

Free brand equity – measuring brand equity research paper example

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Starbucks is one of the leading brands of coffee in the world. The Chinese market has embraced the presence and distribution of the product on the Asian market. The company is known for its stylish atmosphere and the high quality performance of the staff. For many Chinese individuals, Starbucks offers a brand of coffee that is foreign and this has drawn even more customers to the product. The idea that Starbucks is a new product means that the Chinese will gravitate towards the product despite the high cost. Arguably, the company's expansion on the Eastern market and the high cost of the product could mean a loss of loyal customers and the consistency in the brand as a product. With the changes in the tastes of the consumers in China, Starbucks has introduced a strategy that would include the local culture of the people of China. The recent launch of "ice zongzi" suggests that the company is taking strides to create a market that will draw the consumers as they can identify with the local ingredients in their coffee. Like many other products that have crossed into international territories, Starbucks is cognizant of the fragile equilibrium that exists between their need to maintain the company's brand image around the world and the need to tailor their product to suit the demands of the locals. By creating the ice zongzi, Starbucks has succeeded in developing the brand as one that is consistent with the sophisticated packaging, Westernized taste and high prices that are unique to Starbucks. Interestingly, the Chinese have gravitated towards the product and the introduction of a localized element in this product has led to the further development of the brand equity. In other words, Starbucks needs to maintain a balance in the local and worldwide image of their coffee if the company hopes to achieve brand equity and

brand esteem.

The term brand equity has been coined to reflect the actual or real value that a product and the name of the brand maintain for the services and the products that is in question. A number of brands are stronger than other brands and by measuring the brand equity there can be a critical assessment of the outcome of the business. Products that are branded will automatically enjoy the rewards of higher prices more than the products that are not associated with a recognized brand. In other words, the increased prices come with the strength of the specific brand. Customers, in general, gravitate towards products that have a recognized brand because many customers assume that there is some amount of loyalty towards a branded product. These branded products will also be less vulnerable to the competition even as they greater support and co-operation on the markets. The concept of brand equity allows for conceptual visions as consumers associate the strength of the product based on the emotional and intellectual associations of the service or product. Nonetheless, marketing personnel often attempt to understand and measure the equity of a brand in order to plan strategies and develop the position of the product on the market. Researchers have created different strategies that help to measure and define the equity of the different brands on the market which have been connected with a number of end-user researchers. With this in mind, one understands that there a number of different measures that help to conceptualize the idea of brand equity and their differences on the market. But, despite the differences in the strategies, there is a clear indication that the approaches are similar because of the explicit and implicit reliance on

the basic knowledge of the common foundations that are involved in knowing about the brands.

In their research paper, 'The theoretical separation of brand equity and brand value,' Randle D. Raggio and Robert P. Leone discuss the theory that brand value and brand equity are separate theories, (Raggio & Leone, 2007) and as such the authors have created two conceptual models that help to assess the differences in these entities. For Raggio and Leone, "brand equity moderates the impact of marketing activities on consumers' actions, implies a consumer-based focus, and represents one of many factors that contribute to brand value," (Raggio & Leone, 2007). Their construct of brand equity and brand values help to define the replacement or the sale value that one associates with the brand and the perception of the companies that are involved. Additionally, an understanding of 'true' brand equity allows researchers to create conceptual frameworks that will separate the notions of brand value and equity. Nevertheless, brand equity allows individuals to pay exorbitant fees because of the equity of the brand and not necessarily because of the value of the product.

The fact that individuals do not purchase a particular product or brand does not prove the theory that brand equity is nonexistent, (Raggio & Leone, 2007) nor does it prove that the purchasing of brands suggests that there is brand equity or that the brand is unique or good, (Raggio & Leone, 2007). Additionally, Raggio and Leone argue that brand equity does not create a nonlinear relationship that is present in the amount of 'goodness' of high quality in the price and the brand, (Raggio & Leone, 2007). Arguably, every brand has the potential to change the perception that individuals have of a

product. In many cases, consumers make purchases based on the logo or the brand and this influences the mental perceptions of the product. With this in mind, one can conclude that consumers automatically form their opinions of a brand based on the associations that comes with the brand, (Raggi & Leone, 2007).

Based on the assumption that every consumer has a personal perception of the importance and the value of the benefits that is associated with the brand, brand equity is a reflection of the individual's perspective on the single construct of the brand and not the company that owns the brand. The effect of brand equity is important to the strength of the brand on the market. Clearly, brand equity can lead to habitual purchase of the product in the future. David Aaker's " Measuring Brand Equity across Products and Markets," suggests that a brand is cheaper or weaker because of the brand's name, (Aaker, 1996) and the brand equity measures which will provide objective variables, (Aaker, 1996). Based on Aaker's views, Starbucks in China is a brand that is likely to create strong opinions in the consumer's mind. The product is one that a household name in the United States and the improvements in technology have led to the widespread advertisement of the product. Therefore, the brand equity of Starbucks is likely to be higher than other brands of coffee in the sample site. Statistical analysis can be used to assess the factors that would promote brand equity in Starbucks in China.

Additionally, Brown argues that the price of a branded product, such as Starbucks coffee, is equally important to identifying the brand, (Brown, 2011). But, in a number of traditional markets price is generally seen as a

means of influencing the push and pull factors that helps to determine the way the product is advertised. In many instances, the short – term value of the price allows the product and the companies to enjoy short term volume that has no impact on the volume in the future, (Brown, 2011). The factor of price as a determinant in the equity of the brands has a greater impact on products that the society considers to be luxury items. Starbucks coffee can be seen as an expensive product because of the popularity of the brand in a number of countries. Therefore, wherever the brand goes, individuals will gravitate towards the brand regardless of the price.

In the 2013 article, ‘ Starbucks builds equity levels in China,’ the author postulates that Starbucks group firmly believe that their brand equity has increased in China since it entered the Eastern market, (Starbucks Builds Equity Levels in China, 2013). The article also reveals that the sales in Starbucks coffee increased by eleven percent (11%) within three months in 2013 and reflected the 12th consecutive quarter with double-digit growth, (Starbucks Builds Equity Levels in China, 2013). In addition, the article suggests that China represents the biggest market for Starbucks' group in the Asian continent and the providers of the product believe that the 2014 will bring even greater success as the habits of the consumers change, Starbucks Builds Equity Levels in China, 2013).

But, what truly drives the brand equity in Starbucks’ coffee? Critics, such as Aaker, suggest that the structure and the concept of brand equity should provide the means of developing the construct of the brand. In essence, companies need to improve the scope or the brand’s equity and increase the awareness, associations and loyalty of the product to the forefront. These

measures will help to improve the sustainability of the brand and provide an advantage that the competitors cannot hope to compete with. Brand equity managers must become aware of value of the brand will increase with the sensitivity of the brand. Of course, there will always be a strong need to employ measures that will help to improve the product.

The element of loyalty is fundamental to the brand equity in all products. Distributors often mistake the need to build a relationship with their customer, but Aaker suggests that the relationship and the providers of a product is important as this fact will impact on the level of loyalty that exists in the purchasing of the brand, (Aaker, 1996). Loyal customer forms the foundations for the smooth entry into the markets and also helps to influence the price and the margin between the company and the competitors. One of the key elements of loyalty in a customer is that the loyal customer will pay whatever the cost of the product despite the cheaper cost of the same product under a different brand. Loyal customers are divided into different groups. These include “loyal buyers of a brand, brand switchers, and non-customers,” (Aaker, 1996). These groups add to the theory of brand equity as they help to determine the decline, stability or increase in the competitor’s products.

Customer satisfaction leads to the level of loyalty within the brands. In essence, customers in China are exposed to different brands of coffee. The local based coffee would appeal to the customer and their tastes as they are familiar with the products, but the high quality of Starbucks coffee and the fact that the product is not made locally has led customers to accept the product and become loyal to the brand. Nonetheless, there may be the

challenge of the brand not being available to non-customers and therefore this weakens the level of loyalty to the brand, and as such this will not help in measuring the level of the brand equity that goes further than the foundations of pleasing the customers. In addition, the level of loyalty and satisfaction of customers who have become loyal to other brands becomes a complex issue as it raises the challenge of developing loyalty for specific products.

The expected quality of the product is important to brand equity as this helps to develop and improve the perceived quality that helps to improve the brand equity. Aaker suggests that perceived quality of a product is fundamental to the development of brand equity because it is the main factor in determining the brand equity. Based on a number of researched literatures, perceived quality is concerned with the use of the brand, the premiums on the price, the changes in the prices and the returns on the stock. In addition, perceived quality is connected to the brand equity measures of other key brands on the market and the functional benefit variables, (Aaker, 1996). In other words, perceived quality allows for a replacement variable on more specific elements of brand equity despite being applicable to other product classes, (Aaker, 1996).

In order to understand the importance of perceived quality in brand equity, one must first understand that perceived quality is measured based on the differences in the quality of the product, the consistencies and inconsistencies of the quality the product in comparison to other brands. Still, perceived quality reflects the competition's references and leaves the customers with questions as to the differences and the quality of the

product. For Starbucks, the perceived quality is that the brand is distinguished in its Western flavor and this distinction is often compared to the quality and taste of Chinese coffee. But, this comparison can lead to a number of complications in the way that the quality is interpreted. The reality is that the perception of the product comes through the different preferences of the customer and may not necessarily reflect the true quality of the product.

Associations and differentiation are integral to brand equity and generally includes the unique nature of the product. Interestingly, associations provides the foundations that will help to create the measurement of the differentiation between the “ the brand-as-product or the value of the brand, the brand-as person which is indicative of the brand’s personality, and the brand-as-organization which is connected to the organizational associations of the brand” (Aaker, 1996). As a product, the Starbucks focuses on the proposition that is associated with the value of the brand and the functional benefit that comes with most product classes. However, if Starbucks cannot maintain the value of their product, the company will not be able to maintain its high standard and this leads to an increase in the level of vulnerability to other competitors. Theorists measure the value of the brand based on how well the brand will provide value for the money that customers pay. In addition, the perceptions or associations that customers make regarding the need to purchase the brand will also help with the analysis of the value of the brand.

In conclusion, brand equity is determined by a number of factors that influences the way individuals perceive a product. Starbucks coffee entered

the Asian market and has created a framework that makes the brand superior to other brands. On the one hand, the excellent customer service and the elaborate setting of Starbucks café helps customers to gravitate towards the brand despite the high prices that comes with Starbucks coffee. The Starbucks group has made strides in improving their product and localized the product to compete with the local brands of coffee in China. This differentiation strategy suggests that the company has drawn loyalty from existing customers even as they pull new customers to enjoy the product.

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