

# Brand management – Traditional brand concepts and brand value creation

(Tim Ströbel & Johannes Doenicke)<sup>1</sup>

Aaker (1991, p. 7) defined a **brand** as “[...] a **distinguishing name and/or symbol** (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors”. Based on this understanding he further defined **brand equity** as “[...] 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 customers” (Aaker, 1991, p. 15).

Keller extended this definition referring to **customer-based brand equity** which “[...] is defined as the differential effect of **brand knowledge** on consumer response to the marketing of the brand” (1993, p. 8). Brand knowledge consists of **brand image** and **brand awareness**. In general, brand awareness is a necessary prerequisite for creating a brand image in the mind of the consumer. It can be divided into **brand recall** and **brand recognition**. Brand recall refers to the ability to remember the brand or a specific trademark. Brand recognition means that consumers recognize the brand, for example, based on specific optical or acoustic stimuli. **Brand image** refers to the “perceptions about a brand as reflected by the associations held in consumer memory” (Keller, 1993, p. 3). Brand image is the key factor for consumer decision making. In particular, this decision is determined by three **image dimensions: favorable, strong** and **unique** brand associations.

Favorable brand associations evolve if consumers believe the brand can satisfy their demand. The strength of brand associations expresses how good this information as part of the brand image is remembered by consumers. Unique brand associations refer to the idea of competitive advantage and a unique selling proposition that drives consumers’ purchase decisions. A brand, therefore, has a **high brand value** if the consumer has favorable, strong and unique associations with the brand (Keller, 1993).

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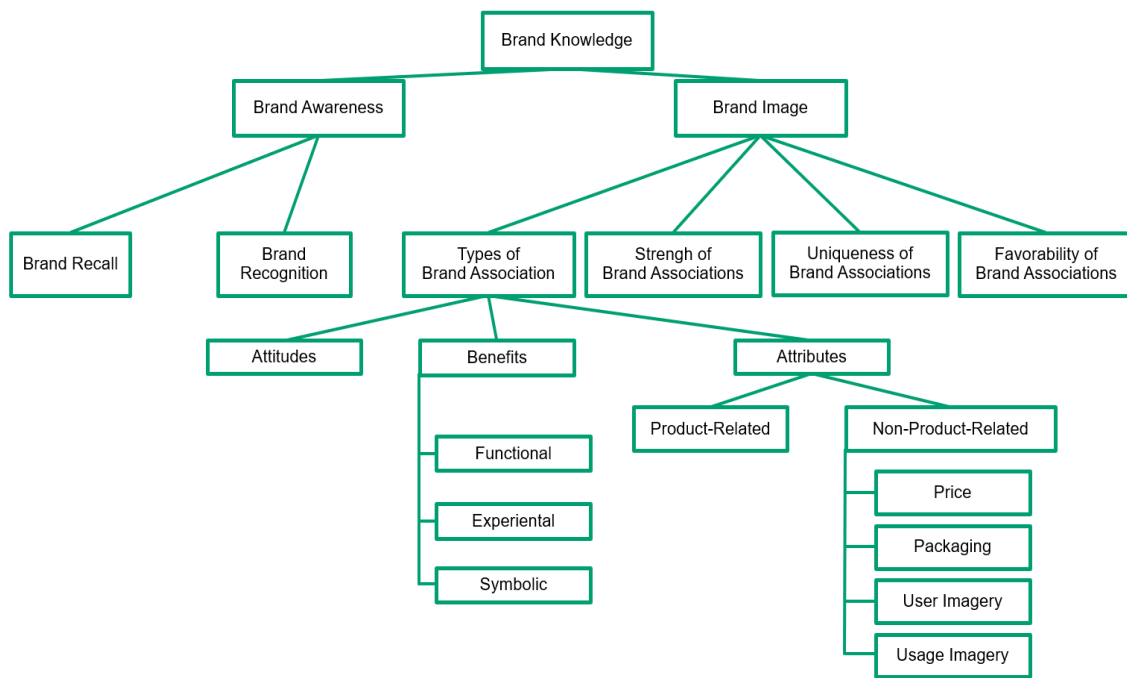


Figure 1: Dimensions of Brand Knowledge (adapted from Keller, 1993, p. 7)

These **general brand concepts** have been further developed towards different brand management approaches, e.g. the **identity-based brand management approach** (Burmam, Riley, Halaszovich, & Schade, 2017).

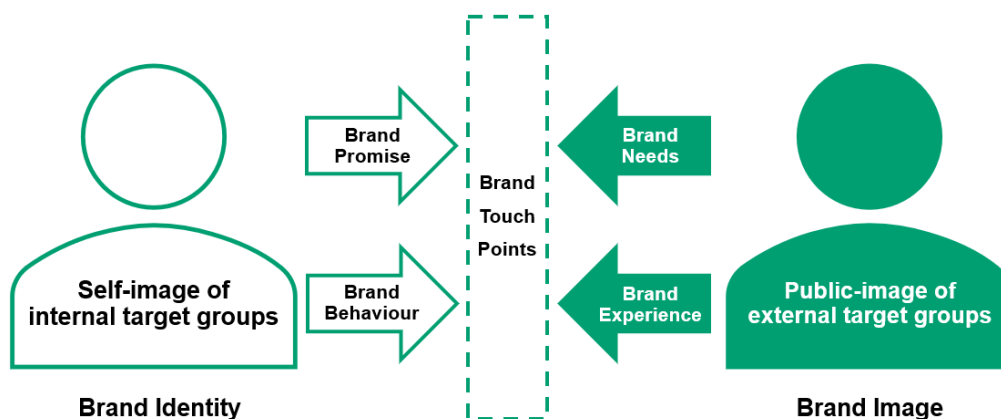


Figure 2: Identity-based brand management approach (adapted from Burmann et al., 2017, p. 28)

The **brand identity** covers the **internal** perspective of the brand. This means the brand owner defines the brand identity. The **brand image** relates to the **external** perspective and, therefore, describes the perception of the brand by external actors. The brand identity thus stands for the mission statement of the brand owner, the so-called self-image, and the brand image for the acceptance concept on the part of the actors outside the brand organization, the so-called public-image.

How do those dimensions and understandings add up to a **brand value**? How must brands be managed to maximize their brand value?

Keller and Lehmann (2003) designed and implemented the **brand value chain**. The authors state that the brand value chain “can help marketers **trace the value creation process** for their brands and better understand the financial impact of marketing expenditures and investments” (Keller & Lehmann, 2003, p. 27).

The company’s **investment in marketing** is the keystone for brand value development. This includes expenditures such as market research, product development and design, promotional activities (e.g., advertising and sponsorships) or HR activities (e.g., training and support). However, success is not guaranteed by the amount of financial investment, it depends primarily on qualitative aspects (i.e., clarity, relevance, distinctiveness and consistency). Further dimensions relate to the **customer mindset** and various marketplace conditions. These stages of the brand value chain lead to the customers’ reaction to the brand, i.e. the **brand performance**. The shareholder value is the last stage of the brand value chain multiplied by financial analysts’ and investors’ assessments.

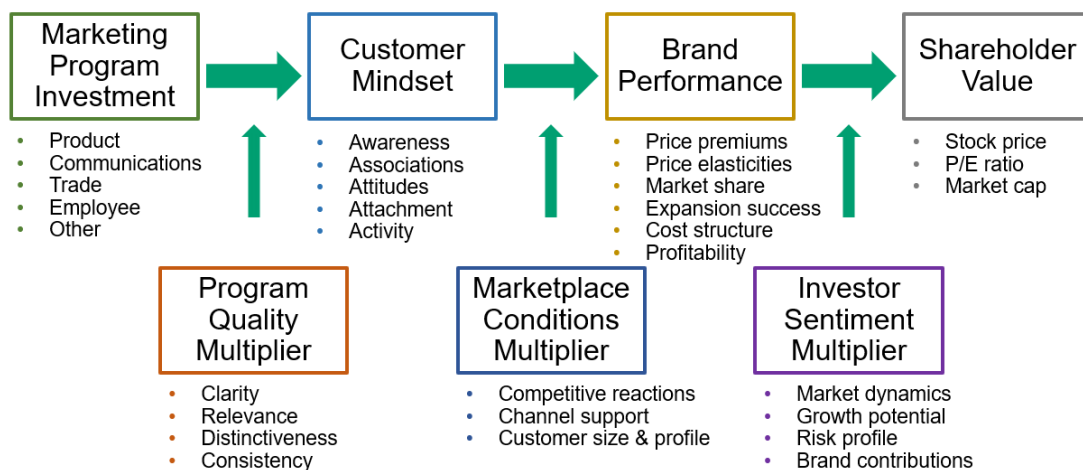


Figure 3: The brand value chain (adapted from Keller & Lehmann, 2003, p. 29)

**To put in a nutshell:**

1. A brand has a **high brand value** if the consumer has favorable, strong and unique associations with the brand.
2. The **brand identity** covers the **internal** and the **brand image** relates to the **external** perspective.
3. The **brand value chain** describes the way how a company’s investment in marketing leads to shareholder value via the customer mindset and the brand performance.

4. **Firms build** and market the brand – **customers react**. The brand owner is responsible and has the expertise to build the brand. Customers react on the marketing activities initiated by the brand owner.
5. **Brand performance** also depends on **other actors** in the marketplace, e.g. competitors.
6. **Financial ratios** are often defined as the **ultimate goals** of brand management.
7. This leads to the following questions: (1) What is brand value? (2) How is brand value (co-)created? (3) How can brand value be measured/captured?

## References

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