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Towards an identity-based brand equity model ☆

Christoph Burmann *, Marc Jost-Benz, Nicola Riley

Chair of Innovative Brand Management, University of Bremen, Hochschulring 4, 28359 Bremen, Germany

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ABSTRACT

In the context of increasingly interchangeable product and service offerings, brands are crucial drivers for product purchasing and usage decisions. Thus, they constitute a substantial intangible asset for most companies. In order to maximize this asset, current research has developed various brand equity models. However, the majority of these base their approach on an outside-in perspective by focusing on buyer perceptions of the brand and their related buying behavior. An integrated approach including for example employees as an important internal source of brand equity, has so far received little attention. The following paper aims to close this gap by developing a new integrated brand equity model. This research explores the sources of brand equity from both internal and external perspectives at the behavioral and financial level in order to achieve a more accurate and sustainable brand equity measurement approach.

1. Introduction

Since the late 1980s and the rise of the value-based management philosophy, brand equity has developed into one of the key marketing concepts throughout management theory and practice (Srinivasan et al., 2005). The need for convincing evidence of brand-based equity creation has led to the development of a wide range of different brand equity models. To date probably more than 300 different models exist worldwide (Amirkhizi, 2005). Most of these models focus on the perspective of the buyer (e.g., Aaker and Joachimsthaler, 2000). Following predominantly an outside-in approach, their authors argue that brand equity originates from the brand knowledge of buyers (Keller, 2003). However, an integrated brand equity approach which includes an inside–out approach has so far been scarce. Nevertheless, the creation of brand equity from inside the company is extremely relevant: Not only do employees represent an important stakeholder group (Joachimsthaler, 2002; Jones, 2005; Fiedler, 2007), they also constitute the original source of brand equity.

This paper develops a new integrated approach, thus seeking to improve the measurement of brand equity and thereby managerial quality. The proposed model utilizes an identity-based brand management approach as its starting point. This model incorporates external as well as internal perspectives of brand equity creation. Behavioral and financial variables are integrated in order to facilitate both a control system for brand management as well as an economic evaluation of the brand as an intangible asset: firstly, the authors describe the theoretical groundwork of the model (identity-based brand management and the definition of brand equity). Secondly, they introduce the identity-based brand equity model and finally the discussion of future research and managerial implications follows.

2. Theoretical background

Despite the substantial body of brand equity models (Leone et al., 2006), most brand equity models lack a sufficiently rigorous theoretical basis (Raggio and Leone, 2006). In particular, commercial approaches barely present a conceptual framework for explaining the selection and weighting of their determinants. However, this basic theoretical groundwork is necessary in order to prevent arbitrariness. The proposed approach towards identity-based brand management represents such a theoretical foundation for the brand equity model presented in this paper.

2.1. The identity-based brand equity management framework

This framework relies on two dominant strategic management paradigms: firstly, the market-based view, and the competence-based view of the firm (Porter, 1998; Freiling, 2004; Teece et al., 1997). Secondly, the brand identity philosophy of branding (Kapferer, 1992b; Meffert, 1994; Schmitt and Pan, 1994; Upshaw, 1995; Aaker, 1996; Meffert and Burmann, 1996). In contrast to the outside–in perspective of various brand equity management approaches, this approach attributes equal importance to the inside–out perspective (De Chernatony, 1999, 2006). Proponents of this approach argue that brand identity precedes and therefore represents the basis for brand

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* Corresponding author.
E-mail addresses: Burmann@uni-bremen.de (C. Burmann), Jost-Benz@uni-bremen.de (M. Jost-Benz), Nicola.Riley@uni-bremen.de (N. Riley).

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image (Kapferer, 2004). Brand image approaches focus on the receiver side of the brand and analyze how external stakeholders perceive the brand. In contrast, brand identity approaches start their analyses with the sender of brand communication. Hence they analyze the role of internal stakeholder groups first. (Burmann and Meffert, 2005). This approach implies that active management of the brand is only possible through the management of brand identity.

In this context various approaches have emerged which explore the nature of brand identity (see Table 1). Despite minor conceptual differences the authors agree on the direct influence of the identity of a brand for the customer's perception (i.e., the brand image).

The second facet of the identity-based brand management approach is the image of the brand. The image represents a multidimensional, holistically perceived system of attitudes (Foscht and Swoboda, 2005) and is based on buyer perceptions of brand-induced signals. These associations result in a positive perception if the brand is able to satisfy the functional and emotional needs of buyers. Current research presents various approaches to the concept of brand image (Nandan, 2005). Keller's (1993) four dimensions of brand image is one of the most important and widely used models. This model introduces brand awareness, brand attributes and the brand-induced functional and symbolic benefits as the main pillars of brand image.

O'Shaughnessy (1987) summarizes the apparent interdependence between the two constructs (brand identity and brand image) by stating that "brand identity constitutes a necessary condition for maintaining buyer's trust, which in turn is the basis for long-term customer relationship and brand loyalty."

2.2. Defining identity-based brand equity

The ongoing interaction of brand identity and brand image forms the basis for the development of brand equity. In the present paper, the authors define brand equity as present and future valorization derived from internal and external brand-induced performance. This definition includes three major categories: psychological brand equity, behavioral brand equity and financial brand equity. The conceptual proximity of the first two categories leads to a comprehensive and widely accepted term: brand strength (Owen, 1993; Francois and MacLachlan, 1995; Walser, 2004). In general, brand strength comprises the internal behavioral significance of a brand for internal stakeholders (e.g., employees) and the external behavioral importance of a brand for its external stakeholders (Kranz, 2002; TAIKN, 2006).

The following example demonstrates the relevance of this definition of brand strength. In this context, internal and external brand strength represent two dimensions of a four-field-matrix, from which four general brand strength types can be derived (see Fig. 1).

Table 1
Conceptualizations of brand identity

Author (s)	Year	Conceptualizations of brand identity
Kapferer, J.-N.	1992	Hexagonal brand identity prism reflecting the brand's physique, personality, culture, relationship, reflection, self-image
Aaker, D. A.	1996	Entity-based categorization with four dimensions: the brand as a product reflects the product-related associations; the brand as an organization focuses on organizational associations; the brand as a person includes the brand personality; the brand as a symbol includes the visual imagery, metaphors and brand heritage
De Chernatony, L.	1999	Six brand identity dimensions: brand personality, culture and relationship, vision, brand positioning, the brand presentation
Meffert, H. and Burmann, C.	2005 1996	Six brand identity dimensions: heritage, organizational capabilities, values, personality, vision and core offering

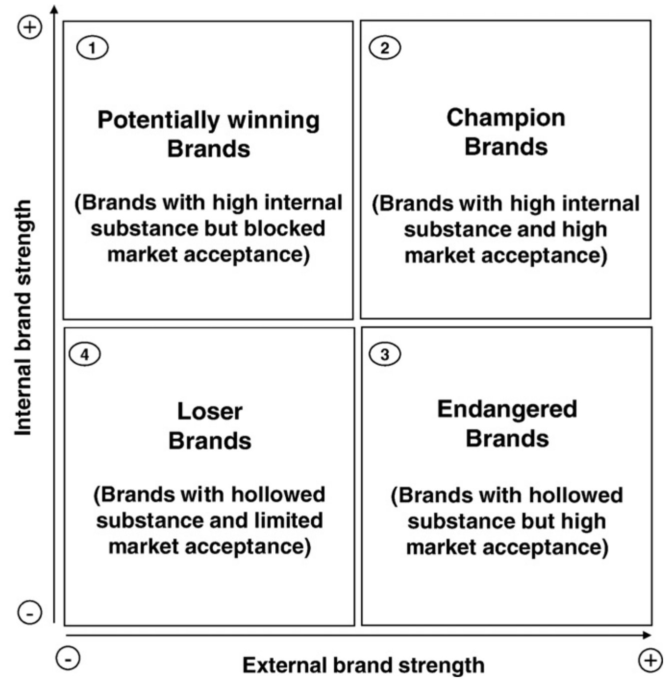

Fig. 1. Brand strength categorization scheme.

2.2.1. Potentially winning brands

Brands with a high level of internal, but low level of external brand strength prevail in this brand strength category. This domain often represents the starting point for companies creating brand equity. The attitudes and behaviors of highly brand-committed employees (Burmann and Zeplin, 2005) are not reflected on the external market side, hence impacting on the brand's present and future equity development in a negative way. A prominent example is the Apple brand in its early stages. Although equipped with highly brand-committed employees the company lacked broad market success due to the market dominance of Microsoft. Therefore, Apple was a brand with considerable internal substance but limited market acceptance. However, the introduction of the iPod enabled Apple to circumvent these market barriers and obtain broader market success.

2.2.2. Champion brands

This category contains brands exhibiting high levels on both internal and external brand strength dimensions. These brands reveal considerable internal substance. Furthermore, buyers exhibit an attractive mental brand image. Hence the brand offers outperforming growth potential. Starbucks represented a prominent example for this category: Starbucks staff showed a high level of brand commitment and brand citizenship behavior and the market exhibited a high level of external brand strength. One major reason for the past success was likely to result from the thorough selection and intense training of Starbuck baristas. This training formed the basis for external brand acceptance and the related growth of the brand.

2.2.3. Endangered brands

This brand category represents brands with a low level of internal strength, but a (still) high level of external strength. From an external perspective, these brands tend to be strong and well accepted, but the brand's internal substance has been severely damaged. Low levels of internal brand strength indicate that employees exhibit only a low level of brand commitment and thus little brand citizenship behavior (Burmann and Zeplin, 2005). Deutsche Telekom, for instance, shows low levels of market-orientation, brand commitment and brand citizenship behavior. Furthermore, several decisions of the new CEO intensified the severe internal problems with the staff resulting in a strike of several months in 2007. Nevertheless, compared to competing brands Deutsche Telekom's brand image remains fairly strong (BBDO, 2005). In the long-term this eroded internal substance is likely to lead to weak external brand strength, hence diminishing customer retention rates and negatively affecting financial results.

2.2.4. Loser brands

Here internal brand weakness and low levels of external brand strength result in brands with a hollowed substance and limited brand acceptance in the market. This category offers almost no future growth potential. Older brands with a high level of inconsistency between communicated and delivered product or service benefits, belong to this category. However, the British retail chain Marks & Spencer proves that even in this desperate situation a turnaround is possible (Rose, 2007). The company increasingly suffered under the food and clothing retail competition which negatively affected both internal and external brand strength (e.g., service quality). The corporate turnaround strategy therefore focused—besides necessary improvements in the product portfolio and store design—on M&S' service offering. They increased efforts in employee training and succeeded in improving employees' brand commitment and citizenship behavior which in turn also significantly strengthened the external brand image.

In conclusion, the matrix demonstrates that existing customer-centric brand strength definitions and approaches tend to either over- or underestimate overall brand strength, as they neglect the internal dimension. However, the matrix presented reflects an idealized environment in which the two dimensions of internal and external brand strength are independent. In practice, internal and external brand strength influence each other, a fact which the authors seek +to incorporate in the design of the model.

2.3. The identity-based brand equity model

The core concept underlying the proposed model reflects the need for an integrated brand equity approach, since academia and management call for fewer, but more integrated measurements (Clark, 1999). Following this challenge, the proposed model represents a comprehensive and contemporary brand equity instrument suitable for the diagnosis, management and economic valuation of many different corporate, product and service brands. The integrated assessment of internal and external brand strength should improve the diagnosis and quality of brand management. The potential to directly influence the original source of brand strength (the company's employees) is unique. In addition, the current model improves the quality of economic valuation as it fulfills all requirements for monetary brand valuation (Brand Valuation Forum, 2006) and also incorporates present as well as future brand equity.

The integration of the model incorporates internal and external perspectives (Ambler, 2003; Jones, 2005) as well as behavioral and financial determinants (Kriegbaum, 1998). As a neo-behavioral construct, the authors define internal brand strength through an attitudinal and a behavioral component. The former represents the internalization of brand identity by employees, the latter the actual employee behavior towards the brand. Analogously, external brand strength encompasses brand attitudes of buyers (brand image), and the communication and purchasing behavior relevant to the brand in question. These factors constitute the behavioral basis for the assessment of brand equity on a financial level. This model considers two interrelated financial aspects: Firstly, the financial development of the brand during the conventional course of business and secondly the potential growth opportunities based on brand extensions and other growth strategies. The resulting model structure is detailed in Fig. 2.

2.4. Assessment of behavioral brand strength

A customer segmentation approach forms the basis for this model (stage 1.1). This approach stems from product, market and contribution margin-based criteria and leads to homogenous customer value segments. This procedure is necessary, since customer attitudes, buying behavior and especially customer lifetime values (Rust et al., 2004) are significantly different to one another in the respective customer segments. Furthermore, this approach responds to calls for the development of an integrated customer equity and brand equity approach (Keiningham et al., 2005; Burmann and Jost-Benz, 2005; Leone et al., 2006). Some brand equity models have presented differentiations of customer segments: For example the TNS Emnid Conversion Model (Sander, Scheffler and Zütphen, 2004) assesses brand strength separately. This model is based on different customer lifetime values that comprise current and future cash flows of the customers.

In addition to the customer value segments, the authors also consider market and employee information as relevant and hence they are implemented in the identity-based brand equity model. Employees are a constituent part of the identity-based brand equity. However, the authors argue that a detailed segmentation in

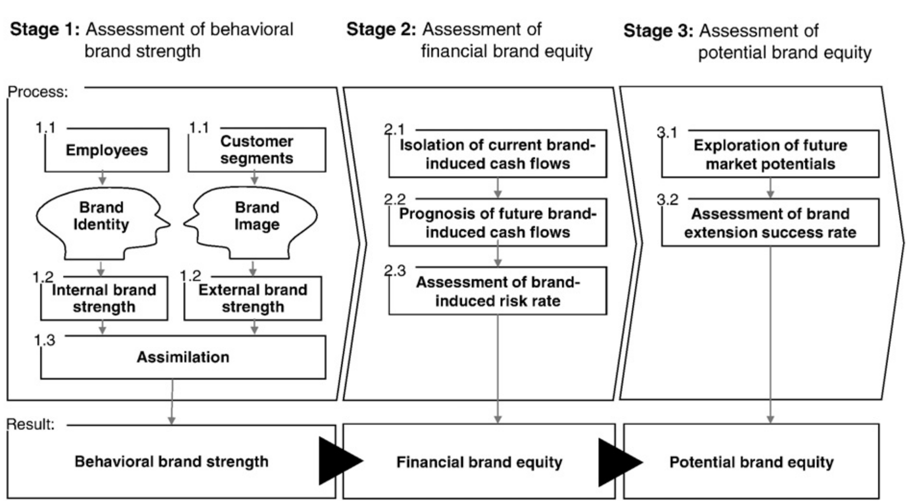

Fig. 2. Identity-based brand equity model.

accordance to hierarchy or seniority can be left out in order to reduce the model's complexity. In this context, the relevance of brand building is not limited to personnel who are in direct contact with customers. Defined as 'part-time marketers' staff who do not directly interact with customers indirectly influence the customer's brand experience by providing the company's product and/or service quality (Gummesson, 1987).

Section 1.2 in Fig. 2 represents a major challenge. So far, no other brand equity model effectively integrates both the internal and external brand strength perspectives. The authors propose to model the influence of internal brand strength on the external strength of the brand as a moderating variable. This approach can be justified on the grounds that the discounted cash flows of the brand directly relate to the buying process, to which internal brand strength contributes.

Contrary to the external brand strength, the measurement of internal brand strength has received only limited attention. Burmann and Zeplin (2005) develop a holistic model in order to assess the psychological and behavioral brand effects on employees. Their work utilizes brand identity elements as illustrated in Fig. 3.

The model proposes to measure internal brand strength via two interrelated constructs: The first, brand citizenship behavior, explores the behavioral process employees engage in, that is what it means for employees to 'live the brand'. The second, brand commitment, explores the psychological processes which lead employees to practice brand citizenship behavior. The authors define this construct as the extent to which an employee is attached to the brand (Burmann and Zeplin, 2005).

According to O'Reilly and Chatman (1986) two dimensions need to be considered in this context:

- The *identification with the identity of the brand*. This refers to an individual's acceptance of social influences which lead to a feeling of belonging to a group. This in turn determines the brand experience.
- The *internalization of the identity of the brand*. This describes the integration of the identity of the brand into the individual's self-concept. The highest value achievable would be the perfect fit between brand identity and personal identity.

Due to the fact that psychological attachment and actual behavior might deviate under various circumstances the authors recommend the assessment of both constructs. On a behavioral basis three determinants reflect brand citizenship behavior:

- *Helping behavior* reflects the employee's positive attitude towards his work, his empathy and responsiveness towards other employees as well as customers of the brand.
- *Brand enthusiasm* denotes the employee's propensity of taking additional initiatives, outside the line of duty in brand-related matters.
- *Self-development* defines the employee's willingness to continuously enhance brand-related knowledge and skills.

The measures of brand commitment and brand citizenship behavior are aggregated into an internal brand strength index. At 'level zero' the index represents the industry average of internal brand strength.

A multitude of research has proposed various assessments of external brand strength. At least three distinct approaches have emerged (Walser, 2004). The first category focuses on brand knowledge (Keller, 2003). This group perceives brand strength as a set of associations which derive from different customer interactions (Srivastava and Shocker, 1991; Krishnan, 1996). The level of brand strength therefore depends on the quantity and quality of brand associations. The second category uses brand benefits as its starting point (Farquhar, 1990; Baldinger, 1990; Aaker, 1991; Simon and Sullivan, 1993; Rangaswamy et al., 1993): The level of benefit provided to buyers by the brand corresponds to the amount of brand strength ascribed to the brand. The third category focuses on (long-term) brand preferences, that is the relative attractiveness of a brand compared to its competitors (Francois and MacLachlan, 1995; Park and Srinivasan, 1994). This approach utilizes measurements of the long-term brand–buyer relationship.

All three approaches include important aspects of external brand strength and several commercial brand equity models utilize aspects of them (e.g., Interbrand, 2001; Musiol et al., 2004; Riesenbeck and Perrey, 2006). Since a strong and prevalent position in the buyer's knowledge base is not sufficient for a strong brand, its benefits must be differentiating and relevant to purchase decisions. Only if these conditions apply, can long-term preferences for the brand emerge. Therefore, in accordance with the identity-based brand model, the measurement of external brand strength is further classified into three

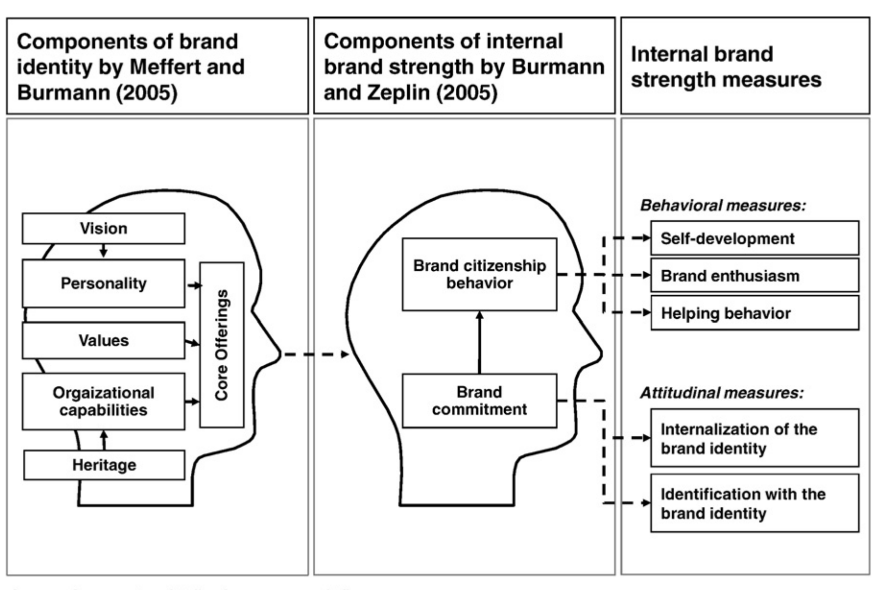

Fig. 3. Internal brand strength conceptualization.

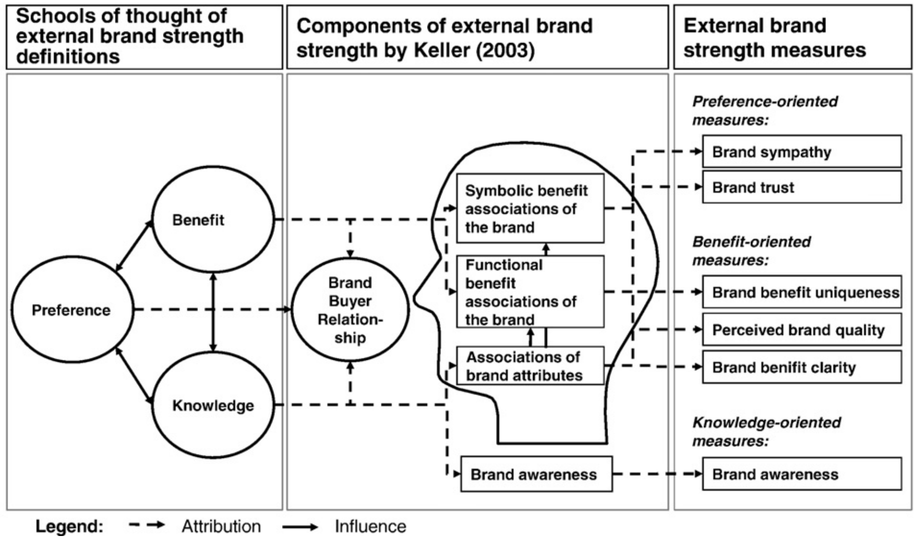

Fig. 4. External brand strength conceptualization.

categories of knowledge-, benefit- and preference-oriented measures as detailed in Fig. 4.

Brand awareness falls into the class of knowledge-oriented measures and as such forms the measurement basis of external brand strength. This concept reflects the ability of the buyer to identify and correctly classify a brand to a product category. Also, from an internal perspective, brand awareness is highly relevant for establishing brand strength. A high level of brand awareness may have a positive impact on an employee's commitment to a brand, as a well-known brand is likely to be perceived more positively than an unknown brand. This applies not only to buyers, but also to employees, representing stability and trustworthiness. Furthermore, brand awareness might leverage the influence of internal brand strength on external brand strength. The demonstration of brand commitment and citizenship behavior is easier in cases where the brand is already known in the market, since the explanation of the brand's business proposition requires less effort. However, brand awareness itself is not sufficient to create internal or external brand strength. Rather brand awareness represents a necessary condition for brand strength since the positive or negative quality of brand strength is determined by the other dimensions.

Benefit-oriented external brand strength measures are closely related to the identity-based brand equity model, because they explicitly reflect the necessity to assess functional and symbolic brand benefit associations. In particular, the authors propose three indicators:

- *Brand benefit clarity:* this rather new, but nevertheless important construct derives from the findings of the consistency theory (Abelson and Rosenberg, 1958), where a clear brand image necessitates coherence and integration of the underlying brand associations.
- *Perceived brand quality:* Brand benefit clarity itself is not sufficient for the creation and management of a strong brand, as the buyer's positive or negative perception of a brand's quality needs to be measured. This widely accepted indicator entails the level of brand performance capabilities in the buyer's mind. Therefore, the indicator can relate primarily to the individual brand attribute associations. This variable addresses functional and symbolic brand benefit associations, since quality itself does not represent an end in itself, but rather a mean to the end of satisfying buyers' needs. The authors suggest a rather generic operationalization of this item using a single-attribute quality measure.
- *Brand benefit uniqueness:* Even a clear and positively perceived brand would not sufficiently generate brand strength, if the brand only reached parity with its competition (Iyer and Muncy, 2005). 'Uniqueness' refers to the extent to which a brand is perceived to be different from competitors' brands (Netemeyer et al., 2004). In this context, the self-concept of the buyer is significant. The need to differentiate oneself from other buyers strongly influences purchase and usage decisions (Vignoles et al., 2000). The pursuit of uniqueness through consumption corresponds to the renewal of the individual's self-conception and his or her social image. Consequently, buyers prefer brands which reflect and support their own uniqueness. This factor can be perceived as an expression of the symbolic benefit associations and hence represent a major construct within external brand strength assessment (Aaker, 1996; Agarwal and Rao, 1996). Hence, the authors suggest a generic operationalization of this item. The third category of external brand strength measurement reflects (long-term) brand preference. This part delivers relevant information on the sustainability of brand strength. In the proposed model brand sympathy and brand trust represent the two indicators for brand loyalty (Chaudhuri and Holbrook, 2001).
- *Brand sympathy:* This is a measure of the level of positive brand perception. In the context of the identity-based brand management model, this item is highly relevant, since brand sympathy indicates the interaction between brand identity and brand image. A high level of brand sympathy reflects a close fit between buyer brand image perception and the company's communicated brand identity.
- *Brand trust:* This item defines the willingness of a buyer to rely on the ability of a brand to fulfill the communicated functions and attributes (Moorman et al., 1992; Morgan and Hunt, 1994). The concept complements brand sympathy, since the former covers spontaneous and immediate brand preference, whereas the latter tends to be a result of an extensive cognitive evaluation process (Doney and Cannon, 1997).

The model assesses the above mentioned external brand strength indicators in comparison to the brand's competitors and aggregates them into an external brand strength index.

In order to measure the overall brand strength the external and internal brand strength must be assimilated (stage 1.3) based on balance theory (Heider, 1958), which delivered the conceptual basis for cognitive dissonance theory (Festinger, 1957) and congruence theory (Tannenbaum, 1967). The central element of balance theory is a triangular system between an object and two reference groups, which can either be in a balanced or unbalanced state. A system is defined as balanced when both reference groups show the same level of attitudes and behavior towards the object. A system is unbalanced if positive or negative deviations occur. In order to achieve system, capable of existing in the long-term, an unbalanced status needs to be counterbalanced. Balance theory can be applied to internal and external stakeholder groups (Homburg and Stock, 2005), that is internal and external brand strength must balance in order to maintain the long-term system of the brand. Based on the 'mere exposure' effect (Obermiller, 1985), which implies that employees are constantly influenced by the brand, the authors assume that the dominant balancing influence derives from the internal side.

However, this balancing effect depends on the level of interaction between employees and customers: the higher the interaction the faster the balancing effect from internal to external brand strength and vice versa. The model's conceptualization considers this aspect through the moderating effect of the intensity of the interaction, which ultimately translates into overall brand strength.

2.5. Assessment of financial brand equity

Based on the assessed behavioral brand strength its financial impact represents the second essential component of the identity based brand equity model, for which the authors choose Rappaport's (1986) widely accepted cash flow model. Based on this model the influence of behavioral brand strength on financial brand equity is described as threefold. Firstly, brand strength influences the current cash flows of a company (i.e., the stronger a brand the higher the current brand-induced cash flows). Secondly, brand strength also triggers future cash flows (i.e., the stronger the brand the higher future cash flows). Thirdly, the level of brand strength also influences the risk rate applied for the calculation of the discounted brand-induced cash flow model (i.e., the stronger the brand the lower the risk-adjusted rate to discount brand-induced cash flows).

In order to isolate current brand-induced cash flows (stage 2.1) different approaches have emerged which are classified into two dominant schools of thought: The first assumes that a brand generates a specific share of purchase decisions (Stucky, 2004; Riesenbeck and Perrey, 2005). However, this assumption reflects a strongly limited understanding of the brand, because this approach reduces brands to an instrument of communication. The other school of thought perceives the brand as a holistic bundle of benefits which cannot be separated from other determinants of purchase decisions (e.g., a Porsche motor car without the logo still reflects Porsche brand strength due to its specific design, product quality, road handling etc.). The major advantage of the latter approach is that a direct transformation of behavioral brand strength into financial brand equity is not required and thus potential subjective influences on defining brand shares are minimized. Therefore the authors follow the latter school of thought and hence recommend adjusting current cash flows by means of a two-step residual-oriented cash flow approach: Firstly, the company's overall cash flows are reduced by cash flows which are not related to the evaluated brand (i.e., cash flows of other branded or unbranded products or services). Since the results still include specific cash flows of assets which contribute to the brand and which are necessary in order to maintain the brand's cash flows, the authors recommend to set contributory asset charges (according to the multi-period excess earnings method). For this purpose the fair values of the required supporting assets are evaluated. For example, the brand evaluation of Beck's, a leading beer brand of the InBev brand portfolio, entailed firstly the determination of cash flows attributable to the Beck's brand (i.e., they excluded cash flows of other brands of the portfolio or of unbranded semi-manufactured products). Secondly, management subtracted contributory asset charges of supporting assets such as properties or machinery from the results.

In addition to current brand-induced cash flows the prognosis of future brand-induced cash flows represents the second stage of the financial brand equity assessment (stage 2.2). This procedure is not only useful for the purpose of mergers and acquisitions, in which the future development of the brand represents an important aspect of the purchase price. The results are also relevant for brand steering purposes (e.g., budget allocations). As a matter of fact the inherent brand strength is dynamic. Hence the authors assume that brand strength develops over time through the assimilation of internal and external brand strength (stage 1.3). Hence the result of the assimilated brand strength leads to a positive or negative adjustment of future brand-induced cash flows. As a consequence, this adjustment needs to be considered in the prognosis process, especially in the analysis of the business plan and the analysis of market and competitor data. Furthermore, the authors recommend the use of expert interviews in order to validate forecasts.

The discount rate for the calculation of the present value of current and future cash flows must reflect the future risk determined by market and brand-specific risk factors (stage 2.3). The latter is necessary since the volatility of brand-driven cash flows decreases with increasing brand strength. Although a precise assessment of the useful lifetime of a brand is hardly possible, the reflection in the discounted cash flows calculation offers a quantitative estimate of the brand's lifetime based on publicly available information of relevant benchmarks.

In its recently published brand valuation guideline, the Brand Valuation Forum (2006), the leading initiative for the standardization of brand equity measurement in Germany, considers the discounted cash flow model as the preferred approach for financial brand equity assessment. In its analysis the Forum calls for the isolation of brand-driven cash flows, the calculation of an appropriate discount rate and a scientific determination of the expected useful lifespan of the brand. The identity-based brand equity model meets all these requirements: The cash flows are explicitly brand-driven and the discount rate includes the influence of brand strength. Although a precise assessment of the useful lifespan of the brand is seldom possible (Meffert and Burmann, 1999), the discounted cash flow calculation can at least be based on publicly available information of relevant benchmarks and thereby create a proxy for a quantitative estimation of the lifespan of the brand.

2.6. Assessment of potential brand equity

A comprehensive brand equity measurement reflects the current development of a brand, but also its opportunities. As an example of various brand equity models already implementing this particular aspect, (Musiol et al., 2004) consider the development of products, distribution channels and target groups (amongst others) in order to identify the so-called brand future score. Unfortunately, this approach lacks transparency in the selection and weighting of its determinants. By contrast, Maul and Mussler (2004) propose a transparent model which integrates the strategic options of a brand based on its extension capabilities. These extension capabilities are expressed by a brand stretching score (Völckner and Sattler, 2006). This score represents the success probability of brand extensions and is translated into a value-based market share. By combining this value-based market share with previously estimated market potentials one can calculate the potential equity of the brand. Following this line of argument, the identity-based brand equity model firstly assesses the future market potential for previously defined market segments (stage 3.1). For this purpose secondary market data or expert interviews should be undertaken. Once one has identified the market potentials, brand extension success rates can be assessed for specific market scenarios (stage 3.2). At this stage internal and external brand strength represent important determinants. The rate is transferred in a market share estimation which in combination with the estimated market potential leads to the potential brand equity.

In the final stage, the financial and potential brand equities are synthesized into total brand equity. This aggregated measurement ensures both the economic evaluation and the overall diagnosis and steering of the brand. Furthermore, the results derived from the components of brand strength, specifically the results of internal and external brand strength, can support brand managers in their daily operations. Therefore, a separation in delivering single intermediate outputs of the brand equity model to the relevant management functions is worthwhile, since the specific needs vary across different hierarchy levels.

3. Discussion

3.1. Implications for research

Based on the theoretical background of the identity-based brand management approach, this paper proposes a new and unique integrated brand equity model which offers several advantages. First, most established models use past information from which they derive prognoses. However, only the integration of an internal perspective through the employee's attachment to the brand enables an accurate assessment of the entire, future-oriented brand equity. Employees are capable of anticipating positive or negative tendencies of internal and external developments at an early stage. Thus, this information increases both the timeliness and validity of brand equity measurements. Secondly, in the majority of existing models, brand image constitutes the basis of evaluation. Unfortunately, brand managers cannot directly access nor control the image of the brand. In this context, Kapferer (1992a) defines brand image as “a construct of acceptance”, hence brand image stems from decoding and interpreting brand signals. In contrast, brand identity represents a *concept of sender* (Kapferer, 1992a) and can be managed directly. Thirdly, the potential and future options of a brand have so far received little attention (Sattler, 2005). However, a realistic estimation of the future brand equity needs to integrate the underlying brand strength. In this context, internal and external brand strength can be seen as limiting or accelerating factors for the brand`s growth potential.

3.2. Managerial Implications

The model's practicability represents a key advantage of the identity-based brand equity model. The authors have had the opportunity to apply and validate their model in practice in a consultancy project in a divisional brand of a leading global technology corporation. This brand equity assessment is challenging for several reasons: Throughout the past years, the global technology market has shown positive volume development and slightly decreasing value trends. Consequently, the product quality and competition within the market reached a very high level. Hence, differentiation from competition on product quality alone became increasingly hard, whereas the brand increasingly evolved as a major driver of success.

A broad selection of qualitative and quantitative data created a thorough ground for testing the proposed identity-based brand equity model. The preliminary results of the study indicate that this model can be well applied in daily operations. Not only does this approach generate a realistic financial brand equity value (which was compared with another already implemented brand equity model by Future-Brand), but its results on a (behavioral) brand strength level also generated immediate recommendations for strategic and operative brand managers. As a result, the management board agreed on adding brand commitment measurements to its annual management objectives (i.e., a targeted brand commitment increase of 6.7% in the first and 8.6% in the following year).

As a general managerial implication, the identity-based brand equity model emphasizes the relevance of internal brand strength in strategic and operative brand management. This aspect tends to receive little attention by management today. However this very aspect should be emphasized and promoted, as internal brand strength represents the basis for external brand strength and thus company success. Management should focus on the brand conceptualization (which is predominantly still designed for external stakeholder groups) as well as its consistent and continuous implementation amongst internal stakeholder groups. The identity-based brand equity model can assist in diagnosing the success of the internal implementation of the brand.

3.3. Limitations and future research

The proposed model is applicable to different conditions. Despite the widely held assumption that a differentiation between internal and external brand strength might only be useful in a service industry context, the proposed model is equally applicable in a product environment, as brand identity always impacts upon brand image regardless of the company's offering. However, this hypothesis should be empirically tested in different market contexts as well as non-profit environments in order to provide the model with scientific rigor.

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