs; and how these equities are creating tangible returns in the form of shareholder value (Ouyang and Wang, 2007). To win a strong market performance the company must pull in the same direction in everything that it does. The company's activities must be aligned with other all brand value dimensions. Ouyang and Wang (2007) stated that all these four aspects are mutually affect each other for instance consumer mindset can affect on choosing brand and its market performances at the same time stock market information, conversely, affect the consumer behaviour and preferences (*ibid*). The BVC provides a structured detailed roadmap to tracking and analysing how value is created and hoe it can be improved. Brand value chain implies that in order to have a true assessment system for various business disciplines it is essential to have an integrated view of all involved parties (*ibid*).

According to Davis (2010, 35) there are four dimensions that shape brand’s value namely: *social relevance*, *financial performance*, *organizational reputation* and *trusted reputation*. The four brand value dimensions are stipulated in Figure 17.

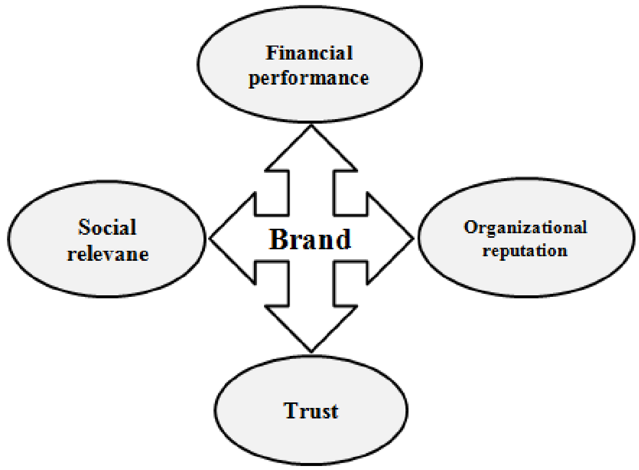

Figure 17. Dimensions of brand value (Davis, 2010, 35).

Trust is fundamental element of economic business success and reflected in the consumers’ decision to buy the brand over the other available offers (Davis, 2010). The net effect of internal (employees) and external (buyers) marketing communications influences equates to the *organizational reputation* (*ibid*). However, trust is the product of long-term relationship with stakeholders (*ibid*). Another brand value dimension is reflected in the efforts to propose solutions to social problems, including environmental, humanitarian, healthcare, educational issues and so on (*ibid*, 37). In short, to what extent the business is considered as good citizen. “*Societal relevance refers to value contributed by the society at large*” (*ibid*, 37). “*People buy things not just because they think they need them but because these goods reinforce their sense of identity*” (*ibid*, 39). Businesses by positioning and segmentation their target market, try to fulfil their customers’ sense of identity and self esteem (*ibid*). When people buy well-known brand, the purchase behaviour often derived from past experience familiarity or with brand coupled with sense of personal well-being that occurs from having a well-known product with an apparent image and reputation (*ibid*).

Brand value also can be measured from the economic benefits that add to the firm (Davis, 2010). The *financial valuation* of brand provides management an indicator of investment efficiency and success (*ibid*). However, the financial value of brand has correlation to other dimensions of brand value and financial value is by-product of business efforts to align resources (*ibid*). For instance when a brand’s reputation changes, there is a corresponding effect on measurable financial values, which then affect overall corporate value (*ibid*).

To build a long term societal relevance, firms must develop programs that assert the corporate commitments to the society at large (*ibid*). Programs include variety of activities from charitable organizations to complex environmental solutions which is known as corporate social responsibility (*ibid*). “*Such efforts are becoming a far more important factor in determining successful business performance, since they contribute to while also extending well beyond basic financial results*” (*ibid*, 39).

5 Literature review - value assessment

This chapter presents various valuation classifications. It starts with a brief introduction on each of these approaches. It continues with a comparison of different views on brand valuation approaches based on their origin, usage, background. The two major approaches, comparative and holistic approaches are presented under separate headings.

5.1 Valuation approaches overview

Apart from of all the awareness and concern to brand equity issue in the late 90's (Abratt & Bick, 2003; Cravens & Guilding, 1999; Simon & Sullivan, 1993), still little is known regarding how to evaluate it and how it changes over time (Aliawadi, *et al*., 2002, 3; Kamakura & Russel, 1993, 9). Brand valuation is defined as "*the process of estimating the total financial value of a brand*" (Kotler *et al*., 2005, 549). The main objective of brand valuation studies is to spot and understand the current value of a brand and the factors that affect it. Such an analysis helps to comprehension of factors deriving brand value and their relative share in building such a value (Internet, Pentor, 2009, 1). Some scholars like Pedro Laboy (2005; Raggio & Leone, 2007; Salinas, 2009b) believe that brand equity differs from brand value though they are intricately linked together. Others (e.g., Aaker *et al.*, 2001; Keller and Lehmann 2003a, 1; Krishnan 1996, 390; Rust *et al*., 2004, 118; Simon and Sullivan 1993, 29) have treated brand value and brand equity as the same construct.

Nevertheless, brands are "*complex entities, and cannot be measured by just one parameter*" (de Chernatony, 2006, 324). Also it must be understood that different types of products, requires different critical components for brand tracking, since consumers follow different purchasing patterns. For instance, customers in buying ready-to-eat cereal would not show the same purchase behaviour for buying a personal computer (Copeland & Hopelain, 2005). Choosing brand valuation methods first depends on the purpose of valuation and the scope and then to great extent the definition of brand that we considered i.e. what intangibles[4] must be included in our valuation (Salinas, 2009a). For example when conducting trademark valuation it doesn't require to include other associated intellectual property like formula (*ibid*, 54). If we run a brand value on the other hand other intangible assets can be valued jointly (*ibid*, 54).

In general, either of two perspectives of BE evaluation may be applied; the value of the brand to the firms and the value of the brand to the customers (Kamakura & Russel, 1993, 9; Riezebos, 2003). The reason for this classification is relates to the view that brand can be defined through stakeholder philosophy[5] (Wood, 2000). According to Wood (2000, 666), most of the brand definitions can be grouped under descriptions with emphasis on brand benefits to the company and brand descriptions with emphasis on brand benefits to the consumer (see Appendix IV).

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[4] Simon & Sullivan (1993) stated three major types of intangible assets including brand equity that represents the value of given brand; non-brand related factors (e.g. R&D and patents), which build competetive advantages; industry wide-factors such as regulations that lead to monoply profits.

[5] Brands sometimes described from different philosophies such as product-plus and stakeholder perspectives. In addition, sometimes brands defined in terms of their purposes and characteristics (Wood, 2000, 664).

The accounting treatment of goodwill and other intangible assets were used by financers for decades. Some researchers argue that traditional measures of brand equity such as market share and revenue are flawed (Reynolds & Phillips, 2005). They claim that these measures are common because they are easily measures and comprehend by business owners (*ibid*, 172). However, it is said that methods for determining the brands value has been privileged since publication of David Aaker's book (1991) "*Managing Brand Equity*" (Fernandez, 2001). de Charnatony (2010) argues that the internal and external issues must be considered while assessing the brand building process to have a more balanced perspective and further justification of brand assessing over time. Various views can be addressed for categorizing of brand valuation approaches such as usage, disciplines and brand roles.

Salinas (2009a) and Haigh & Knowles (2004b) believe that brand equity measures can be divided to *technical* and *commercial* valuations which the first one aims for giving a point in time valuation that stands for the value of brand mainly used for accounting purposes such as balance sheet reports, tax planning, licensing, mergers and acquisitions whereas the second one focuses on to evaluate the role of the brands in influencing dynamic model of branded business variables which are commonly conducted for portfolio management, market strategy and brand scorecards (*ibid*, 20). This view is comparable to Keller (1993) which categorizes two major drivers for brand equity as *strategy-based* motivators and *financially-based* motives. The strategy based motives assist marketers to track marketing efficiency and better understanding consumer behaviour (Keller, 1993). The financial motives are used to estimating value of brands for accounting purposes such as takeover treatments and divestiture purposes (*ibid*).

Keller and Lehmann (2005) believe that brand equity measures generally fall into one of three major categories, because of different roles that brands have. Firstly brands serve as recognition factor for companies and their products /services. For customers, brand is an indicator of quality level and engenders trust (*ibid*). Brands on the other hand have an important role in determining of the marketing decisions effectiveness *ibid*). Also, brands considered as an important intangible asset in financial sense ''Thus, brands manifest their impact at three primary levels; *customer-based*, *product-market*, and *financial-market*'' (*ibid*).

The first category (customer-based) consists of some measures related to customer mindset, that is, the attitudes and associations customers have toward the various brands. The most important motivation for this kind of measures is mainly to enhance marketing productivity. The consumer-based BE can be divided in to direct and indirect categories. Indirect methods measures brand awareness and brand associations. Brand awareness can be quantified through aided and unaided memory recall measures (Keller, 1993). Brand associations are assessed by adopting qualitative techniques such as *free associations* (Doyle, 1998, 170), where customers describe what brand means to them; projective techniques such as *brand personality describer*, *picture interpretations, brand similarities* and *sentence completion* (Doyle, 1998, 170). The direct method computes by conducting research experiments on two separate groups of respondents. The measures on first group responds to specific marketing element attributed to a branded article versus responds from other group to the same element to a fictitious brand or no brand article such as the *blind tests research studies* (Kamakura and Russell, 1993, 15). Aaker's (1996b) model and Keller's *customer-based brand equity* (1993) model belongs to customer-based measurements category. Also, some commercial models like Research International Equity Engine℠, Young and Rubicam's Brand Asset Valuator®, and MillwardBrown's BRANDZ™ are placed in this group.

The second class of measures (product-market level) focuses on outcomes at the product-market level like *price premiums* elasticity and sensitivity. Aliawadi *et al*. (2003) pointed out the revenue premium that a brand receives comparing to the private label articles in the market over a specific time period, reflects the net benefits of brand equity. *Dollar metric*, *brand price trade-off* and *indifference methods* can be placed in this category (Riezebos, 2003).

Third category (*financial-market*) is based on the financial analysis to estimate the value of brand more accurately mostly in terms of asset valuation, merging and acquisition. In this approach the researcher regards the value of the brand as a financial asset (Keller, 1993). This can be analyzed by taking into account purchase price when a brand is sold or acquired (Mahajan *et al*., 1994, cited in Ailawadi, *et al*., 2002, 5-6). Nevertheless, this kind of estimations has limitations since they do not consider all aspects of brand equity and its drivers. In addition, the application of financial based measures is problematic in terms of: discount rate, growth rate and useful life calculations (Kapferer, 1992).

Considering Keller and Lemann's (2005) classification, other measures can be seen as combinations of abovementioned approaches. These combination measurements have been intended to make up for the insufficiencies that may arise as only one of the above perspectives is applied. Dyson *et al*. (1996, 18) for instance, expressed a survey intended to compute a monetarily related value to the consumer-based equity of brand images and associations. Motameni and Shahrokhi (1998) proposed global brand equity valuation that exploits a combination of marketing perspective and financial perspective. Also, empirical studies undertaken by de Charnatony, Dall'Olmo Riley and Harris (1998, cited in de Charnatony, 2010, 351) and then by de Charnatony, Drury and Segal-Horn (2005, cited in de Charnatony, 2010, 351), revealed that importance of multi-dimensional business-based as well as customer-based parameters to successful measurement. Similarily, Virvilaitė and Jucaitytė (2008, 112) categorize brand valuation approaches to traditional economic brand valuations, psychographic (behaviourally-oriented) brand valuation methods and composite methods.

Riezebos (2003, 273) categorizes two types of methods for determining the financial value of brands; one is based on the consumer perceptions and the other is on the basis of accounting (bookkeeping) principles. Value of brands from consumer perspective one of the following three methods can be used: *indifference method*, where one brand price alters comparing the fixed alternative and in each situation the consumer's preferences asked; *brand-price trade-off*, where uses conjunction analysis of branded article features and *dollar metric methods*, that is a measurement on consumer willingness to pay (*ibid*, 273). Besides, the value of brand can be quantified through accounting methods based on its applicability ranging from *cost-price*, *market-price* and *income approaches* (*ibid*, 273). By cost-price approach the value can be obtained by either summing historical costs to brand or replacement prices of brand (*ibid*, 273). In Market-based approaches the brand value can be determined through supply and demand analyses (*ibid*, 273). The income approach implies on the calculating discounted future projected income contributed to brand (*ibid*, 273).

Moreover, Abratt & Bick (2003) classified common valuation approaches based on their scope into five categories; cost-based approaches, market-based approaches, economic–use or income-based approaches, formulary approaches, special situation approaches.

Keller (2008) enumerates approaches for measuring sources of brand equity and outcomes of brand equity respectively. The first one, i.e. sources of brand equity, helps businesses to recognize brand equity drives, and measuring outcomes of brand equity help them understand exactly how brands add value (*ibid*). Some quantitative and qualitative approaches are used to assessing the sources of brand equity like *projective techniques* (Levy, 1999) and *ethnographic observations.* The main way to measure the outcomes of brand equity is with *comparative methods* which attempt to estimate specific benefits of brand equity. In comparative category we have *marketing-based*, *brand-based comparative* approaches (Pessemier, 1959) & *conjoint analysis* (Green and Srinivasan, 1978). Additionally, the *holistic methods* (Keller, 2008) are used to study the outcome of brand equity which tries to place an overall value on the brand like *valuation methods* and the *residual approach* (Keller, 2008). In the residual method the researcher attempts to examine the value of the brand by subtracting consumers' preferences from the brand based on physical product attributes and the valuation method attempts to put a financial value on brand equity for financial purposes (Keller, 2006).

In the next section (5.2) a historical review on brand equity measurements presented. These methods are basically accounting based approaches though the consumer based approaches are not clearly defined in the texts from which time have been used. In section 5.3 the brand equity measurements overviewed using the Keller's (2008, 404) classification of different brand equity evaluation methods and other investigated studies aligned with that. This classification builds a platform for placing various methods of brand evaluation and does not have any effects on the analysis.

5.2 Historical review on brand equity measurements

There are several measurements and perspectives for brand valuations (Mortanges & Riel, 2003). However, in general brand equity measurements can be divided in two broad areas: marketing (behavioural-oriented) brand evaluations and financial treatment of brand value (Virvilaitė and Jucaitytė, 2008). Although brand equity concept came to the interests in mid 1970's but there is no clear evidence that comparative (customer oriented) brand valuation approaches are prior to financial approaches (Mortanges & Riel, 2003).

In general early purely financial valuations started in 1980's mostly adapting accounting asset or business valuation methods as a basic for brand valuation. This was followed by methods that incorporated more marketing metrics mostly developed by marketers (Internet, BusinessFarm, 2010). Some methods have widely used for the certain period of time but less applicable today. Figure 18 illustrates thematically the time period that some valuation methodologies gain popularity.

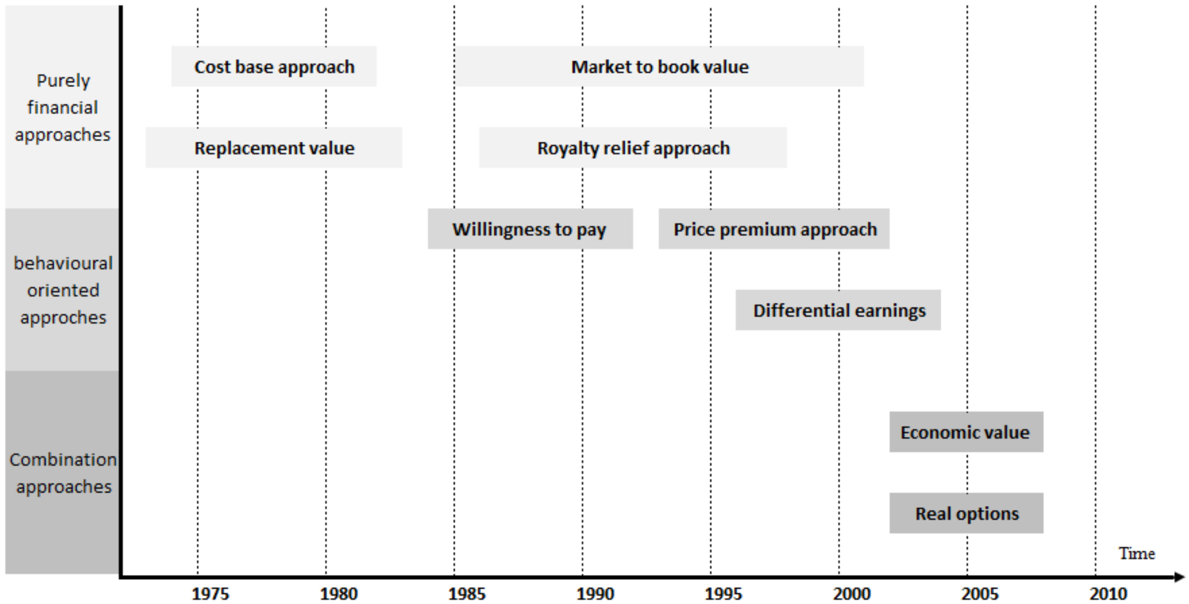

Figure 18. Thematic chronicle reviews of principal book keeping brand valuation methods (Internet, BusinessFarm, 2010).

The marketing oriented brand measurements popularized by Keller (1993) stating two critical stages of equity-development, namely *awareness* level and *image* level followed by Lassar *et al*. (1995) introducing *brand strength*. Subsequent studies undertaken by Park & Srinivasan (1994) on the issue of the evaluating the equity of brand extension; Aaker (1996) and Montameni & Shahrokhi (1998) on valuing brand equity, derived from local and global markets.

The financial treatment of brands rooted from bookkeeping attempts on recognition of brands on balance sheet (Barwise *et al*., 1989). Tollington (1989) had suggested the distinction between recognized goodwill and intangible assets as brands. Another studies revealed that impact of stock market price of consumer perceptions of perceived quality (Aaker & Jacobson, 1994) and on the issue of relation between brand value and shareholder value (Kerin & Sethuraman, 1998). Further investigation conducted by Simon & Sullivan (1993) to developing a method for measuring brand–equity according to the financial market estimates of profits related to brand.

The joint assessments of brand equity due to co-dependency of marketing and financial professions in contrast with traditional perspectives have been recognized by Calderon *et al*. (1997) and Cravans & Guilding (1999). The debate over proper evaluation method continues (Perrier 1997; Abratt & Bick, 2003) among academic scholarly and commercials.

5.2 Evaluation techniques

In order to review the different measurement methods, BE valuations divided to *comparative*, approaches (Keller, 2008; Lindemann, 2004) and *holistic* approaches[6] (Keller, 2008) and their advantages and disadvantages have been compared. Though, they are related to each other but

[6] Please note that Keller's (2008) classification framework have been used and not all the mentioned approaches categorized by this author, hence this classification is just for the sake of the analyzes.

the application and a purpose of each method is differing from others (Salinas, 2009b). The comparative approaches mainly focuses on internal audiences by providing useful information needed to mange and increase the economic value of brands (Lindemann, 2004). While, the holistic approaches largely focuses on external (financial) transactions where monetary value of brands helps businesses to a range of brand-related operations with outer parties (*ibid*).

5.2.1 Comparative approaches

In this category, methods that measure the outcome of brand equity placed and tend not to put a financial value on brands (for the most part); instead, they assess consumer behaviour and attitudes that have an effect on the financial performance of brands (Lindemann, 2004). The comparative approaches "*assess the impacts of consumer perceptions and preferences on consumer response to the marketing programs*" (Keller, 2008, 404). Comparative approaches or as Lindemann (2004) stated research-based approaches measure the extent of customer behaviour that influence on brand financial performance (*ibid*). Finance and marketing are often regarded as two separate fields within a firm and little has been paid to the relationships between marketing efforts and decisions on the firm's value (Kerin & Sathuraman, 1998). Authors like Aaker (1991), Kapferer (1992), and Keller (1993) presented brand evaluation models where user, consumer attitude and behaviour are in focus. It includes a wide range of insightful metrics such as measures of different levels of knowledge, awareness, relevance, attitudes and satisfaction (Lindemann, 2004).

Brand-based comparative approaches

Brand-based methods are useful to developing strategic decisions and understanding how consumer's perception of specific brand affects their responses to marketing variables like advertising, prices and so forth (Keller, 2008). Brand-based comparative approaches consists of sets of experiments in which responds of one group of consumers to the specific element or features of marketing activity attributed to particular target brand compared to the results of other group responses to a alternative (unbranded , competitor, benchmark or fictitiously) control brand (Keller, 2008). The best example of brand-based comparative approach is *blind test technique* where respondents examine a product on the absence or presence of brand identification alternatively (Keller, 2008). However, comparative approaches related to BE measurement like indifferent method are useful examples to determine price premiums and margins contributed to brand equity (Keller, 2008). Ailwadi *et al.* (2003) suggested that price premium revenue is a reliable factor to measuring brand health and brand equity. ***Price premium*** or ***gross margin*** approaches compute the price or marginal differential as an index for quantifying value contributed by brand comparing generic brand (Haigh, 2004b). In the price premium technique, the net present value of future gross profit differential (Laboy, 2005) computed over a branded article compared with generic product (Lindemann, 2004). Fraquahar (1998) suggested that a successful brand (high equity) can command higher prices (price premiums) comparing to weaker brands. People are willing to pay premium prices demanded by strong brands and show less sensitivity toward price premiums (Scherer and Ross, 1990). The effects of price premium on strong brands and less strong brands has empirically shown in the studies of asymmetric switching by Allenby and Rossi (1991) where price cuts by leading brands lead to interest switch from less popular brands to popular brands. In addition, the market share of strong brands is not considerably affected by price premium increases compare to less strong brands. Even price cuts strategies conducted with other less strong brands didn't cause to switching purchase pattern from popular brands to less popular brands (Kim, 1995).

Apelbaum *et al*. (2003) studied price premium charged by national brands[7] versus store brands. The results revealed that national brands charge price premiums. In spite of the fact that in many cases their real quality (versus perceived quality) was ranked less than store brands (Appelbaum, 2003). Fraquhar (1989) argued that although a national brand may only have perceived better quality in competition with alternative rivals, other brand equity associations (such as brand awareness and loyalty) may allow for this price premium charges.

Marketing-based comparative approaches

In marketing-based approaches the target brand will be hold fixed and examine consumer responses related to particular marketing element (stimuli) changes (Keller, 2008). One of the oldest methods in this category is ***dollar metric*** measure of price premiums (Keller, 2008). The dollar metric dates back in the mid 1950's and developed by Edgar Pessemier (1959). In this method brand-switching decisions and brand-loyalty are plotted as a function of step-by-step increasing of price difference between normally purchased brand and its rivals (Keller, 2008). Different customised variations of this price elasticity and sensitivity method have derived (Keller, 2008).

One of the often-cited brand equity conceptual approaches is *Aaker (1991) brand valuation method* (Virvilaitė and Jucaitytė, 2008). Aaker's model consists of broad range of psychological assets and liabilities that serve to make differentiation of goods (Virvilaitė and Jucaitytė, 2008). Aaker (1991) recognized five determinants for brand equity: brand loyalty, brand awareness, perceived quality, brand associations, and other brand assets. Chen (2001) developed his model based on Aaker's (1991) BE model. He identifies eleven associations for examining effects of associations on BE. Chen (2001, 448) classified these associations into product and organizational association groups (see Figure 19). The first one includes functional attributed associations and non-functional attributed associations (Chen, 200). The second factor is organisational associations which include corporate ability association and corporate social responsibility association (Chen, 2001). Another customer-oriented method is *Kapfere brand valuation model*. This model is based on the assumption that brands by increasing loyalty and reducing transaction risks to both business and customer; create value (Virvilaitė & Jucaitytė, 2008). According to Kapfere brands generate value and utility by reducing the trade risk for brand owner and consumer alike.

[7] National brand is the name of a product that is sold all over the country under a unique brand name owned by the producer or distributor, as opposed to local brands (products distributed only in some areas of the country), and private label brands (mainly carry the brand of the retailer rather than the producer)(Kotler, 2003).

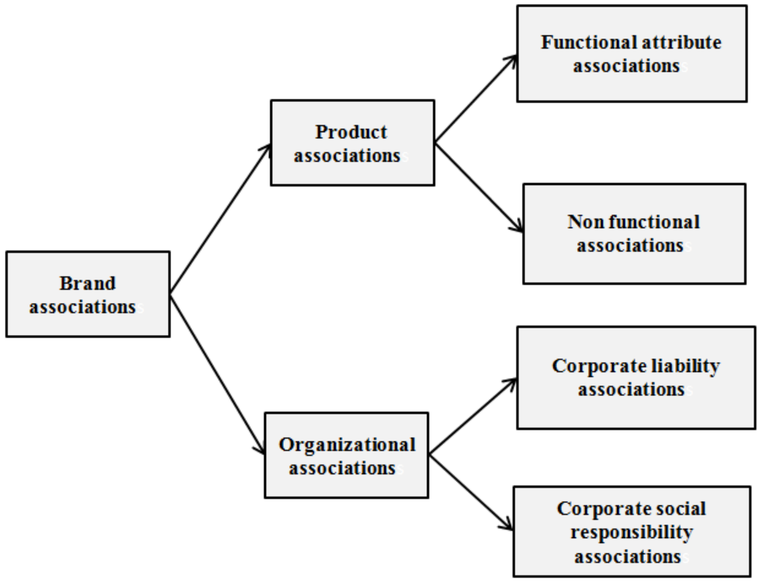

Figure 19. Chen classification of associations of brand equity model (Chen, 2001, 443)

de Chernatony (2006, 353) specified brand health index based on summarization of five categories (i.e. brand vision, organizational culture, objectives, brand essence, and implementation, and brand resourcing) to evaluate a brand's performance. In this method a list of questions relevant to assessing each of these categories, will be answered by managers. This can be synthesis by scoring each question on five-point scales and calculating average score of each category separately. The overall annual evaluation can be presented on a bar chart to appreciate the brand health at a point in time. The overall evaluation has been presented in the hypothetical template shown in Figure 20. This graph suggests that the hypothetical brand has a very supportive organizational culture and on the other hand, suffers a weak brand objective index. In order to identifying areas which actions need to be taken, managers have to check the counterpart questions affiliated to each category to unearth more data. These kinds of brand evaluations are considered as important tools for brand managers and marketing managers to analyse their brands weaknesses and strong points.

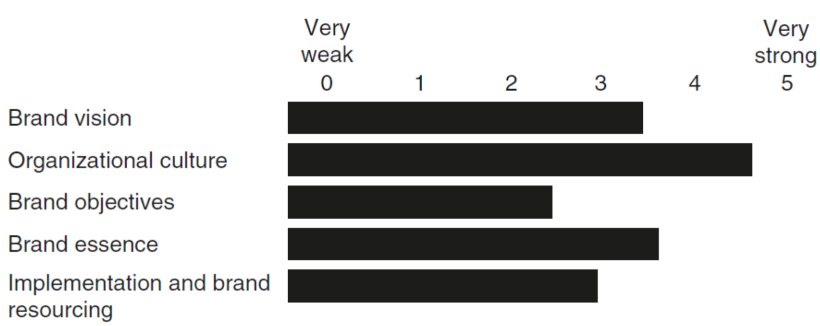

Figure 20. A hypothetical example for the brand health bar chart (de Chernatony, 2010, 358).

Keller's customer-based brand equity model (CBBE) is another consumer oriented method. The CBBE is built on a comparison of brand knowledge effect of branded article and generic ones (Virvilaitė & Jucaitytė, 2008). Keller (2006) expresses brand value as a differential outcome of brand knowledge on people response to the marketing components. The cornerstone component of Keller's model is brand knowledge which is comprises of brand awareness and brand image. Brand awareness can be explained by recall and recognition experiments. Brand image is shaped by several associations. However, the Aaker, Keller, and Kapfere brand equity models are quite psycho-graphical customer-based techniques that are not translated to monetary equivalents (Virvilaitė and Jucaitytė, 2008).

Survey-based comparative approaches

Survey-based approaches are quantitative information collection techniques mostly used by marketers and social scientists. Main methods in this category are conjoint analysis (Keller, 2008). ***Conjoint analysis*** (also called trade-off techniques) developed by Paul Green (1978) in the late 1970's and various prominent conjoint methods derived afterwards. Conjoint method is a survey-based multivariate statistical technique to determine how consumers value different features of a brand (Keller, 2008). Trade-off analysis helps managers choose the arrangement of product features and brand that will optimize profits and significantly improve the perceived value of the brand to the consumer (Doyle, 1998).

5.2.2 Holistic approaches

Unlike the comparative approaches where used to approximate specific benefits of BE, holistic approaches place overall financial (or/and abstract) value on brand (Keller, 2008, 410). The critical concern in financial brand valuation is how to express the brand equity as a fiscal figure (Riezebos, 2003).

Residual approaches

The rationale behind the residual methods is the consideration brand equity as a left over phenomena if we subtract physical asset part of product (Keller, 2008). The residual approaches contrast with customer-based approaches where the brand-based and marketing-based techniques are applied to analysing the consumer responses to the marketing of a brand (Keller, 2008). Keller (2008, 412) placed following methods in residual category: *equalization price*, *multi-attribute attitude model.*

- ***The equalization price** (EP) is* conceptual frame work for quantifying BE measure proposed by Erdem & Louvlere (1992 cited in: Swait *et al*., 1993). EP is a choice experiment that account for brand names, product attributes, brand image, and differences in consumer socio demographic characteristic and brand usage (Swait *et al*., 1993).
- ***The multi-attribute attitude model*** proposed by Srivasan, Park and Chang (2005) that conceptualize brand equity from increased brand awareness, incremental preference due to enhanced attribute perceptions and incremental non-attribute preferences (*ibid*, 1434). In addition, they took into account the indirect effects of the above factors on the increased availability of the brand.This method evaluates the relative impacts on the incremental choice probability from three above mentioned sources (*ibid*, 1434). They have defined brand equity in a product market "*as the incremental contribution per year obtained by the brand in comparison to the base product*" (*ibid*, 1435).

Valuation approaches

Brands as most valuable intangible assets of firms, are estimated make up 70% of corporate intangible assets value (Hupp & Powaga, 2004). There are number of accounting approaches to determining the value of tangible and intangible assets (Murphy, 1990, 157; Haigh, 1996, 17) including: *cost price, market price* and *income approach* (Riezebos, 2003, 275). Brand valuation approaches are accounting techniques of quantifying the value of brands. Valuation approaches also known as economic brand valuation methods (Virvilaitė and Jucaitytė, 2008) examined by the authors as Simon and Sullivan (1993), Crimmins (1992).This monetary valuation will be useful for many purposes such as mergers and acquisitions, brand licensing, found rising, and brand management decisions (Keller, 2008).

- ***Cost price approaches*** include methods for determination of brands' value based on *historical costs* (or reproduction) and the *replacement costs* (Riezebos, 2003). The cost price approaches are based on the bookkeeping idea of net asset valuation approach (Virvilaitė and Jucaitytė, 2008). The ***historical costs*** consist of calculating all previous costs involved in developing of brands from its creation along with inflation considerations (Riezebos, 2003). Reproduction (historical) cost price method aggregates all expenditures of design, registration, marketing, advertising and research and development devoted to the brand over a specific period (Haigh, 2004b; Riezebos, 2003). Another approach is ***replacement cost*** where value of brand can be estimated through determining cost of creating hypothetical comparable brand (Riezebos, 2003) or the cost incurred to replace the asset if it is destroyed (Aaker, 1991). Replacement approach also known as *economic substitution analysis* attempts to justify the role of brand as financial performance driver (Haigh, 2004b). This method relies on economic subjective judgement on the answer to the question of how would be the financial performance in absence of brand (Haigh, 2004b). Aaker (1991) proposes that the replacement cost of establishing a new brand can be calculated through dividing cost of launching a new brand by its probability of success (as a percent). A possible alternative method to replacement cost would be to estimate the amount of awareness that needs to be generated in order to achieve the current level of sales. This approach would be ***Conversion Models*** (developed in 1990's) that taking the level of awareness that induces trial, which in turn induces the likelihood of recurring purchase (Aaker, 1991).

- ***Market price approaches*** consider BE as a price which is determined in an active market so that object asset would exchange between a potential buyer and seller (Keller, 2008). The market price approach (willingness to pay) is a fair market price (Virvilaitė and Jucaitytė, 2008) based on supply and demand mechanism (Riezebos, 2003). Alternative approach in this category is ***capital market-oriented brand valuation*** (Simon and Sullivan, 1993),where by theory of markets every brand worth at the highest amount of money a purchaser would be ready to pay and acquire it (Virvilaitė and Jucaitytė, 2008). Simon and Sullivan (1993) estimated brand equity at the firms level conducting cross sectional financial market data founded on the theory Tobin's Q[8] (Ouyang & Wang, 2007). According Simon and Sullivan (1993), the brand can be estimated considering its market value (or company's stock market capitalization). Hence, a brand value can be get by calculating companies capitalized or realized market value minus tangible and other intangible assets (Virvilaitė and Jucaitytė, 2008). In case that the company owns more than one brand, the same procedure is done *pro rata* for other

[8] Tobin's Q theory was developed by James Tobin as the ratio between the market value and substitution value of the same physical asset from accounting point of view (Tobin 1969).

brands (Riezebos, 2003; Virvilaitė and Jucaitytė, 2008). Another related method is ***market-to-book approach***, where book value of brand subtracted from its market value (Laboy, 2005). Book value is determined summing firm's total assets and subtracting liabilities and intangibles (*ibid*). The market value of brand can be estimated by market capitalization (which is the value of all outstanding shares) (*ibid*).

- ***Income approaches***: geared to estimate the brand value by capitalizing the value of potential future earnings (Virvilaitė and Jucaitytė, 2008). The income approach, argues that, brand equity is established by forecasting brand-induced future earnings (cash flows) stream (Riezebos, 2003).

  The ***historical income approach*** is the one of the oldest brand valuation methods (Lindemann, 2004) that developed incorporation with incorporation with RankHovis McDougall and Interbrand (Riezebos, 2003). The value of brand is determined by multiplying historical profits with a multiplier (*ibid*). It is a profit weighted average over a period (more than one year) multiplied by multiplier factor (*ibid*). Now days, the most used approach to brand valuation is ***net-cash flow value*** method (Laboy, 2005; Riezebos, 2003). Net-cash flow technique determines the brand value based on predicting discounted cash-flows (Haigh, 1996). In net-cash flow method (or *discounted cash flow method* as Laboy, 2005 states) three principals can be distinguished. First step is to calculating brand-related historical weighted average of profits through *financial track records* (Riezebos, 2003). Then calculating a multiplier factor based on *marketing track record* (*ibid*). Marketing track record of a brand determines the relative strength of a brand based on some marketing indexes (*ibid*). These indexes can be determined through market research information retrievals and could be varying among product categories (*ibid*). For instance, marketing track record factors that Interbrand used (in its early valuations) consists of following seven factors (*ibid*, 280): *Leadership*, which shows the market share of brand; *internationality*, that shows the geographical expansion of brand under assumption that international brands have more value comparing the local brands; *stability*, that shows the duration of supplying brand and its customer loyalty; *market*, shows the suitability of branded article to operate in a specified market; *trend*, is based on fact that long-term operated brands are more valuable; *support*, indicates the content to which a brand has efficient communication and share of voice; *protect*, is referred to the legal protections that support brand function (*ibid*). Kochan (1996, XV) defines four broad factors as: *brand weight*, as the influence of brand on market (broader description of market share); *brand length*, refers to extension that brand experienced in the past or planned for future; *brand breath*, showing brands power in terms of customer type, international appeal and age spread; *brand depth*, reflects the degree of commitment brand received from its customers. Next step is discounting projected multiplied earnings. The discount rate (rent percentage) can be estimated with help of marketing track record and mapping out brand strength score (Riezebos, 2003). In general, strong brands correspond to lower risk rate (*ibid*).

  Similar method in this category is ***earnings split*** approach, where attributes incomes above a break-even financial return to the intangible assets (Haigh, 2004b). Earnings split starts with identifying relevant competitive framework of brand (see Figure 21) by appropriate segmentations, then estimating earnings *pro rata* to segments, determining the proportion of branded-related earnings (known as brand value added, BVA®), and finally calculating the derived value by brand with discounting these earnings (Haigh, 2004b).

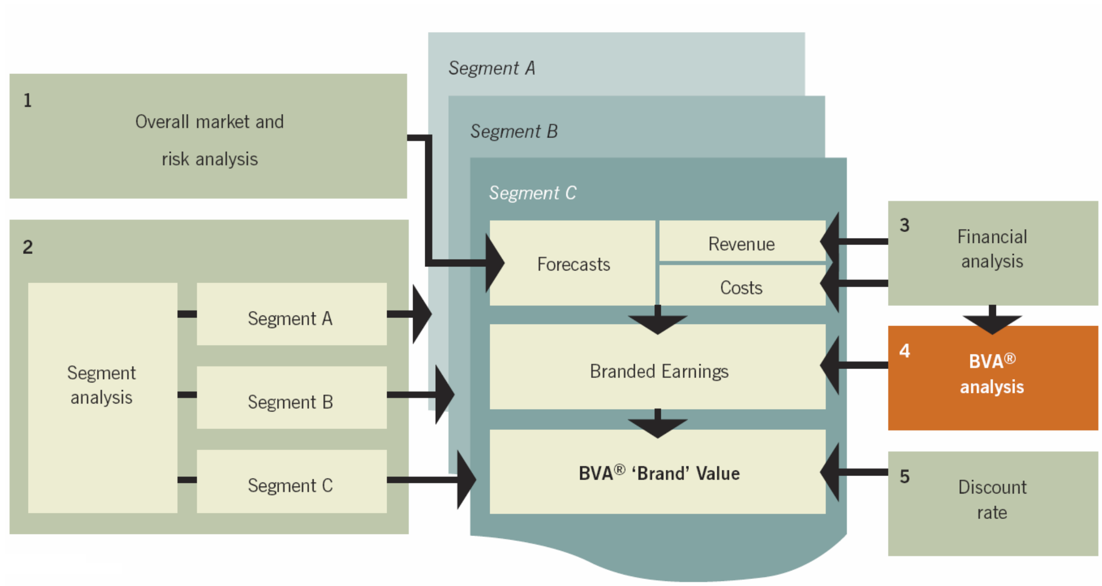

Figure 21. Shows earnings split approach to brand valuation (Haigh & Knowles, 2004a, 14)

Another technique related to income approaches is the ***Royalty Relief*** (Haigh, 1996, 18). Royalty relief method imagines capitalizing royalty earnings from brand if the business does not own its brand name rather licences it (Haigh, 2004b). The royalty relief is most frequently used (by tax authorities and courts) method which is typically expressed as percentage of income (Laboy, 2005) made by one party (the "licensee") to another (the "licensor") for ongoing use of an asset. A survey on comparable brands in the real market determines the royalty rate as a basis for charging future incomes (Internet, BusinessFarm, 2010).

5.2.3 Composite methods and commercial brand valuations

In non-fiction literature most attention is paid to traditional economic or customer behaviour oriented brand valuation models (Virvilaitė & Jucaitytė, 2008). However, studying brand valuation from merely one perspective seems insufficient (Srinivasan *et al.*, 2005; Virvilaitė & Jucaitytė, 2008). The approaches that measures BE in respect to its utilities rather than in financial terms seems are less meaningful for decision makers. On the other hand the approaches that evaluate BE in monetary term, yields an aggregate-level measure which is hardly related to the sources of BE such as brand awareness and perceptions (Srinivasan *et al.*, 2005). Soto (2007, 15) defined brand valuation as a "*process to assess brand value*" and categorized different perspectives to define brand value as financial, behavioural, and combined approaches. Insufficiency in extant categories of BE evaluations gave way to combination methods of comparative (behavioural oriented) and financial approaches such as economic value approach, real option approach and formulary approaches (Virvilaitė & Jucaitytė, 2008). Soto (2007) believed that brand equity should be determined in a combined approach where both values to consumer and firm considered. Cravens & Guilding (1999) stated that the superiority of the commercial measures lies in the all-inclusive nature of these approaches.

Real option approach is rests on the fact that some businesses are operating under intensive volatile circumstances that make using simple earnings valuations problematic (Internet, BusinessFarm, 2010). In such a condition, managers have an option to invest in brand development that would or the option to wait. Option to wait implies seeing the resolving prospects of uncertainties. Conversely, when waiting is not an option, developing brand and then abandonment make a brand value matrix. The option values in uncertainty conditions can be derived from the economic real option valuation techniques (Internet, BusinessFarm, 2010)

Brands are "*multi-dimensional entities, hence, any brand evaluation needs to assess a variety of parameters*" (de Charnatony, 2010, 349). *Formulary* approaches examine multiple criteria in assessing brand value (Cravens & Guilding, 1999). These approaches which is known as *commercial methods*, mostly developed by consultancy firms (*ibid,* 59). For instance Interbrand and Financial World magazine developed a similar method based on income approach (*ibid*). Smith *et al*., (2007) established an analysis on gross profit, advertising and research and development (R&D) as a BE determinants. This study revealed that there is a correlation between gross profit, advertising expenditures and R&D expenses with brand equity (Smith *et al*., 2007). However, authors suggest that there is a non-linear relationship between BE and advertising (as a BE driver) exists (Smith *et al*., 2007). Motameni & Shahrokhi (1998) propose a global perspective comparable to Interbrand BE valuation model. Authors presented view points towards a global financial of brand valuation (Smith *et al*., 2007). Motameni and Shahrokhi (1998) BE evaluation model rests on net earnings of brand by computing the differential earnings of branded article and generic product. In this method the value can be estimated by multiplying net earnings by multiplier factor of competitors and global influence (*ibid*). Kamakura & Russel (1993) similarly measured (utility-based) the relative dollar brand value by modelling consumer choices which was observed and obtained from scanner devices of a panel group. This method is a function of store environment, physical product and residual interpreted as brand equity (*ibid*). The kamakura and Russell (1993) method is a basic tenet of EP model and "*take into account as many sources of measured attributes as possible*" (*ibid*, 27).

Commercial brand valuation started with Interbrand[9] since 1988 (Lindeman, 2004), followed by Financial World, a well-known professional magazine on estimating brand value in 1992 (Abratt & Bick, 2003) and Brand Finance Limited, a British consulting organization (*ibid*). There are at least six well-established brand valuation consultancy firms (Reynolds & Phillips, 2005), applying own brand valuation methods such as: Brand Finance, Brand Equity Ten, Financial World, Interbrand, Millward Brown, Y&R. These firms measure brands value and present it in a dollar figure on the basis of multiple dimensions and metrics (Business Week, 2004). Each of these commercial evaluator models are presented below.

- ***Y&R Brand Asset ™ Valuator (BAV)***

BAV is an intuitively appealing marketing-based (Agres & Cubitsky, 1996) comparative measure of consumer perceptions database on large number of brands (Kotler *et al*., 2009; Laboy, 2005). The BAV is based on database created by Y&R[10] company (in 1993 and followed in 1997) through a qualitative study of brand attributes measurement on more than 6400 global and local brands (Laboy, 2005; Mortanges & Riel, 2003). Y&R uses BAV diagnostic tool to measure the value of the brand along four dimensions (Figure 22): *differentiation*, *relevance*, *esteem,* and *knowledge* (Mortanges & Riel, 2003).

[9] Interbrand is a U.K. based consultancy company specialised in brand valuations (Abratt & Bick, 2003).
[10] Young & Rubicam, Inc. (Y&R) is a marketing and communications consultancy company (Internet, Y&R, 2010).

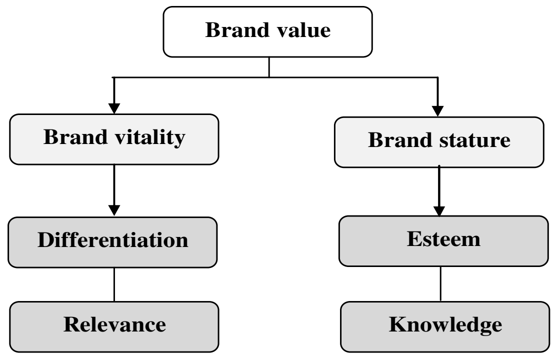

Figure 22. Y&R Brand Asset ^{TM} Valuator model (Laboy, 2005, 5).

The first and most important characteristic of brand is its *differentiation* role that distinguishes it from competitors (Haigh, 2000). Considering brand life cycle after reaching maturity even with good support of brand management the differentiation factor perpetuates (Haigh, 2000). Differentiation, measures the brands power of difference (Mortanges & Riel, 2003). The second step in developing a brand is relevance that implies appropriateness of brand to market (Mortanges & Riel, 2003). The brand must be attractive to defined target groups. BAV depicted that, there is a distinctive correlation between relevance and market penetration (Haigh, 2000). Brand *relevance* and brand differentiations components of BAV build customer-perceived *brand strength* index (Mortanges & Riel, 2003), which is critical factor for future brands performance (*ibid*).

The third primary determinant of brand success is *esteem*. Esteem includes two sub factors as popularity and quality. The esteem reflects the consumer responses to brand marketing mix, in other words "*how much consumers like a brand, hold it in high regard*" (Haigh, 2000, 35). According to Agres and Dubitsky (1996) esteem component of BAV is the consumers' reflection of brand popularity and quality perception. The last stage of successful culmination of branding is creating brand knowledge. *Knowledge* is the outcome of relevant differentiated brand with a high degree of esteem among its consumers (Haigh, 2000; Mortanges & Riel, 2003). It must be noted that Medias merely cannot produce knowledge; rather it must be achieved with supported marketing mix (Haigh, 2000). Hence knowledge in this context is not simply awareness; it implies people clearly aware of the brand and recognizes what the brand stands for (Mortanges & Riel, 2003). Esteem and knowledge construct *brand stature* index, which indicates brand status and scope and indicates customer's reaction to marketing of brand (*ibid*).

BAV conceptualizes brand value on a matrix called *power grid* to identify strong or weak brands (Mortanges & Riel, 2003). Figure 23 depicts the BAV power grid illustrating different stages of brand development. Each section in the BAV grid attributed with brand stature and brand strength creates successive quadrants (Kotler *et al*., 2009).

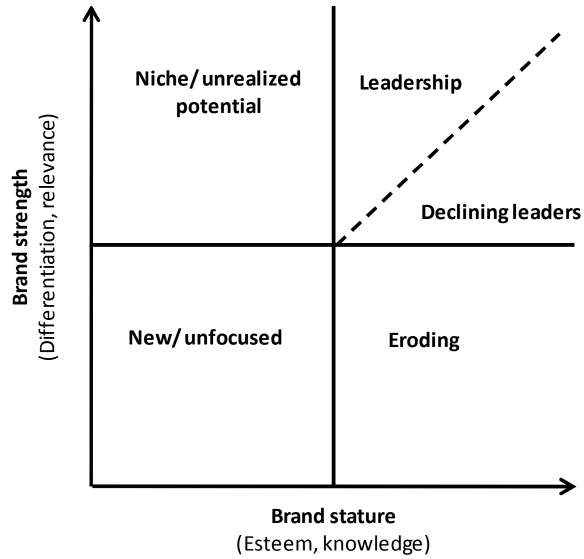

Figure 23. The BAV power grid for brand assessment (Kotler et al., 2009, 450).

In power grid brand strength plotted on the vertical axis and brand's current stature on the horizontal axis. Normally, brands life cycle starts in the lower left quadrant of the grid (Haigh, 2000). The brand development process starts with establishing differentiation and then relevance while the brand is not widely recognized (*ibid*). By boosting the brand strength, brand moves into upper left corner of grid which is called unrealized potential area (*ibid*). This quadrant represents brands ability (challenge) to translate its strength to stature (*ibid*). In this stage brand can remain as a niche player or develop to the next quadrant as a brand leader in the upright area (*ibid*). This quadrant populated with strong and megabrands where all the four components are in the highest levels (Kotler *et al*., 2009).

Decline is the last stage of brand development and starts where brand still have high knowledge factor and lower level of esteem (Kotler *et al*., 2009). Finally, the bottom right corner of grid is an area with an indication of eroding potential (Haigh, 2000). These are brands that have failed to uphold their relevant differentiation and strength components (*ibid*). The BAV power grid creates a diagnostic framework for businesses to develop, leverage and maintain their brands (*ibid*).

Mortanges and Riel (2003) used BAV power grid framework plotting the 43 selected Dutch corporate brands across different industrial sectors for 1993 and 1997 respectively. By connecting relative positions of each brand for 1993 and 1997 the directional changes illustrated. Then TSR, ESP and market-to-book value measures applied to determine the changes on share holder value. Using chi-square contingency tables the positive relationship between share holder value and brand developments within power grid over time obtained (*ibid*).

- ***Millward Brown BrandDynamics*** ^{TM}

Millward Brown[11] company has developed BrandDynamics with the concept of brand pyramid (Laboy, 2005) that is tied to brand loyalty. The BrandDynamic launched in 1996 and developed in 1998 (Haigh, 2000). It is a brand's consumer equity measure – "*consumers' predisposition towards a brand as distinct from other factors that contribute to the brand's financial equity (e.g. distribution strengths, production efficiencies, patents etc)*" (Haigh, 2000, 39) over 1500 brands. This model has two key components as *consumer value* and *brand pyramid* (Haigh, 2000, 39).

Consumer value defined as, "*a measure of the sales value of each respondent to the brand",* and the brand pyramid defined as *"a systematic way of diagnosing the factors driving that value*" (Haigh, 2000, 39). These two components are derived from an interview survey on category users of interested brands (*ibid*). Consumer value is a researched-based measure based on following four factors (*ibid*, 39): *consumer's predisposition*, that is the likelihood of repurchasing; *size of the brand*, implies the brand ability to achieve high levels of sales; *type of consumer*, answers the question whether consumers are more disposed to brand or the price conscious; *brand's relative price*, customer's considerations toward actual purchasing of expensive brands.

The BrandDynamics' pyramid consists of five building block stacked a top of each other (Laboy, 2005). These blocks are *bonding*, *advantage*, *performance*, *relevance* and *presence* (Figure 24). Dividing customers in these groups provides a framework for segmenting of customer based on their degree of attachment to the brand. The BrandDynamics method purpose is to characterizing degree of customer loyalty to a brand and representing how it may improve (Laboy, 2005).

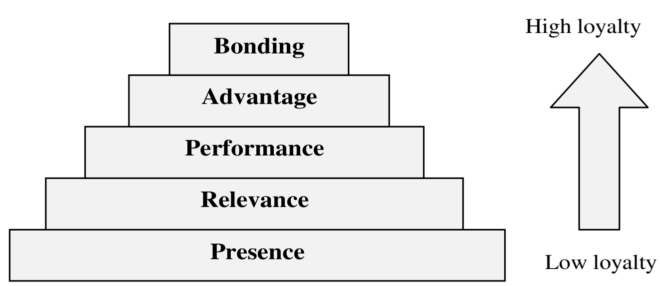

Figure 24. Thematic Millward Brown Brand DynamicsTM concept (Haigh and Knowles, 2004a, 19).

As shown in Figure 24 the BrandDynamics building blocks arranged from low loyalty to high loyalty (Laboy, 2005). Presence block indicates customers with a basic awareness of the brand while on the other extreme bonding implies on customers with high degree of loyalty, allocating high proportion of their category purchase to the advocated brand (Haigh & Knowles, 2004a, 19).

[11] Millward Brown is a market research consultancy that is part of The Kantar Group, the information and consultancy division of WPP (Haigh & Knowles, 2004a, 19).

- ***Brand Equity Ten***

Brand Equity Ten developed by David Aaker (1991). Aaker's Brand Equity Ten utilizes five distinctive measure criteria to establish a comprehensive brand equity assessment over products and markets (Aaker, 1996b; Cravens & Guilding, 1999). These criteria are: *loyalty measures* and *perceived quality* (Cravens & Guilding, 1999). Other customer-oriented measures include *differentiations /associations*, and *brand awareness*. The *market behavioural measures* such as market share and market price and distribution coverage complete the set of criteria (Aaker, 1996b, 113; Cravens & Guilding, 1999, 60).

The first four criteria reflect customer performances and perceptions toward brand, while the fifth category (i.e. market behaviour category) transforms the market information (rather than directly obtained from customers) along two sets of measures (Aaker, 1996b). Loyalty measures are the cornerstone of the Brand Equity Ten framework. Businesses that benefited from loyal customers; make advantages of barrier to entry for potential rivals, bases for price premiums, gives time opportunity to react to competitors innovatively offers (Aaker, 1996b). Brand loyalty in Aaker's Brand Equity Ten model can be determined by two indicators: price premiums and satisfaction. Price premium can be computed by calculating marginal amount of money consumers may be willing to pay over competitors (Aaker, 1996b). The price premiums can be determined by applying conjoint (trade-off) analysis and dollar-metric measures (Aaker, 1996b). Customer satisfaction is a direct measure of customer loyalty, which has used the brand within a certain time period (*ibid*). Satisfaction as an indicator of the loyalty can be measured through intended-to-buy questionnaire qualitative market research (*ibid*).

Perceived quality is a central component of brand equity. Perceived quality can be measured with comparability test over rival brands. Another measure in this category is leadership indicator that comprises of three dimensions as: brand merit and leadership from consumer point of view, popularity, and innovation (Aaker, 1996b).

Another criterion for Brand Equity TEN is measuring brand associations that are unique to a brand (*ibid*). Brand associations divided into three major groups as brand-as-product (value), brand-as-person (brand personality) and the brand-as- organization (*ibid*). The first perspective concentrates on the functional benefit (perceived value to customer) which is basic to brand (*ibid*). Brand personality is the second component of associations that reflect the brand emotional to customers, especially on brands with minor physical differences and are consumed in a social setting (*ibid*). Organizational associations consider the firm image that is behind the brand. It is especially important factor in corporate brand involvements (*ibid*). It represents organizational perceived commitments and credibility. Differentiation is product of these three association dimensions. Hence, these three association factors can be replaced with on single set of indicators representing a bottom-line characteristic of a brand (i.e. whether the brand is different from competing brands or not) (*ibid*).

Awareness can affect consumer attitudes. In some cases it can be seen as a driver of brand choice or even loyalty (Aaker, 1996b). The brand awareness can be determined through recognition, recall, brand dominance, and top-of-mind tests (*ibid*). The last measure criteria are market behaviour metrics which indicates brand performance against competitors. The market behaviour metrics are market share, market price and distribution coverage (*ibid*).

Market share factor is valid and sensitive reflection of brand performance. However, market share (sales) can be deceptive BE measure (Aaker, 1996b). Sales increases may be due price decrease or improve in distribution channel. Thus, since sales are sensitive to price index and distribution facilities it is important to be tuned with other factors such as relative market price and distribution coverage (*ibid*). The relative market price computed by dividing average weighted selling price of brand during certain time phrase by the average price at which all competing brands were sold (*ibid*). The distribution coverage usually expressed as a percentage of an accessibility of brand (*ibid*). To calculate a single value first the four behavioural dimensions (loyalty, perceived value, associations and awareness) measures determined. Then these measures have to be weighted and finally summing the weighted average of all dimensions gets the brand's final score (*ibid*).

- ***Brand Finance***

Another commercial brand valuation method has been developed by Brand Finance Limited, a UK based brand valuation consultancy (Davis, 2010). Brand Finance appraisal comprises four elements as: identifying the market competitive position of brand, identifying brand related earnings and profits (BVA), determination of the added value of total earnings, estimating beta risk factor (discount rate) associated with earnings. Brand added value can get by deducting tax and discounting by beta risk factor (*ibid*).

Financial forecasts gathered through microeconomic (firm level) and macroeconomic (market) data analysis based on previous trends and customer research information (Davis, 2010). The next step is to identifying the brand proportion in creating demand using brand added value (*ibid*). Brand added value (BVA) is a measure constructed by combination of qualitative and quantitative research, including product variety, effects of competing, effects of time frame, quality and reputation (Haigh, 2000). Then risk factor (beta) associated with earnings calculated for discounting purposes. In order to calculate risk factor Brand Finance uses Brand Beta tool (*ibid*). Brand Beta incorporates scoring factors such as distribution, market share, market position, sales growth rate, time in the market, price premiums, price elasticity, marketing spend, advertising awareness and brand awareness (Davis, 2010). Finally net present value (NPV) of branded induced earnings determined (*ibid*).

- ***Tocquigny BrandMetrics DNA™***

Brand Metrics DNA™ approach developed by Tecquigny[12] Inc. This method is based on the belief that "no two brands are alike; therefore a cookie-cutter approach that uses the same process and that measures the same associations from brand to brand is likely to result in a distorted measure of brand equity" (Laboy, 2005, 5). In this approach, equity components of each brand are identified, weighed and measured (*ibid*). Three major factors that construct the Tocquigny model are as (see Figure 25): *brand associations*, *brand assets* and *market fundamentals* (*ibid*, 5). Number of measures can be used to determine these three factors and brand's MetricDNA™.

[12] Tocquigny is a brand measurement consultancy based in Austin, Texas (Laboy, 2005).

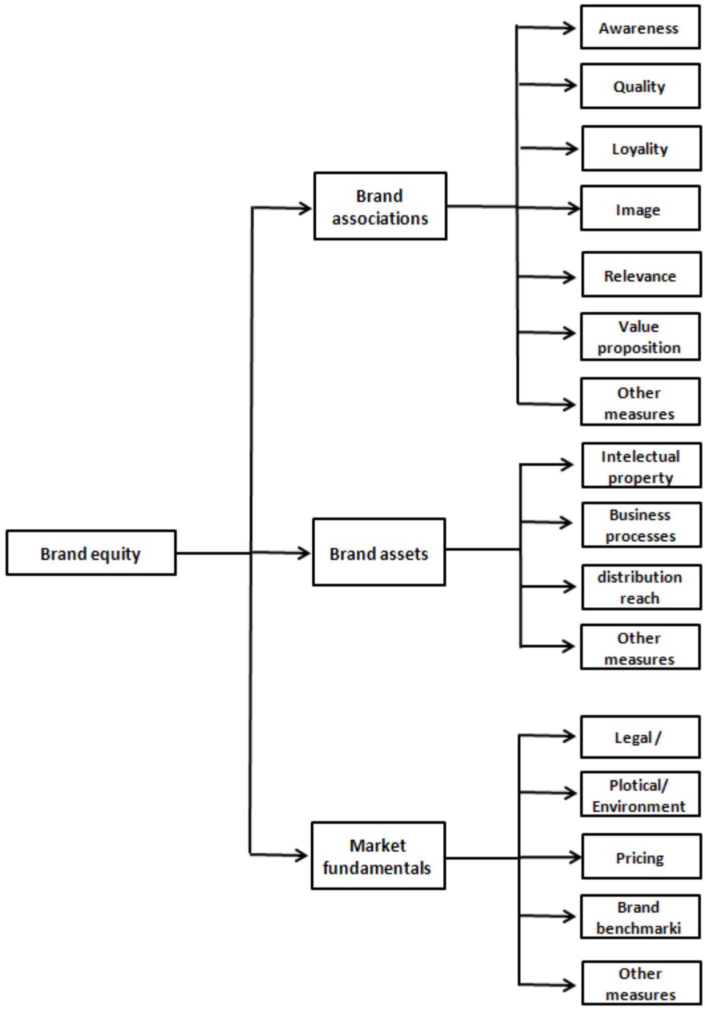

Figure 25. Tecquigny Brand Metrics DNATM approach (Laboy, 2005, 6).

Brand associations defined as "*a specific perceptions, whether real or imagined, that a customer has about a product, service or organization*" (Laboy, 2005, 5). However, the importance of association elements may vary from one brand to another. An endless list of association elements could be identified. In Figure 25 a hypothetical list of commonly used measures of brand associations presented including: awareness, quality, loyalty, image, relevance and value proposition (*ibid*, 5). Brand assets is another category of measures that includes brand's business assets (Laboy, 2005). It does not matter how positive brand associations exists towards a brand when it is not accessible to customers (*ibid*). Measures like intellectual properties, business process and distribution efficiency are used to determine brand assets factor. For instance it is said that Coca-Cola's most important brand asset is its distribution system and for Gillet its business process (*ibid*). The elements that drive brand equity go beyond brand associations and brand assets. Last factor that used to determine brand's MetricDNA^{TM} is market fundamentals. Firms are not separated entities, and BE can be affected by governmental and non-governmental acts. In addition competitor's actions have a significant affects on BE (*ibid*).

- ***Interbrand approach***

Interbrand developed its model initially for external financial reporting purposes and then developed it to internal managerial context. The Interbrand utilizes a variation on the brand earnings approach (see Appendix V). Interbrand determines earnings induced by brand and capitalize it (Keller, 2008). In order to determine the brand value first the three-year weighted average of profit after tax computed as an indicator of brand profitability (Cravens & Guilding, 1999). Then this figure is multiplied by a multiplier called *brand index* (Keller, 2008)-derived from an evaluation of brand strength (*ibid*). The brand index in this method comprises of seven factors with specified weights (*ibid*). The brand index factors includes: *market*, which reflects the market stability status; *stability*, shows the duration of brand establishment; *leadership*, reflects the market behaviour in terms of market share; *trend*, gives the indication of brand direction; *support*, implies total communication supports that brand receive; *geography*, shows the expansion are of brand operation; *protection*, determines the company ability on legal protection of brand (Keller, 2008).

- ***Financial World***

The Financial world method developed by Financial World magazine utilizes Interbrand brand strength factor called *brand index*. Financial World uses the same factors as Interbrand employed. The profit premium attributed to branded article can be calculated by deducting the earnings of a comparable generic product from operating profit of investigated brand (Cravens & Guilding, 1999). Then adjusted this resulted premium for taxes and multiplied by brand index (Abratt & Bick, 2003).

6 Analysis

This chapter offers a constructed comparative analysis of accessed articles in relation to theoretical framework. First a concise review in terms of number of published peer reviewed articles on the BE over time presented comparing with CR issue. Then the accessed articles analysed according three sustainability aspects and based on Riezebos (2003) BE model. Each of valuation methods looked separately in terms of their assessment process and possible impact of CR in the assessment.

6.1 A contextual analysis

In this study SLU databases have been investigated to find relative peer reviewed articles that proposed or investigate a brand equity model that encompasses corporate conduct effect in it. A total number of 120 articles found that proceeding corporate conduct and branding. A short review of the contents of the articles revealed that less than 15 articles that were relevant to the topic of this study. More surprisingly, none of them presented a method or framework for quantifying corporate responsibility conduct effects on brand value. This shortage resulted into consideration other literatures to preceding the study. Although the number of published articles is not significant, at least this results show the trends of emerging scholar attention to CR and BE from last decades. After reading through the articles, it is revealed that although CR and BE are both interesting areas of research the relation between BE and CR has received scholarly interests just in the recent years.

Search results showed that in general, corporate responsibility gained attention especially in the last decade. Table 5 compares the results of articles issued from 1970's on corporate responsibility, brand equity and considering both disciplines from Scobus database. As this table depicts number of articles related to CR increased gradually up to mid 1980's and then soared rapidly especially in recent decades.

Table 5. *Comparing search results of articles on the corporate responsibility, brand equity and both of these areas issued since 1970 to present (from Scobus database).*

Data bases	Stem term	1971-1975	1976-1980	1981-1985	1986-1990	19991-1995	1996-2000	2001-2005	2006-2010	total
Scobus	BE	66	91	157	254	359	943	2,004	3,546	7,420
Scobus	CR	120	134	297	427	716	1,782	5,112	12,172	20,760
Scobus	BE + CR	1	0	0	0	2	2	34	80	119

Similarly, scholars' attention to the brand equity phenomena gradually grew over past decades. From the search results we can get that BE have came to the interest of scholars nearly one decade later than the CR issues. However, the number of published articles regarding brand equity concept is far from CR articles published in these databases (and at the same periods). It must be noted that in this study the search criteria just limited to the titles, abstracts and keywords.

In addition, search results for articles published from 1970 dealing with brand equity and corporate responsibility simultaneously are summarised in Table 6. This table shows the similar trends among different databases[13] regarding published articles dealing with corporate responsibility and brand equity (value). Since during 1970 to 1990 there was no record of articles dealing both CR and BE the records from 1990 and onwards presented in Table 6.

Table 6. Search results of peer reviewed articles relating to the corporate responsibility and brand equity

Data bases	Stem term	19991-1995	1996-2000	2001-2005	2006-2010	total
Scobus	BE + CR	2	2	34	80	118
Science Direct	BE + CR	0	2	21	63	86
Jstor	BE + CR	1	9	26	32	68

As Table 6 shows the number of related articles rose a few years ago and it depicts that the effects of CR on BE just recently came to the interest of scholars although the number of published work are not comparable with articles encompassing merely BE or CR problems (Table 5). It can be translated that although the attention of scholars rose recently to the both disciplines but it is still in its beginning stage. Since some articles are also cited in other databases it was not possible to sum up the total number of works retrieved from different databases. In Figure 26 the evolution of BE and CR in form of peer reviewed articles (from Scopus) since 1970's is presented graphically.

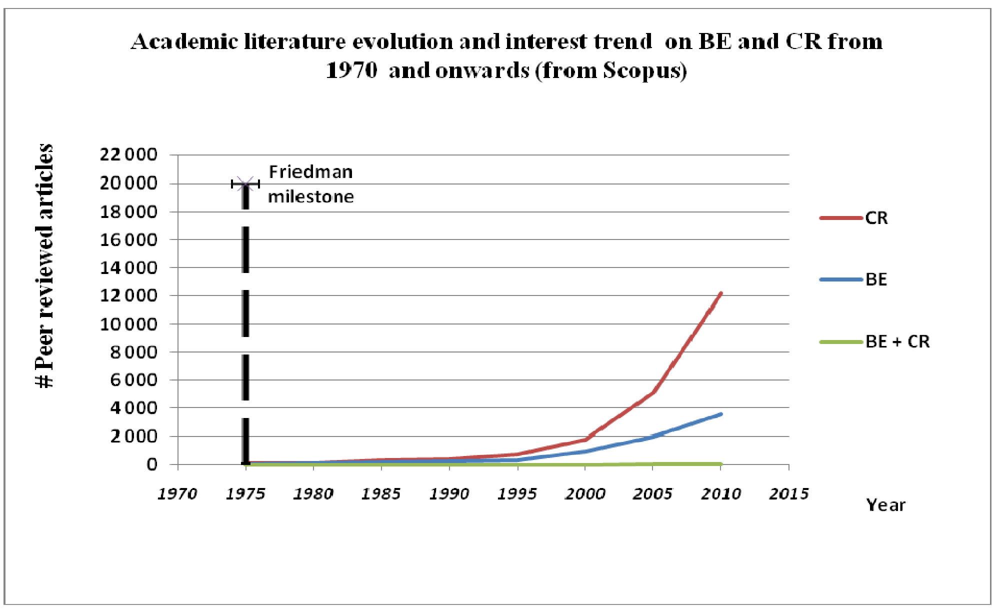

Figure 26. Academic literature evolution and interest trend on BE and CR, since 1970 and onwards (based on articles acquired from Scopus database).

Figure 26 illustrates growing number of articles on brand equity concept and corporate responsibility era resulted from Scopus (the same pattern observed in other databases) database published since 1970 and onwards. As it can be traced, both of BE and CR came to

[13] The results from other databases are excluded from this table due to different interfaces they are using, though they have shown the same trend.

the interests of scholars around 1980's to 1990's. Corporate responsibility issues grew in importance after Milton Friedman article in 1975. Likewise, brand equity awareness emerged within scholars in 1980's when the wave of mergers and acquisitions rose. The increase in business take over and the need for accounting treatment intangible assets gave way to introducing BE concept in this period.

As it is observed the number of published articles in the corporate responsibility era is outweighed significantly the amount of issued articles to the brand equity field. This can be regarded as the sign of the remarkable change in the firms view to the structure of value. During the 1970's and 1980's the alteration happened to the perception of value from short term financial performance to the long term holistic view. In the modern view, the business role is not to be merely financially successful, rather corporate conduct as a committed citizen to sustainable development stressed. This new approach to the business role underlines importance of inclusion of comprehensive stakeholder analysis. On the contrast, BE assessment tools are mostly rely on the two main stakeholders i.e. consumer and owner. However, majority of BE valuation literature are formed based on economical performance accountability while some scholars tried to connect at least consumer perspective to financial metrics. The big change on the business role has influenced businesses, but this change is not obvious in the branding literature or the BE evaluation metrics. A gradual increase in awareness of CR is seen.

Researchers agree that corporate (social) responsibility can improve the competitiveness of a business (Burke & Logsdon, 1996) which in long-run leads to economic success (Weber, 2008). An over view of the articles revealed that although general interest among scholars increased on interdisciplinary approaches of branding and corporate responsibility (see Table 6) but none of them presented a framework for brand valuation including measures of corporate conduct effects. Maybe the problem relates to lack of general agreement on corporate responsibility definition though it is widely discussed (Weber, 2008). On the other hand there is no generally accepted brand valuation method and measurement metrics to be applied. Table 7 for instance summarises commonly used BE measures, David Aaker's model "Brand Equity Ten", Kevin Keller's "CBBE" model, Equintered, Interbrand and Y&R measurements criterias (Reynolds & Phillips, 2005, 172).

Table 7. Applied brand equity measures based on five brand equity authorities' view (Reynolds & Phillips, 2005, 172)

	Aaker	Keller	Y&R	Equitrend	Interbrand		Aaker	Keller	Y&R	Equitrend	Interbrand
Associations		X	X			Market trend					X
Awareness	X	X				Marketing support					X
Differentiation	X		X			Perceived quality	X	X		XX	
Distribution coverage	X					Perceived value	X				
Esteem			X			Personality	X		X		
International					X	Price premium	XX				
Knowledge			X			Relevance			X		
Leadership	X				XX	Salience				X	
Legal protection					X	User satisfaction/loyalty	X	X		XX	
Market share	X					Stability					X

Table 7 shows that ‘perceived value’ and “user satisfaction/loyalty have the greatest consistency across different recommended measures (Reynolds & Phillips, 2005). There is a lack of common agreement on the brand equity measures among five brand equity authors. From Table 7 only Aaker recommends “market share” as an equity factor. However, he called attention to the point that market share indicator is hard to define because the product class and competitors have to be defined and sometimes it is not an easy task (Reynolds & Phillips, 2005). In addition, market share often represent a short term perspective of business (Reynolds & Phillips, 2005). Surprisingly, Ambler (2000) presented that the measures marketers and financial executives used to analyse their performance are contrast widely with the measures list that they share with their boards. While factors like ‘awareness’ and ‘market share’ were most widely tracked indicators, ‘loyalty’ and ‘relative perceived quality’ were the most highly valued measures to the managers. In contrast “related perceived quality’ was the least ranked measure used by marketers and ‘awareness’ has the lowest rate for assessing performance to boards (Reynolds & Phillips, 2005). Although this diversification of variation in the valuating approaches provides flexibility and allows a business to select most suitable measures for brand management purposes (Cravans & Guilding, 1999), but leads to confrontation on what is the essential metrics in valuation brands.

6.2 The comparison based on value chain

Brand value chain (BVC) provides a framework to realize brand equity (Ouyang & Wang, 2007). BVC implies that BE constructed from three major parties involvement i.e. consumer, organization, and the shareholders (*ibid*). Thus, it is necessary all BVC perspectives to be considered simultaneously to have a true holistic view on BE (*ibid*). Recalling from Riezebos’ (2003) model BE measurement starts from added value to consumers to the added value to organization. However, it is claimed these days that all wider stakeholder analysis must be included in brand equity assessments (Jones, 2005). This multi aspect contemplation enables brand valuator to properly reflect the nature, system, and value of brand equity and provide an integrated assessment frame for business disciplines (Ouyang & Wang, 2007). Table 8 compares recent studies on BE assessments from brand value chain (BVC) (see part 4.4) perspective (*ibid*). It must be noted that other valuation methods that are not considered in this table can be seen as an affiliated or subcategory of presented approaches in Table 8.

Recalling from BVC theory, we consider the process of creating value as a continuum; first there must be genuine product or service to be delivered to the consumers. The product or service has to fulfil the market demands. The amount of satisfaction creates brand image and awareness. In the second stage brand attributes and associations can be measured from the consumer mindset. In the third stage the consumer mind set affect the consumer responses and behaviour which can be quantified in terms of financial metrics such as price premiums, market share and so on. In the last phase of brand value continuum is shareholder stage which the value to the brand owner reflected in stock prices and market capitalization. In relation to corporate responsibility, the triple bottom line effects can be settled in the stage III of BVC framework since in this stage the corporate performance measured.

Table 8 . A summary of key studies of BE assessment (adopted from Ouyang & Wang, 2007, 4)

Research	Stages of Brand Value Chain (Keller, **2003b)**	Method	Contribution	Application/implication
Aaker (1991)	II	Textbook	Defined four consumer-related bases of BE	Formulating BE as a research topic, as well as for managerial strategy of product plan
Keller (1993)	II	Theoretical descriptive	Established dominant conceptualization of BE	Roadmap for research in knowledge-based BE
Farquhar (1989)	II		Developed direct measures of consumer-based BE	
Agarwal Rao (1996)	II	Experimental analysis	Examined convergent validity of alternative consumer-based measures of BE	Attempting to unify alternative consumer-based measures of BE
Wentz Martin (1989)	III	Combining secondary data analysis with experts' evaluation	Introduced the concept of brand-earning multiplier	Enabling Interbrand Group to publicize BE in dollar terms
Kamakura Russell (1993)	II & III	Empirical analysis of time series data	Used scanner date to measure consumer preferences	An tempt to link different stages of the value chain
Simon Sullivan (1993)	IV	Empirical analysis of cross sectional financial market data & event method	Provided a theoretical foundation for BE, i.e., Tobin's Q	Estimating BE at firm-level
Farquhar Ijiri (1993)	IV	Theoretical and descriptive	Attempted to bridge BE with accounting sheets	Opening a venue to treat BE as firms' intangible assets

As Table 8 depicts most of the measurements concentrate on, one or at the most two, stages of BVC model (introduced by Keller, 2003b). For instance Aaker's (1991) brand equity model provide a theoretical framework and roadmap for BE from consumer perspective. Keller (1993) introduced CBBE (consumer based brand equity) conceptualization framework and Farquhar (1989) developed direct measures of CBBE. Agrawal and Rao (1996) scrutinized convergent alternative measures for CBBE. In rare cases Kamakura and Russell (1993) used scanner data applying customer mind set and market preferences (see Table 8 stages II and III of BVC model) metrics to analyse customer performances. Wentz & Martin (1989 cited in Ouyang & Wang, 2007, 3) by analysing time series data introduced the concept of brand earnings multiplier that enabled Interbrand Group to publicize the monetary brand valuation method (Ouyang & Wang, 2007). Simon & Sullivan (1993) developed financial focused approach based on Tobins Q theory[14] (see BVC forth stage in Figure 16) and Farquhar & Iriji (1993) established a model in which BE evaluated through metrics obtained from accounting statements (Ouyang & Wang, 2007).

To put in a nutshell, in the view of the BVC framework all brand equity measurement techniques with focusing on one or two dimensions (like methods with marketing, accounting, customer or company based focused) are incomplete (Ouyang & Wang, 2007). In the brand value chain theory the possibility of determination of business commitment to the society and environment can be seen as a brand attributes or associations which can be ranked from consumer point of view. Also, in the third stage where the brand performance can be measured possibility of including sustainability indexes and metrics exist but none of the analysed methods shown the sign of inclusion such a tools.

[14] Tobins Q theory was developed by James Tobin (Tobin, 1969) as the ratio between the market value and replacement value of the same physical asset.

6.3 Comparison based on sustainability dimensions

The common theme throughout the sustainability is the essential need of economic, environmental and social integration in decision making process. Sustainability calls for enforcement of wide range of responsibilities to the firm (discussed in chapter 4). In this section brand valuation methods have been investigated to reveal whether they encompass corporate responsibility indexes (or some factor to that extent) or not. If the brand value assessments have considered this factor, it must be declared in its conceptual framework. In practice, businesses that conducted environmental and social manner in their behaviour were able to build win-win situation and enhance competitive advantages in their process (Elkington, 1994). Today CR is part of business strategies and successful sustainable businesses create profit while achieving certain environmental and / or social objectives. However it is not enough for brand owners to merely rely on CR activities in their brand premises and communications, rather it must be accustomed in the total value creation process and off course assured in their reporting systems (Internet, Interbrand, 2010, 2).

Since the Bruntland report in 1987 and afterwards, as a result of increasing the importance of CR in business context the number of agencies that are dealing with corporate responsibility measurements have increased substantially. For instance the FTSE[15] Group issues, over 60,000 indices (including FTSE4Good Index[16] and FTSE 100 index[17]) to evaluate CR performance of companies. Thanks to these improvements several methods and indexes are available currently. The methods for quantifying sustainability include a wide range of tools. One of these tools is OECD statistical parametric measurement that provides data associated with the properties of the statistic metrics over time (Stefanovic, 2000). Another tool is WBCSD measuring impact frame work which is launched in late 2008 by World Business Council for Sustainable Development (WBCSD) association. This framework aims to help firms measuring their social impacts and use this information to inform future investment decisions in four major key steps.

There is a debate on the applicability and inclusiveness of the sustainable measurement tools (Mark-Herbert and Roraius, 2010). Many assessments tools are providing frameworks to measure the sustainability levels of firms; for instance Dow Jones sustainability index, Environmental Sustainability Index (ESI), Integrated Sustainability Assessment (ISA), Sustainability Impact Assessment (SIA), Environmental Extended Input-Output (EEIO) Analysis and so forth (Roraius, 2008, 11). However, the potential of measuring corporate conduct in extant methods by defining the appropriate attributes exists. These measurements can be classified from different views for example some of them are divided to *ante-ex*e (forecast the value) versus *actual* assessments; *separate* dimensional in opposition to *integrated* dimensional (e.g. SIA and ISA) tools (Mark-Herbert and Roraius, 2010). In addition, some tools are defined in product level (e.g. Life Cycle Assessment); some of them project level (e.g. ESI or sIA) and others in sector level (e.g. SIA and ISA). SIA and ISA are the examples of these newer (less established) approaches (Roraius, 2008). A summary of different sustainability tools and dimensions are presented in Appendix VI (Roraius, 2008,

[15] FTSE International Ltd. is a joint venture between the *Financial Times* (**F-T**) and London Stock Exchange (**S-E**) first was created in 1962 as the FTSE All Share-Index (Internet, FTSE, 2010, 1).
[16] The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards (Internet, FTSE, 2010, 2).
[17] Te FTSE 100 index is a share index of the 100 most highly capitalized UK companies listed on the London Stock Exchange (Internet, FTSE, 2010, 3).

11). However, the aim of this study is not to investigate the sustainability indicators and metrics.

As it is analysed in chapter five the presence of such an indexes in the BE evaluation frameworks does not clearly declared. Hence, alternative way could be analyzing BE evaluation approaches indirectly based on triple bottom line notation of sustainability. In the Table 9 major approaches are compared based on sustainability dimensions (i.e. economical performance, environmental considerations and social perspectives). As Table 9 reflects, some approaches can consider CR effects indirectly in their measures or at least there is a possibility that CR attributes to be included in their framework.

Table 9. Comparing BE measures based on triple bottom line dimensions

Band equity evaluation approaches		Sustainability dimensions		
		Economical perspectives	**Environmental perspectives**	**Social perspectives**
Comparative approaches	• Conjoint analysis	No	Limited	Limited
	• Dollar metric methods	Limited	Limited	Limited
	• Price premium methods	Yes	limited	Limited
	• Customer based measure	No	limited	Limited
Holistic approaches	• Residual approaches	Yes	limited	Limited
	• Cost price approaches	Yes	No	No
	• Market price approaches	Yes	No	No
	• Income approaches	Yes	No	No
Composite approaches	• Y&R approach	Limited	Limited	Limited
	• Millward Brown method	Yes	Limited	Limited
	• Brand Equity Ten	Yes	Limited	Limited
	• Brand Finance method	Yes	Limited	Limited
	• Tocquigny BrandMetrics	Limited	Limited	Limited
	• Interbrand approach	Yes	Limited	Limited
	• Financial World method	Yes	Limited	Limited

Note. Limited implies that there is a potential that sustainability dimension to be considered in these measures.

Comparative approaches generally won't provide an index of financial performance of corporate conduct but there is a potential in their framework that environmental and social factors considered as an attribute. For instance, in conjoint analysis (trade-off) the brand attributes are compared which in this case the socio-environmentally characteristics of brand can be considered as comparing attributes. Similarly the CBBE model the environmentally declaration of products or services can be measured in brand knowledge. The environmentally declaration of brands can be effect indirectly in brand choice.

Holistic approaches generally focus on the market behaviour of brand. Hence, they can provide metrics to measure the economical performance of the firm. The holistic approaches have less possibility to include other dimensions (with the exception of residual approaches). For example, cost price approaches sums all expenditures related to developing brand and will not related to other dimensions of triple bottom line.

Composite (commercial) approaches on the other hand tries to give a balance framework of BE measures by including market behaviour matrices and consumer behaviour simultaneously, including indirect socio-environmental dimensions. The Interbrand for example uses income statement as bases of its measurement frame work but this earning estimation have to be multiplied by brand index which can be affected by other dimensions.

6.4 Comparison based on Riezebos conceptual framework

Among various existing BE frameworks, Riezevos (2003) conceptual framework appears to be the model that include CR factors in the BE model. In Riezebos model (as it is presented in chapter 4), two different values recognized: firestone is the values to the owners that can be regarded as the value to internal stakeholders. The second is the "value to the consumers", which can be regarded the society as whole.

Considering these two inclusive stakeholders groups (i.e. internal and external stakeholders), while analysing the approaches to BE valuation; we can say that most of the comparative methods are concentrating on the values on the external stakeholders. The comparative methods mostly analyzing the brand equity from the consumer's perceptions and preferences hence hardly analyzing internal stakeholder's values. For instance conjoint trade-off techniques or dollar-metric methods measures attributed features of a brand versus a generic (or competing) brand suffering lack of financial (accounting) performance assessments. In these methods the possibility of considering social and environmental concerns exists as an association or character of a brand. However, the analyzing these attributes of a brand are just from consumer point of view.

Similarly the possibility of socio-environmental attributes inclusion can be seen in the other comparative methods like Aaker (1991) brand valuation, Keller (2003) CBBE model and Chen (2001). In Aaker's model (1991) the potential of analysing effects of CSR in form of brand associations, perceived quality or other associations exists. Aaker (1991) asserted that the value of brand underlines on the sets of associations and the way people judge it (Chen, 2001). These associations can be inclusive of all forms and may reflect the product or service characteristics or the aspects which are not directly attributed to the product or service itself (Chen, 2001). Aaker (1991) pointed out that brand associations can be characterised into eleven general types as: product attributes intangibles, customer benefits, relative price, applications, competitors, users, celebrity/person and region of origin. Keller (1993) stated that the favourability, strength and uniqueness of brand associations are the factors that build brand knowledge. Knowledge has the central role in shaping the different responses to the marketing of a brand (which build up brand equity).

The evidence of possibility of socio-environmental attributes inclusion can be seen in the research conducted by Keller and Aaker (1994 cited in Chen, 2001, 441). They defined four dimensions of corporate image to explore the impact of firm image on the success of brand extension in various product categories. These brand images were environmental conscious, innovation, community minded and neutral (Chen, 2001, 441). In similar experiment Brown and Dacin (1997, 70) examined the effect of firm's capability (ability) response to market demand , and the effects of firm's perceived social responsibility (CSR) as an association on product response.

Conversely, the holistic approaches to brand valuations try to determine economical performance of brands through accounting principles. Methods such as cost based approaches, market based approaches, and income approaches are basically financial (accounting) solid measurements that quantify brand value in a monetary term. For instance cost based methods and income approaches tend to provide information for senior managers to support their decisions and analyse their brand's performance (Salinace, 2009a). In these methods the value to the external stakeholders are understated. The direct effects of corporate conduct disregarded in these measurements although, the indirect effects of social mildness or environmentally conscious has its effects on trust and brand image (as stated in chapter 4).

However, when we move to composite approaches the situation differs from one method to another method. Millward Brown's method only measures the financial performance in terms of brand size and analysis the brand ability to achieve high level of sales and other factors limited to loyalty of consumers. Brand Equity Ten can measure the financial success of a brand while the potential of assessing corporate conduct can be noted in organizational associations. Yet, it is from the consumer point of view and needs some sort of third party certificate or confirmation to assure the performances. In near future one way of ensuring corporate responsibility within corporate may be a Private-Public Partnership. A Private-Public Partnership (PPP), also known as P3, can be defined as *"a voluntary or collaborative alliance which implies cooperation between two (or more) actors be it public, private, non-governmental organizations (NGOs) or any group of individuals which could fundamentally have different objectives, values, cultures, structures, but are sharing risks, responsibilities, resources, competencies whilst committed to common tasks which would achieve their specific individual goals"* (Internet, UNDP, 2006, p.12).

In Brand Finance method economical performance of the brand is reflected in Brand Beta index and other dimensions of corporate conduct i.e. environmentality and social aspects can be analysed through BVA index which is constructed from qualitative and quantitative researches. For Y&R method two components measures brand value as brand stature and brand vitality. The possibilities of assessing brand performance respecting social and environmental dimensions are limited to brand esteem and brand differentiation factors. Brand esteem analysis brand quality and popularity which social and environmental conducts of firm can be reflected in it but financial performance of brand by some means disputed in this method. The financial performance of the firm just reflected as in brand relevance component of this model. In Y&R model brand relevance and market penetration are considered as two correlated factors.

In contrast, for Interbrand and Financial World approaches, the based on assessing economical brand performance by predicting future earnings related to brand. The future earnings determined based on the average weighted of previous earnings and adjusted by brand index factor. This factor does not include the two left dimensions of corporate conduct i.e. social and environmental aspects.

However, in Tocquigny method the possibility of all inclusion of all three dimensions of corporate conduct exist through brand assets and brand associations. Although, these dimensions are not explained in Tocquigny conceptual framework as direct or separate metrics.

7 Discussion

This chapter aims to address the research questions stated in chapter one, based on the theoretical framework and the literature review. The first research question regarding the importance of BE has been clarified in the previous chapters. The additional research questions are presented in the following parts:

- What are characteristics of brand equity measurements?
- What are the identified brand equity drivers?
- How do CR and ethical behaviour relate to brand equity?

7.1 Brand equity measurement characteristics and drivers

Brand valuation is a part of brand management and needs to identify the brand building process. Businesses must first assess their brand value, and then they need to identify the drivers of that value and understand how they can protect or develop it (Millward Brown, 2007). The concept of brand management introduced in 1970's and became a strategic marketing issue in 1980's and has fostered by researchers and practitioners alike during last decades (Johansson and Holm, 2006). "*Brand valuation is mostly a snapshot of future earnings of brand taken at a certain point in time*" (Haigh, 2003, 73). As Keller (2006) pointed out "*brand equity is a multi dimensional concept and complex enough to require many different types of measures*" (Keller, 2006, 403).

It must be noted that measuring the actual equity of brand is difficult (Kotler and Armstrong, 2001, 302) and cannot be measured precisely, however, it can be estimated roughly (Aaker & Joachimsthaler, 2000, 16). There is no unique and simple measure of brand equity and so far wide range of measurements from different point of view applied.This diversification of variation in the valuating approaches provides flexibility and allows a business to select most suitable measures for brand management purposes (Cravans & Guilding, 1999).

Traditionally brands have been evaluated from accounting and marketing point of view. However, finance and marketing are usually considered as two separate divisions within an organization and little attention has been paid to the effect of marketing strategies on the value that contributes to a company (Kerin & Sethuraman, 1998). Marketing based approaches (comparative approaches) tend to provide a conceptual framework to analyze brand value and its sources (mostly from consumer point of view), while, financial approaches (mostly adapting accounting techniques) tend to determine the monetary value of brands (as a valuable intangible asset) for balance sheet purposes. Most of marketing based BE measures have potential diagnostic comparative essence for reporting and tracking purposes. However, having a single summering measure or figure of brand value would be more useful and convenient in accounting purposes (Aaker, 1996b). Gradually, the gap among these approaches as separate measurements gave way to evolution of composite approaches which mostly developed by commercial enterprises. The commercial methods vary in terms of technique and objective they have applied. Nevertheless, the aim of these methods is to reflect the consumer perceptions into financial performance of the firms.

Overall, it is believed that from existing approaches four methods are currently widely used to brand valuation (Cravens & Guilding, 1999; Seetharaman *et al.*, 2001). These approaches are namely: cost-based approach, where brand value estimated by adding all previous expenses on developing brand cycle; market-based approach, where the brand selling price estimated; income approach, estimated based on the discounted future earnings induced by brand; and formulary approach, calculation focus is on inclusion multiple dimensions and factors such as leadership, stability, market, support, protection, internationality and trend (Smith *et al*., 2007).

Vargo & Lusch (2004) argue that marketing is principally concerned with creation of value and relationship. Knowing brand value helps managers to calibrate brand development process (Aaker, 1996b). Most of the brand valuations can be viewed from one or two major stakeholders i.e. consumers and brand owners. As Riezebos (2003) pointed out that two major drivers for brand equity: brand value to consumer and added value to brand owner. The first driver is the value-added to consumer. The spirit of the value added to consumer lies in the facet that when brand delivers benefit to consumer and build satisfaction creates loyalty .This loyalty can lead to re-purchase and retention of consumer that in turn leads to generating brand value to the firm (brand owner).

7.2 The relation of corporate conduct and brand equity

Currently, both corporate responsibility and branding strategies have become progressively more important that firms have to detect how these strategies affect their creation of values (Blumenthal & Bergstrom, 2003). Firms can benefit using synergies created by merging CR and branding strategies (Blumenthal & Bergstrom, 2003). From a marketing point of view, strategies established by firm can influence their brand equity. The rationale behind this integration is: to assure the degree of corporate promise, sustaining customer loyalty and avoiding conflict with owners (Blumenthal & Bergstrom, 2003). Gobe (2002) introduces concept of citizen brand which take into consideration the effects of its behaviour on its stakeholders. Gobe (2002) argues that today people want to build a holistic multifaceted relationship with brands. In this concept consumers' expectations of brands goes beyond of merely good philanthropist brand (*ibid*).

Corporate responsible conduct as defined in previous chapters can be seen in the triple bottom line notation of sustainability where all dimensions of corporate performances must be considered simultaneously. The concept of triple bottom line emphasises the need for simultaneous adaption of environmental integrity, economical prosperity and social equity principles (First, 2010; Mark-Herbert and Rorarius, 2010). It is more important when considering long-run effects of corporate conduct on business image, reputation and in general its performance.

Also brands are the "*long-lasting assets of organization that will translate to sustainable long-term profit*" (Cravans & Guilding, 1999, 16). Analyzing existing brand valuation approaches revealed that each of these valuation techniques is defined within a special conceptual framework and mostly for specific purposes. As it is argued in chapter six, most concentrated dimension of triple bottom line in existing brand evaluation techniques is financial performance of business (and brands). Social and environmental dimensions of corporate conduct mostly have received less attention, though the potential of including these two dimensions in some methods exist. The inclusion of social and environmental aspects in form of brand associations and brand features have analyzed in some cases but the problem is that these measurements can helpful to understand the consumer preferences and perceptions and still needs to be proved. For instance marketing managers and executives can benefit in their campaign developments by analysing the consumer awareness and consciousness to the firm's social and environmental concerns. But from the value analysing point of view trustworthy of corporate conduct must be assured.

Corporate performance can be perceived by stakeholders through a series of images which form sort of firm's intangible value (Brady, 2003). Stakeholder theory has materialized as a challenge to traditional conceptualizations of the model of the firm (Clarke & Clegg, 1998), and it brings in the perception that the business exists within a complex network of stakeholders (Jones, 2005). Stakeholder theory framework expresses the importance of identifying of each stakeholder that "*can affect or are affected by the achievement of the corporation's purposes*" (Freeman, 1984, 52). A foundation of the stakeholder theory is that business performance is linked to stakeholder relations (Freeman, 1984). Considering brand equity context, calls for contemplation of a range of stakeholders that affecting the brand value (creation or subtracting) and studying its relationship (Jones, 2005).

In the stakeholder view of brand equity valuation the corner stone is the meaningfulness of the brand and its relation with all external and internal stakeholders is meaningful. Ambler (200, 44) defines the value creation process for a range of stakeholders as total equity. Thus considering a brand have strong customer relation (equity) for instance, its equity will be undermined by negative media coverage effect (Jones, 2005, 18). Likewise a brand which has a poor customer equity but a strong and well-known distribution channel with ability to dominating competitors retail chain, its overall equity can't be recognized as a poor equity (Jones, 2005).

Considering existing evaluation methods the most common stakeholders which are mainly expressed and stressed are consumers and brand owners which can be generalized (not in all of valuation methods) in the form of society and firm as whole. Even in some cases the stress may be mostly on one side rather both sides. For example Aaker (1991) and Keller (2003) models are based on consumer perceptions and preferences. Likewise accounting based approaches like cost based and market value methods are concentrating on benefits to brand owners.

Adapting stakeholder approach to brand equity allow move beyond customer orientation approach and facilitate better understanding of brand efficiency against each stakeholder (Jones, 2005). Stakeholder theory declares that the business is subjected to a network of relations where the business is legally, contractually and morally committed to the members of this system (Jones, 2005). Since brands create value to primary stakeholders (owners and customers) as well as secondary stakeholders (other parties affecting the business performance), brand value creation understanding calls for more holistic view (Ambler, 2000). This view is in line with stakeholder thinking, where the firm's performance linked to multiple stakeholder considerations (Greenley & Foxall, 97). In relation to brand equity the stakeholder concept gives us a much clear picture of brand value creation (Ambler, 2000).

8 Conclusions

The last chapter of this study is intending to address the research question in chapter one: "*what is the role of CR practices in brand equity assessment?*" The aim of this study is to provide a picture of how brand equity measurement methods embrace CR based on a literature review. First the need for brand equity measurement and its dimensions reviewed and then major finding of this study presented. Finally a suggestion for future research is given.

8.1 Brand equity dimensions

Today executives are asked to show their efficiency and effectiveness in their strategies. One of the most demanding eras of performance assessments can be traced in brand tracking. It is estimated that around 1%-5% of $12 billion global market research expenditures was spent on brand tracking in 2003 (Copeland & Hopelain, 2005). In order to understand the drivers of brand assessments, it must be declared that why brand tracking and brand evaluation is important.

In general two major branding policies adapted by businesses (Gilbert, 1999, 1). Either, firms introduce new brands enacting customers into stores or firms sale brands under a licence i.e. that belong to other companies (Gilbert, 1999). In both ways brands produce value to consumers and companies. It is important to develop and analyse approaches that place a value on brands, for some reasons. Strong brands build substantial level of profit through a triple-leverage effect (Doyle, 1998, 179-180). The first effect is that they can support a high sales volume that allow them benefited from asset utilization and economy of scale (*ibid*). Secondly is due to premium prices, strong brands enjoy higher margins and greater earnings (*ibid*). Finally, powerful brands predominantly have lower unit costs of production and (or) marketing (*ibid*).

Brand valuation is helpful in merger and acquisitions, fund rising, licensing and especially in brand management (Murphy, 1990). Measuring brand equity helps a company to set up a baseline and track changes in its brand equity over specific time period. Once a brand equity valuation system is established, a firm can have a better understanding of its brands status and therefore can decide leveraging a given brand name to other product or service lines. Thus, a company can be benefited from the investments in building a specific brand in a time phrase by extending that brand's equity into other categories.

Regardless of importance of brand valuation for accounting purposes in balance sheet and mergers, valuating brands assists managers to prioritizing their brand investments among different segments, channels, products or services and so forth. These assessments facilitate judged baseline for owners on which decision produce the highest returns (Lindman, 2004). Brand assessment is also important for retailers, distributers, suppliers, media. Companies that are owners of strong brands have more power in their negotiations with other parties. Besides strong brands has an effect on internal stakeholders as well. Employees for example have more motivation to work in a firm owning reputable well established brands. On the other hand, brands are important for people. Strong brands build trust and this trust leads to repurchase and customer retention. This trust in long run creates value in terms of economical return and corporate reputation which in turn this resonate the brand trust. Hence, different stakeholders are participating in brand development procedure and may benefited from brand evaluations.

On the other hand, brand valuations are defined from different point of views. Overall, brand equity has been examined from a financial perspective (Farquhar *et al.*, 1991; Simon & Sullivan, 1993; Kapferer 1997, Doyle 2001b), and a customer-based perspective (Keller, 1993; Shocker *et al.*, 1994; Chen, 2001). Brand value is defined as depreciating the potential future earnings that company expect with an adjusted risk rate, the firm is exposed to. This rate has to be adjusted with many factors such as brand image, customer franchise and investment it receives (WBCSD & UNEPI, 2010).

There is no general compromize among scholars regarding, what elements should be included in brand equity measurement, different views exist on brand valuations. One reason could be due to no unique definition of the term brand equity. Even there is a debate on the meaning of brand equity and brad value. Literally the phrase equity borrowed from finance era which reflects the tendency of general realization of brand as an intangible asset (Haigh, 2000, 31). That's why some authors (Feldwik, 1996; Haigh, 2000) believe it as a source of confusion. They claimed that in practice it is used to refer to descriptive characteristic of brands, on the other hand because of its financial origin, it frequently implies the monetary valuation of brands (Haigh, 2000).

Moreover, brands are valuable long lived intangible assets and brand developments must be regarded as investments for future returns. An average life span for a firm estimated about 25 years; whereas the most world's most valuable brands have existed around more than 60 years (Interbrand, 2009, 1). For example, the world's most valuable brand, Coca-Cola (Internet, Coca-Cola, 1; Interbrand, 2009, 1), is more than 123 years old (www, coca-cola, 2010, 2). Hence the business conducts and behaviours have effects on brand value in long run.

Today's businesses are adapting to more ethical awareness in their conducts. This is due to change in the short-term vision of firms to merely financial performances of the enterprises to the wider view that underscores the long-run benefits to the business and the society together. An effective C(S)R must aligned with core business objective and core competencies of the firm (McElhany, 2008, 23). The sustainable business as an honourable citizen strives to meet the triple bottom line conditions as a win-win situation. The triple bottom line as Brundtland (1987) emphasized is the bases of sustainability concept with balancing interests in a people, planet and profit.

Due to increasing business attentions to the corporate responsibility several measurements of sustainability developed and various specialised organizations emerged. The methods for quantifying sustainability includes OECD measurements (Stefanovic, 2000), CBA, EIA, and to the newer inclusive assessment tools i.e. SIA and ISA (Rorarius, 2008). However, the aim of this study was not to investigate the appropriateness of these tools to brand equity measurements. The main purpose of this study was to analyze the existing brand evaluation approaches' conceptual frameworks to understand if the sustainability is important policy for long run success of the firms; do these valuation approaches consider it in their evaluation process. The inclusion of sustainability in brand valuations can be detected in form of presence of one of practiced sustainability assessments or at least some indirect measurements which implies sustainability dimensions as environmental, social and economic. Nevertheless, many financial managers believe that the information contained in sustainability reports are difficult to be used in valuation process (WBCSD & UNEPFI, 2010).

8.2 General conclusions

A short survey on the peer reviewed from 1970 from several databases revealed that while the importance of corporate conduct on the brand value increased in recent years; the conceptual framework that proposed the inclusion of CR in the BE evaluation has not taken place. There is no sign of using sustainability measurements adaption in current BE valuation framework but some measurements have possibility of insertion CR effects in their framework. This consideration mainly can be detected in form of including CR attributes in assessment process.

It is observed that some brand equity conceptual frameworks has more potential to relate the corporate conduct to brand value. For instance Riezebos (2003) enumerates two brand added values in his framework. First the value added to consumers which is derived from awareness, perceived quality and psychosocial meanings. Second is the value to the firm which is known as brand equity. The brand equity to great extent relates to the value manifested by consumers (see Figure 11). It is clear that brand added value to consumer can be affected by corporate conduct. For instance social and environmental corporate tendencies (as critical dimensions of sustainability) can be regarded as brand attributes and associations which can be reflected in brand awareness or perceived quality. The effects of CR on the product preferences studied in several scholars (Brown & Dacin, 1997; Chen, 2001) however, the retrieving CR associations from the consumer's mind are really difficult (Chen, 2001).

The following bullet points summarize the key findings of this study:

1. Disciplines to BE
   - There is no unique definition on BE and brand value.
   - Different scholars have defined BE conceptual for their own purposes.
   - Two general perspective can be detected; managerial perspective and accounting perspective.
2. Corporate conduct and BE
   - Corporate responsibility is a way to create long term value.
   - Corporate conduct is regarded in the sustainability context with its triple bottom line emphasising on environmental and social concerns of business while making profit.
   - CR has effects on corporate reputation and enforces brand trust.
   - CR emphasises the inclusive view on brand equity where all internal and external stakeholders are considered.
3. Why brand evaluation?
   - Brands are valuable intangible assets.

- Brands are regarded as one of the business success factors by making trust, loyalty, affiliations to the business.
- Different players are involved in brand development process and several stakeholders can be benefited from brand valuations.

4. BE assessment approaches
   - Main approaches are divided into two basic groups as comparative approaches and holistic approaches.
   - Because of inefficiency in the basic approaches the composite approaches are developed (mostly by commercial companies).
   - Holistic approaches are well-established, concentrate on economical performance of the firms and have a financial background in accounting.
   - Comparative approaches are relatively new and they mostly concentrate on the effects of consumer preferences on brand.
5. Measuring the effect of CR on BE
   - Existing BE frameworks are concentrated on the one or at best cases two stakeholders groups.
   - Each valuation method has some advantages and disadvantages and its appropriateness of them depends critically to the purpose of brand valuation.
   - Studying BE evaluations revealed that financially based approaches are focused on the economical dimension of suitability and other dimensions are disputed.
   - In consumer based methods there is possibility of inclusion social and environmental considerations; however these assessments are just from consumer point of view which may be perceived mistakenly. In addition the economical performance of the firms is vague in these approaches.
   - Composite approaches mostly based on the financial performance where the expected potential future earnings that brand induce computed with an adjusted risk rate the firm is exposed to. This rate has to be adjusted with many factors such as brand image, customer preferences that may indirectly affected by social and environmental business conducts.
   - The estimation of effects of corporate responsibility on new developed brands is hard since it does not have a history.
   - The lack of clear CR measurement indications in BE assessments is spotted.

- Some problems have to be resolve like compromising on brand equity and corporate responsibility definitions in order to develop new brand evaluation respect to CR.

Today sustainability is part of business strategies and the major shift to the understanding of intangible assets. Meanwhile, CR has increasingly recognized by firms, governments and society. It has been observed that the number of articles on the subject of interest increases as time approaches to the present. Thus, this can be interpreted as the sign of raising concentration on the business conduct on its financial performance and especially on its brand value every passing year. Most of the brand evaluations are defined from corporate financial performance angle and it seems the major shift needed to brand evaluations either. Isolating for example social issues from corporate impacts is misleading (Freeman, 1984). Techniques and theories that do not consider all of business stakeholders' interactions will fail to analyze and predict the business set as it really is (Freeman, 1984). It is good to know the value of pioneer brands; however, in near future more important question may be how sustainable are strong brads. In other words, how much of the brand value comes from its sustainability.

8.3 Epilogue

Brand equity and corporate responsibility are two issues that both relate to the future of the firms. Brands are long lived investments and corporate responsibility is a firm long run commitment to the society. Hence, the view of effect of corporate conduct on brand value must be considered in an appropriate time frame. In addition, both of BE and CR are relatively new phenomena and in recent decades came to the interests of the scholars.

This study must be regarded as first attempts for near researches on the intercepts of CR and BE disciplines. As discussed in the method Chapter, this thesis mainly provided rather theoretical insights and does not provide any framework for brand evaluation respect to the corporate responsibility. The present study tried to show the importance of BE and CR as well as necessity of inclusion different perspectives on brand valuations. Analysing the effects of corporate conduct on brand equity must be continued by working on the real data and empirics. Deeper analyzes including case studies may leads to proposing new frameworks that comprises some sustainability measurements to give a true brand valuation at least for defined purposes.

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Appendix 1. Best global brands

Table 10 shows number of best global brands in 2009 and their estimated value as well as their changes from year before.

Table 10. Best global brands, 2009 ranking (Internet, Interbrand, 2010, 3)

2009 Rank	2008 Rank	Brand	Country of Origin	Sector	2009 Brand Value ($m)	Change in Brand Value
1	1	Coca-Ccola	United States	Beverages	68,734	3%
2	2	IBM	United States	Computer Services	60,211	2%
3	3	Microsoft	United States	Computer Software	56,647	-4%
4	4	GE	United States	Diversified	47,777	-10%
5	5	Nokia	Finland	Consumer Electronics	34,864	-3%
6	8	McDonald's	United States	Restaurants	32,275	4%
7	10	Google	United States	Internet Services	31,980	25%
8	6	Toyota	Japan	Automotive	31,330	-8%
9	7	Intel	United States	Computer Hardware	30,636	-2%
10	9	Disney	United States	Media	28,447	-3%
11	12	HP	United States	Computer Hardware	24,096	2%
12	11	Mercedes-Benz	Germany	Automotive	23,867	-7%
13	14	Gillette	United States	Computer Services	22,030	3%
14	17	Cisco	United States	Computer Services	22,030	3%
15	13	BMW	Germany	Automotive	21,671	-7%
16	16	Louis Vuitton	France	Luxury	21,120	-2%
17	18	Marlboro	United States	Tobacco	19,010	-11%
18	20	Honda	Japan	Automotive	17,803	-7%
19	21	Samsung	Republic of Korea	Consumer Electronics	17,518	-1%
20	24	Apple	United States	Computer Hardware	15,433	12%

Appendix 2. List of commercial brand evaluators

Today, numbers of companies are working as a consultant on evaluating brands. Each of these companies is using its own evaluation frameworks but still their orientation is based on one of the approaches (or combination of some approaches) mentioned in chapter five. Table below classifies the commercial brand valuators based on technical or managerial orientation. Although, their evaluation frameworks are not completely available to public but at least it is clear that some of them have managerial application (similar to comparative approaches) and others have technical based (similar to holistic approaches).

Table 11. Classification of providers according to their technical or management orientation. Source, Based on Salinas, 2009a)

Providers positioned in "technical" practices	Providers positioned in "management" practices
• Absolute Brand[18] • AUS Consultants[19] • Brand Finance • Consor[20] • BBDO/Ernst & young[21] • Intangible Business[22] • Houlihan advisors[23]	• AC Nielson[24] • Bandient • Equilibrium Consulting[25] • FutureBrand[26] • Gfk[27] • Icon Brand Navigation[28] • Interbrand • Millward Brown • Prophet[29] • Villafane & Asoc.

[18] Absolute Brand is a consultancy firm with brand valuation and brand development services (Internet, Absolute Brand, 2010).

[19] AUS, Inc. is a financial consulting holding company which was founded in 1967 and active in utility regulatory and ratemaking arenas, as well as the valuation and energy training fields (Internet, AUS, 2010).

[20] CONSOR is an international market-based consulting firm specializing in intellectual property (Internet, Consor, 2010).

[21] Ernst & Young is a global business advisory and transactional advisory service. Ernst & Young's global headquarters are based in London, UK and the U.S. (Internet, Ernst & Young, 2010).

[22] Intangible Business is a UK based provides brand valuation methods and other advisory services which was set up in 2001 to provide (Internet, Intangible Business, 2010).

[23] Houlihan Valuation Advisors is a consulting firm based in USA; focusing on the business valuation and related financial advisory services since 1986 (Internet, Houlihan Valuation, 2010).

[24] ACNielsen is a global marketing research firm was founded in 1923(Internet, ACNielsen, 2010).

[25] Equilibrium Consulting is private brand valuation company (Internet, Equilibrium, 2010).

[26] Future Brand is a consulting firm specialized in branding (Internet, Future Brand, 2010).

[27] The GfK Group established in 1934 as Gesellschaft für Konsumforschung (Society for Consumer Research) is Germany's largest market research institute (Internet, GFK, 2010).

[28] Icon Brand Navigation is a brand management company. Icon focuses on integrated brand marketing through research and consulting (Internet, Icon Brand Navigation, 2010).

[29] Prophet is a strategic brand and marketing consultancy (Internet, Prophet, 2010, 2).

Appendix 3. Brand equity definitions

Table below reflects two major viewpoints regarding brand equity among major scholarly. Brand equity has been defined from accounting perspectives as well as management perspectives.

Table 12. Brand equity definitions from marketing and financial perspectives (based on literature reviews)

Brand equity definition from accounting perspectives	**Brand equity definition from management perspectives**
• "the incremental cash flows which accrue to branded products over unbranded products." (Simon & Sullivan, 1993, 29), • "off-balance sheet intangible brand properties embedded in a company's brand." (Kerin & Sethuraman, 1998, 260), • "the incremental price that a customer will pay for a brand versus the price for a comparable product or service without a brand name on it." (Keegan & Moriarty & Duncan, 1995, 324), • "brand's power derived from the goodwill and name recognition it has earned over time, and which translates into higher sales volume and higher profit margins against competing brands" (Internet, Businessdictionary, 2010) , • "brand equity is a net present value of future net surpluses over the cash inputs that owner of a brand can earn" (Bekmeier-Feuerhahn, 1998, 30, cited in Zimmermann *et al*., 2001, 66), • "the incremental cash flow resulting from a product with the brand name vs. the cash flow which would result without the brand name" (Shocker & Weitz, 1988) • "as the incremental contribution ($) per year obtained by the brand in comparison to the same product (or service)1 at the same price2 but with no brand-building efforts." (Srivasan, Park & Chang, 2005, 1433), •	• "a set of brand assets 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 to that firm's customer." (Aaker, 1991, 15), • "a utility not explained by measured attributes."(Barwise, 1993, 100), • "the value a brand name adds to a product." (Broniarczyk & Alba, 1994, 214), • "the added value that a brand endows a product with." (Farquhar *et al.*, 1990, 856), • "the differential effect that brand knowledge has on consumer response to the marketing of that brand." (Keller, 1993, 2; Keller 1998, 45), • "the combination of brand awareness, liking and perceptions." (Moore, 1993, 36), • "the added value endowed by the brand to the product as perceived by a consumer." (Park & Srinivasan 1994, 271), • "the value attached to a brand because of the powerful relationship that has been developed between the brand and customers and other stakeholders over time." (Keegan *et al*., 1995, 323), • "a product of the total net brand support of customers and other stakeholders that is determined by all communication interactions of the company." (Duncan & Moriarty, 1998, 165–166), • "the added value endowed to products and services. This value may be reflected in how consumers think, feel, and act with respect to the brand, as well as the prices, market share, and profitability that the brand commands for the firm."(Kotler & Keller, 2006, 276), • "the positive differential effect that knowing the brand name has on customer response to the product or service." (Kotler, 2003, 422), • "the customer's subjective and intangible assessment of the brand, above and beyond its objectively perceived value."(Rust *et al*., 2005, 24), • "the enhancement in the perceived utility and desirability a brand name confers in a product" (Lassar *et al*., 1995, 13), • "as the perception or desire that a brand will meet a promise of benefits" (Raggio & Leone, 2007, 380)

Appendix 4. Two major branding perspectives

In general brands are regarded as intangible assets that bring value. In table below the two major perspectives on brand definition presented (Wood, 2000, 666). First column stands for the authors that regarded brand as benefits accrue to the firm, while the second column summarizes the group of authors that defined brand with emphasizing the benefits that convey to its consumers.

Table 13. Two major brand definition perspectives among scholars (Wood, 2000, 666)

Emphasis on brand benefits to the company	Emphasis on brand benefits to the consumer
Aaker (1991)	Aaker (1996)
American Marketing Association (1960)	Alt and Griggs (1998)
Bennett (1988)	Ambler (1992)
Dibb *et al.* (1997)	Boulding (1956)
Doyle (1994)	Brown (1992)
Kotler *et al.* (1996)	de Chernatony and McDonald (1992)
Stanton *et al.* (1991)	Doyle (1994)
Watkins (1986)	Goodyear (1993)
	Keller (1993)
	Levitt (1962)
	Martineau (1959)
	Murphy (1992)
	Sheth *et al.* (1991)
	Wolfe (1993)

Appendix 5. Interbrand brand value calculations

Table below reflects a hypothetical brand evaluation using Interbrand approach. Interbrand estimates brand induced revenues based on five years sales records. Interbrand releases the ranking of the best global brands by their value (including changes) in cooperation with BusinessWeek magazine.

Table 14. Hypothetical brand value calculation used by Interbrand (Lindemann, 2004, 8)

		Year 1	Year 2	Year 3	Year 4	Year 5
Market (Units)		250,000,000	258,750,000	267,806,250	277,179,469	286,880,750
Market growth rate			4%	4%	4%	4%
Market share (Volume)		15%	17%	19%	21%	20%
Volume		37,500,000	43,987,500	50,883,188	58,207,688	57,376,150
Price ($)		10	10	10	11	11
Price change			3%	2%	2%	2%
Branded Revenues		375,000,000	450,871,875	531,983,725	621,341,172	625,326,631
Cost of sales		150,000,000	180,348,750	212,793,490	248,536,469	250,130,653
Gross margin		225,000,000	270,523,125	319,190,235	372,804,703	375,195,979
Marketing costs		67,500,000	81,156,938	95,757,071	111,841,411	112,558,794
Depreciation		2,812,500	3,381,539	3,989,878	4,660,059	4,689,950
Other overheads		18,750,000	22,543,594	26,599,186	31,067,059	31,266,332
Central cost allocation		3,750,000	4,508,719	5,319,837	6,213,412	6,253,266
EBITA (Earnings Before Interest, Tax and Amortization)		132,187,500	158,932,336	187,524,263	219,022,763	220,427,638
Applicable taxes	35%	46,265,625	55,626,318	65,633,492	76,657,967	77,149,673
NOPAT (Net Operating Profit After Tax)		85,921,875	103,306,018	121,890,771	142,364,796	143,277,964
Capital Employed		131,250,000	157,805,156	186,194,304	217,469,410	218,864,321
Working capital		112,500,000	135,261,563	159,595,118	186,402,351	187,597,989
Net PPE		18,750,000	22,543,594	26,599,186	31,067,059	31,266,332
Capital Charge	8%	10,500,000	12,624,413	14,895,544	17,397,553	17,509,146
Intangible Earnings		75,421,875	90,681,606	106,995,227	124,967,243	125,768,819
Role of Branding Index	79%					
Brand Earnings		59,583,281	71,638,469	84,526,229	98,724,122	99,357,367
Brand Strength Score	66					
Brand Discount Rate	7.4%					
Discounted Brand Earnings		55,477,916	62,106,597	68,230,515	74,200,384	69,531,031
NPV (Net Present Value) of Discounted Brand Earnings (Years 1–5)		329,546,442				
Long-term growth rate	2.5%					
NPV of Terminal Brand Value (beyond Year 5)		1,454,475,639				
BRAND VALUE		1,784,022,082				

Appendix 6. Sustainable dimensions assessments

Several assessment tools for evaluating different aspects of sustainability have been adapted so far. These tools are categorized from their application and inclusiveness regarding sustainability. Some of them are newer (SIA and ISA) and others well established and used before like Life Cycle Assessment LCA (Roraius, 2008, 11). Table below presents a full list of sustainability assessments tools.

Table 15. Different assessment tools and their dimensions for sustainability (Roraius, 2008, 11)

DIMENSION	**ASSESSMENT TOOLS**			
	Indicators/Indices	***Product-Related Assessment***	***Project-Related Assessment***	***Sector and Country-Related Assessment***
Environmental	Environmental Pressure Indicators (EPIs) Ecological Footprint (EF) Environmental Sustainability Index (ESI)	Life Cycle Assessment (LCA) Material Input per Service (MIPS) Unit Substance Flow Analysis (SFA)	Environmental impact assessment **(EIA)** Environmental Risk Analysis (ERA)	Environmental Extended Input-Output (EEIO) Analysis Strategic Environmental Assessment (SEA)
Economic	Gross National Production (GNP)	Life Cycle Costing (LCC)	Cost-Benefit Analysis **(CBA)** Full Cost Accounting (FCA)	Economy-Wide Material Flow Analysis (EW-MFA) Economic Input-Output (EIO) analysis
Social	Human Development Index (HDI)		Social Impact Assessment **(sIA)**	Social Input-Output (SIO) analysis
Sustainable Development *(all three dimensions considered)*	Sustainable Development Indicators (SDI)			Sustainability Impact Assessment **(SIA)** Integrated Sustainability Assessment **(ISA)**