THE FOCUS OF SOUTH AFRICAN ORGANISATIONS ON BRAND EQUITY AND CUSTOMER EQUITY

Natalie Frank

A Research Report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg

March 2011

ABSTRACT

Intangible assets are becoming an increasing portion of the value of organisations. Consequently, to grow Shareholder Value, management need to focus on building intangible assets, rather than a concentration on tangibles. However, as these are intangible and difficult to quantify, the temptation is to cut back on these assets to meet short term financial objectives. The purpose of the research was to evaluate the perception of South African marketers in determining their choice of marketing investments; whether to focus on building Brand Equity, Customer Equity or both through marketing programmes with a view to increasing Shareholder Value. The research set out to evaluate the rationale for investing in marketing assets and to ascertain the positioning of different industries on the marketing equity trade-off matrix.

The research used a combination of quantitative and qualitative data. There were 60 respondents from a convenience sample who were marketing practitioners involved in the budget allocation decisions within their organisations. Quantitative data was analysed using the distribution-fitting rescaling analysis, a method demonstrating accuracy and validity. The qualitative data was content analysed using data reduction and data display to draw conclusions.

The main findings show that the majority of marketing practitioners chose to focus on both concepts simultaneously; 64% of interviewees rated building Brand Equity as very important and 74% rated the same for building Customer Equity. Therefore the research findings suggest that the Brand and Customer Equity matrix proposed by Bick (2009) is the correct diagrammatic representation to use as opposed to a single-line spectrum.

Brand building plays an important role in establishing a unique positioning and brand image by simplifying the consumer’s purchase decision amongst competing brands. Customer Equity plays an important role in providing clear quantifiable financial effects, contributing to the bottom line and driving long term profitability and sustainability.

DECLARATION

I, Natalie Frank, declare that this research report is my own, unaided work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before any degree of examination in this or any other university.

The research report is based on the information received from interviews with marketing practitioners based in South African organisations but the analysis and interpretations are my own and do not necessarily reflect the views of these companies.

Natalie Frank

March 2011

DEDICATION

This research is dedicated to the memory of my late father Mr. Johnny Pon and my mother Mrs. Lorraine Pon. Their many years of hard work and sacrifice made this dream a reality.

To my husband, Wayne Frank who has given me tremendous encouragement and support over the course of the MBA degree. Thank you for your enduring love, patience and kindness during the good and the bad moments.

To my parents-in-law Mildred and Godfrey Frank and my siblings Gregory and Gail Pon and Alastair and Megan Rogers, thank you for your constant encouragement and understanding.

ACKNOWLEDGEMENTS

I would also like to convey my sincere thanks and deepest appreciation to:

- Professor Geoff Bick my research supervisor and Dr Antony Stacey for their wise counsel;
- Connie Nkosi from Lidonga Holdings for her advice and financial support with the partnership in management programme abroad;
- All respondents who have sacrificed time from their busy schedules to participate in this research;
- Members of the Chartered Marketers Association and WBS Alumni for their participation; and
- Fellow WITS MBA students, family and friends for all the help with providing relevant contact information for prospective respondents.

TABLE OF CONTENTS

1. INTRODUCTION

1.1 Purpose of the study

The purpose of this research was to evaluate the perception of South African marketers in determining whether they choose to focus on building Brand Equity and/or Customer Equity through marketing programmes with a view to increasing Shareholder Value. Marketing programmes consist of elements that can be modified such as prices, distribution, advertising, sales promotion, personal selling, sponsorships and experiential events with an aim of achieving the firm's objective. For example, this could be to increase market share, penetrate new markets or increase brand awareness.

The research further analysed the relationship between Brand Equity and Customer Equity and identified the type of marketing factors that determine whether to focus on Brand Equity and/or Customer Equity.

1.2 Context of the study

The measurement and accounting of **Brand Equity** as an off-balance sheet intangible asset item originated in the last thirty years during the mergers and acquisitions (M&A) boom in the 1980s, where firms were paying large earning multiples for a target company with a well established brand (Leone et al., 2006). Brand Equity is incorporated in goodwill, which value appears on the sale of a business. Goodwill can be explained as the difference between the net asset value of a business and the purchase price that buyers are prepared to pay for the firm. Goodwill is further broken down into five classes of intangible assets : technology based assets (e.g. patents, databases); contract based assets (e.g. leases, licences, royalties); artistic assets (e.g. plays, films); customer-based assets (e.g. customer lists, contracts and relationships); and marketing-related assets (e.g. brands, trademarks) (Kotler and Keller, 2009).

Aaker (1995) states that to build, manage and maintain strong brands, marketers should focus on four assets that constitute Brand Equity: 1) brand awareness; 2) perceived quality; 3) brand loyalty; and 4) brand associations. Brand name awareness is the strength of a brand's presence in the consumer's mind, and is measured by recognition and recall. Perceived quality is the reason-to-buy for many customers and they are prepared to pay a price premium for goods or services. Brand loyalty is the willingness of customers to repurchase the same brand. A brand association is derived from what the person thinks about the product information and then relates this information to their existing brand knowledge. One can strengthen the brand association through personal relevance and presenting the brand message consistently over time.

The Customer-Based Brand Equity (CBBE) model constructed by Keller (2008), is another popular approach that is used by marketers to guide them in effectively building Brand Equity from the perspective of the consumer. The CBBE model is defined as the differential effect that brand knowledge has on the consumer's response to the marketing of the brand (Keller, 2008).

Leone et al. (2006) suggest that firms who focus on Brand Equity follow prescriptive marketing guidelines, and these organisations are in a better position to 1) respond to the competitors moves; 2) receive stronger support from channel members and suppliers; and 3) create growth opportunities through line and category extensions and licensing agreements. Building Brand Equity tends to attract higher quality employees and usually occurs at the "front end" stage of a marketing programme's development. At this initial stage, more emphasis is placed on strategic issues relating to building and managing the brand. Marketing programmes can be designed to create and leverage brand awareness and a positive image among customers.

Customer Equity on the other hand focusses on customer relationship management practices that follow one-to-one marketing activity with the strategic focus on customer acquisition, customer retention and add-on selling to derive optimal solutions (Blattberg and Deighton, 1996). Customer relationship management (CRM) is strategically managing customer relationships by using detailed customer information, to maximise customer loyalty. This involves the appropriate use of technology that incorporates high quality, detailed customer information on the "touch points", or interactions between the customer and the organisation. CRM utilises and leverages the marketing database technology and determines the corporate practices and methods that will maximise the lifetime value of each individual customer to the firm (Kumar & Reinartz, 2006).

Keller (2008) explains that Customer Equity focusses on the bottom line financial value, and the process of customer relationship management tends to be less prescriptive about specific marketing activities, beyond general recommendations towards customer acquisition, retention and cross-selling. Building Customer Equity tends to occur at later stages of the marketing programme. Brand Equity places more emphasis on prescriptive marketing guidelines, competition, network effects and growth opportunities. Marketing actions have an interactive effect on both marketing equity concepts, and can improve Customer Equity and Brand Equity.

1.3 Problem statement

1.3.1 Main problem

The research problem is to establish the perceptions of marketers' regarding the focus of the organisation's marketing programmes in relation to building Brand Equity and/or Customer Equity, and to ascertain the positioning of different industries on the marketing equity trade-off matrix.

1.3.2 Sub-problems

The first sub-problem is to establish the extent to which organisations focus on building Brand Equity.

The second sub-problem is to establish the extent to which organisations focus on building Customer Equity.

The third sub-problem is to ascertain how organisations trade off the one concept against the other.

1.4 Significance of the study

The study filled a gap in that it sought to determine the relative importance of Brand Equity and Customer Equity as a strategic focus in marketing programmes for South African organisations. The research sets out to prove where different South African organisations, in various industries, are positioned on the Brand Equity/Customer Equity trade-off matrix. This research is guided by a journal article written by Bick (2009), which seeks to address the business problem faced by marketing practitioners who are under increasing pressure to become more accountable for building Shareholder Value.

The study provided guidance and would be of value to marketing practitioners working in South African organisations who wish to better understand the relationship and trade-off between the two marketing intangibles and the findings may be of relevance to their organisations. By means of survey participation by marketing practitioners in a variety of industries, the research aims to provide insights into managing marketing intangible assets. Marketing management would benefit from continuous discussion and debate around these concepts which have been proven in prior research to correlate with the firm's Shareholder Value.

1.5 Delimitations of the study

The study focussed on the trade-offs between Brand Equity and Customer Equity, to identify where the industries are positioned on the trade-off matrix depicted in Figure 1. Marketers' perceptions relating to which marketing programme elements they focussed their efforts on were evaluated, to improve and enhance brand image and to increase the customer retention rates.

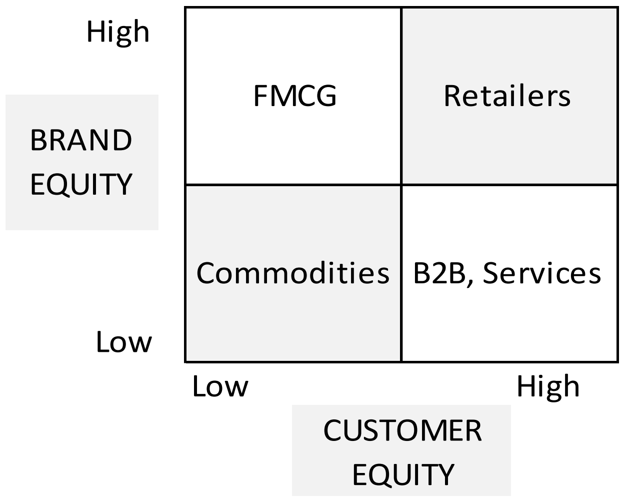

Figure 1 Brand Equity and Customer Equity trade-offs

The study did not evaluate the relevance of marketing programmes to the organisations, nor the measurements of their success, but focussed on perceptions regarding the relative importance of Brand Equity and Customer Equity drivers.

1.6 Definition of terms

BE - Brand Equity represents the positive differential effect that knowing the brand name has on customer response to the product or service (Kotler and Keller, 2009). An alternative definition by Aaker (1995) states that it represents a set of assets and liabilities inherent in a brand that add or subtract value to a firm and its customers.

BVC - Brand Value Chain is a model constructed by Keller (2008)

B2B – is an acronym for business to business.

CLTV or CLV - Customer lifetime value is the discounted future income stream derived from acquisition, retention, and expansion projections and their associated costs (Gupta et al., 2004).

CE- Customer Equity is the sum of the lifetime values of all customers (Blattberg and Deighton, 1996).

CBBE - Customer-Based Brand Equity is a model constructed by Keller (2008).

CRM - is an acronym for Customer Relationship Management.

FMCG - is an acronym that stands for fast moving consumer goods.

IBP – is an acronym that stands for inherent brand potential.

M&A – is an acronym for Mergers and Acquisitions.

POD - is an acronym that stands for points of difference.

POP – is an acronym that stands for points of parity.

ROMI – is an acronym for return on marketing investment.

SEO – is an acronym for Seasoned Equity Offering. In South Africa this is commonly known as a Rights Issue.

TMT – is an acronym for Technology, Media and Telecommunications.

1.7 Assumptions

The following assumptions have been made regarding this study:

- Respondents were marketing practitioners who had the ability to articulate answers to the questions.
- Choices of marketing decisions were conveyed honestly and truthfully by respondents. False data would have had a severely detrimental effect on the credibility of the survey results.

2. LITERATURE REVIEW

2.1 Introduction

South African organisations that focus on building Brand Equity and/or Customer Equity provide key components to creating Shareholder Value and long-term sustainability. Bick (2009) explains that organisations formulate strategies that focus on building Brand Equity and Customer Equity, developing a differential advantage for the organisation which maintains earnings in excess of their cost of capital. These organisations increase their Shareholder Value by implementing such strategies that generate future cash flows which exceed the marketing investments, generating a positive net present value.

Knowles and Ettenson (2007) highlight that in recent years there has been a growing appreciation for the value that can be unlocked from intangible assets as well as the demand for marketing to be held accountable for this value creation. To unlock this value, Keller (2008) indicates that marketers carry out dual functions.

- Firstly, they create perceived differences among products through branding activities.
- Secondly, they develop loyal consumer franchises through customer acquisition and retention activities.

During recessionary times it is common for marketing budgets to be scaled back with a view to boosting the short-term bottom line of the organisation. Confirming this view, studies by Mizik and Jacobson (2007) suggest that organisations should be motivated to invest more time and money in marketing. Mizik and Jacobson (2007) present evidence that managers are incentivised to inflate the organisation’s current earnings artificially and report higher earnings than normal by cutting investment in marketing spending in order to achieve short-term performance targets. The phenomenon they used was the seasoned equity offering (SEO) or rights issue, where companies seek additional capital from shareholders. Mizik and Jacobson (2007) examined 2 238 companies at the time of an SEO to see the long-term effects of short-term decisions taken to boost stock prices. The result was that 65.8% of companies actually destroyed shareholder value in the long term, by cutting back on investments in intangible assets.

To address some of the challenges faced by marketing management, this section contains a literature review of the current body of knowledge that discusses key themes which are relevant to the study.

2.2 Drivers of Shareholder Value

The main drivers of Shareholder Value under consideration are investments in marketing's intangible assets: namely brands and customers. An organisation earns current and future cash flows from intangible assets and these assets can be leveraged to create and enhance Shareholder Value. The research that links Brand Equity and Customer Equity to Shareholder Value aims to bring together areas in the field of marketing and finance. Prior research listed below uses finance related valuations to prove that there is a positive correlation between marketing intangibles and Shareholder Value:

- Positive correlation between Brand Equity and Shareholder Value : Kerin and Sethuraman (1998), Pahud de Mortanges and van Riel (2003) and Kim et al. (2003).
- Positive correlation between Customer Equity and Shareholder Value Bauer and Hammerschmidt (2005), Gupta et al. (2004) and Rust et al. (2004a)

2.2.1 Key insights for Brand Equity and Shareholder Value

Kerin and Sethuraman (1998) conducted the first empirical study that investigated the relationship between Brand Equity and Shareholder Value by using the market to book value (MBV) method. Since then various techniques and models have been developed and now exist to determine the value of a brand. Depending on the particular industry, the most suitable technique is selected. Kerin and Sethuraman (1998) used Interbrand's valuations to determine brand value. The brand valuation is based on the concept of discounted cash flow or net present value calculations. The analysis provides the following insights: 1) a strong positive statistical relationship exists between brand value and Shareholder Value; 2) the study uses a measurement of accumulated brand value and market to book value to describe a relationship that is concave with decreasing returns to scale; and 3) the brand value Shareholder Value relationship is judged to be relatively stable as evidenced by the results. This suggests firms with a large accumulated brand value should have high market to book ratios. These findings also suggest that, due to the concave relationship between brand value and Shareholder Value, managers should be cognisant and careful not to invest too much in brand building activities at a certain stage in their marketing programme as the incremental benefit of building a brand may yield poor results. Hence, there is a threshold point beyond which further accumulated brand value may not yield a corresponding increase in Shareholder Value.

Pahud de Mortanges and van Riel (2003) used the Brand Asset Valuator® model to evaluate 43 Dutch Corporate brands. The Brand Asset Valuator® is a measure of brand strength and stature which takes into account the consumer evaluation element. In the evaluation of Shareholder Value, both Kerin and Sethuraman (1998) and Pahud de Mortanges and van Riel (2003) use the market to book value ratio to positively correlate Brand Equity to Shareholder Value. This measure of firm value was found to be the most pronounced indicator of financial return. The findings show that there was a correlation between Brand Equity and Shareholder Value; however this relationship was relatively weak.

From a market perspective, Doyle (2000) stated that the market to book ratios for the Fortune 500 companies average over 4, which implies that over 75% of the value of these companies lies in the brands and other marketing related intangibles associated with goodwill. Doyle (2000) states that firms that possess strong brands create value for shareholders. Findings in another study conducted by Citibank and Interbrand were published in the Financial Times on 25 October

1997. The findings revealed that companies with strong brands outperformed the rest of the FTSE 350 shares by between 15% - 20% over a 15 year period. As mentioned at the beginning of the literature review, increased mergers and acquisitions activity provides evidence of the value created from brands. Acquiring organisations are willing to pay high prices for target firms, typically five to six times the book value of the target (Doyle, 2000).

Kim et al. (2003) explain that in the case of the hotel industry, there are only three components that effect financial performance. These effects are important components of the Customer-Based Brand Equity model and are significantly related to financial performance: 1) brand awareness, 2) brand loyalty and 3) brand image. These determine the value of a brand and have an effect on the firm's value. It was found that perceived quality was however not significantly related to financial performance.

2.2.2 Key insights for Customer Equity and Shareholder Value

Bauer and Hammerschmidt (2005) reiterate the growing trend and fundamental shift to value based management which has lead to an increasing demand for customer-based valuation methods. The authors integrate the concepts of Customer Equity and Shareholder Value by using investment and financing models and adjusting Customer Equity to calculate the Shareholder Value. Spurred on by capital market pressures, the work aims to bring areas of marketing and finance closer together by merging CLV and Shareholder Value concepts to capture a more market-orientated valuation. The models disaggregate cash flows and incorporate retention rates. Using an M&A (mergers and acquisitions) example in the telecommunications industry, Bauer and Hammerschmidt (2005) demonstrate that the customer-centric valuation methods are helpful in assessing whether M&A transactions relating to purchasing intangible assets are economically sensible. The Customer Equity valuation approach can also guide marketing professionals' decisions on how best to allocate resources to earn the maximum projected financial return.

In a study conducted by Gupta et al. (2004) they found that Customer Equity correlated to firm value for three of the five organisations reviewed. The two organisations that did not correlate well were both internet companies. Weaknesses in this model may not have considered those components that are valued in the Internet space. Alternative reasons for internet marketers not successfully creating Customer Value is highlighted by Blattberg et al. (2001) as failure to recognise the concept of optimisation by focussing on all three core Customer Equity strategies; acquisition, retention and add-on selling. Blattberg et al. (2001) comment that internet marketers have been weak at focussing on retention strategies and have blindly adopted a “first in always wins” mentality by racing to acquire customers before the competition and investing large sums of money for this purpose. Thus less focus and attention is paid to customer retention strategies, which are significantly more important to building Customer Equity than customer acquisition. This importance of customer retention is discussed in more detail by Gupta et al. (2004) below. Examples of failures that have caused customer defection include lack of order fulfilment causing customer dissatisfaction, not recognising low barriers to entry (competitors therefore enter the market easily and customer switching is prevalent), and acquisition costs are higher than gross margins earned by the business.

Gupta et al. (2004) introduce a model that provides an estimated value for the current and future customer base of a firm. This customer value is derived through discounted cash flow valuation methods (CLV) but also places importance on customer retention as this has a huge impact on firm value. The Gupta et al. (2004) study concludes that the customer lifetime value model offers several benefits. The model is used to evaluate tactical decisions in marketing, assess overall firm value and accounts for customers as assets of the firm, and views marketing’s spend as investments that create long-term Shareholder Value. The CLV model estimates Customer Equity and is related to the traditional market valuation method.

The study found that customer retention rates have a significant impact on Customer Equity and in turn Shareholder Value. Higher costs are attached to implementing customer acquisition strategies compared to customer retention strategies which have lower costs. Hence, organisations that focus on customer retention strategies have a stronger likelihood of improving their margins compared to those organisations that focus on customer acquisition strategies. The retention cost elasticity is higher and in the range from 3% - 7% compared to acquisition cost elasticity which is in the range from 0.02% to 0.03%. However reducing acquisition costs is a less effective way to improve Customer Equity than improving the retention rate.

Gupta et al. (2004) explain that mature, stable and low risk businesses tend to have predictable cash flow streams and low discount rates. For these businesses more attention should be focussed on customer retention and cross-selling in order to increase customer value. In high growth firms, as experienced by the internet bubble, these valuation models do not work well, as they have negative earnings and cash flows which are difficult to predict. However, the results still show that focussing on customer based metrics creates value in the organisation.

In the evaluation of Customer Equity, Rust et al. (2004a) propose an alternative return on marketing investment (ROMI) model which calculates customer lifetime value, but also takes into account the competitive market effects and consumer dynamics through brand switching patterns and the use of Markov’s brand switching matrix to model customer retention. Keller (2008) has also highlighted weaknesses with the Customer Equity concept in terms of competition and network effects. The ROMI model sets out to improve on these weaknesses. The advantage of this model is that it can be applied to most industries and it enables marketers to compare the ROMI for different marketing programmes. The model provides numerical proof of the benefits of adopting marketing strategies that build Shareholder Value. The model tests the impact of a change in a driver as a result of a marketing programme, which influences the probability of choice model (amongst competing brands) and leads to a higher CLTV.

Prior research therefore provides broad frameworks and various models that calculate the return on marketing investment, evaluating and monitoring returns on the marketer’s choice of “options” that can be traded off, enabling marketing practitioners to be financially accountable for strategic marketing investments which earn the highest projected financial returns (Rust et al., 2004a).

2.3 Building Intangible Assets – Brand Equity

Organisations should consider investing in brands to ensure that these are properly built and leveraged to create long-term value for organisations. As brands are an important intangible asset to South African organisations, branding has emerged as a top management priority in the last decade. Keller and Lehmann (2009) emphasise that brands play a role as a growth engine, as Brand Equity can be leveraged across new product lines and categories in domestic and foreign marketplaces, further enhancing Shareholder Value.

2.3.1 Focusing on Brand Equity

To build a strong brand, Keller (2008) proposes the Customer-Based Brand Equity (CBBE) model which approaches Brand Equity from the perspective of the consumer, understanding his/her needs and wants and devising products and programmes to satisfy him/her. The CBBE model is formally defined as the differential effect that brand knowledge has on consumer response to the marketing of the brand. This model provides guidance on marketing research initiatives and is a road map to building a brand. The model is used as a benchmark to assess the brand building progress, as well as tracking and quantitative measures for the firm's brand building efforts. The basic premise of this model is that the power of a brand lies in what resides in the minds of consumers.

Keller (2008) explains that marketers are responsible for designing and implementing the most effective and efficient brand building marketing programmes. The effectiveness of the brand building initiatives is measured by the knowledge created in the minds of the consumers and their response to the brand. Hence, the challenge for marketers is to ensure that consumers have a positive experience with the brand. Brand knowledge creates a differential effect in the consumer’s mind and Keller (2008) believes this to be the key to building a strong brand.

Keller (2008) uses the associative network memory model to describe how brand knowledge exists in consumer memory. The associative network memory model consists of nodes and links. The nodes represent stored information and concepts, and the links represent strengths of association. Using this model, brand knowledge is based on brand awareness and brand image. Brand awareness is the consumer’s ability to establish and identify the product’s category under different conditions, and brand image is the consumer’s perception of the brand as reflected by the brand associations held in the consumer’s memory. Brand associations are the attributes and benefits that consumers associate with a brand e.g. lifestyle for Harley Davidson. These brand associations generally reflect characteristics of the product or service; or the personal meaning or value that consumers attach to a product. Therefore, to create Customer-Based Brand Equity, the consumer has to have a high level of brand awareness and familiarity with the brand and needs to retain a strong favourable and unique brand association in memory (brand image).

Keller (2008) uses the CBBE model and four continuous steps which act as a laddering effect (sequential stages) to brand building. The four steps of brand building are dependent on marketers successfully achieving objectives at each sequential step. The building of a brand follows the series of logical steps, and marketers should pay close attention to the objectives and set concrete goals at each stage of the CBBE model. The four steps are set out below.

1. *Brand identity:* ensure customers identify the brand and associate the brand with a specific product class or customer need.
2. *Brand meaning*: establish brand meaning in the consumer’s mind by linking a host of tangible and intangible brand associations with certain properties.
3. *Brand response:* evoke a response from the consumer to this brand meaning.
4. *Brand relationship:* convert the consumer’s response to create intense customer loyalty between the brand and the customer.

Aligned to these four steps of development, is the CBBE pyramid which comprise six building blocks. The blocks up the left hand side of the pyramid follow the “rational route” to brand building; performance and judgements and the right hand side of the pyramid follows a more “emotional route” to brand building; feelings and imagery. Most strong brands use both routes. The four stages of Brand Development and the six Brand Equity building blocks are depicted in Figure 2. As an end goal, marketing-related activities should focus their efforts on reaching the top of the pyramid i.e. brand resonance in order to build strong successful brands.

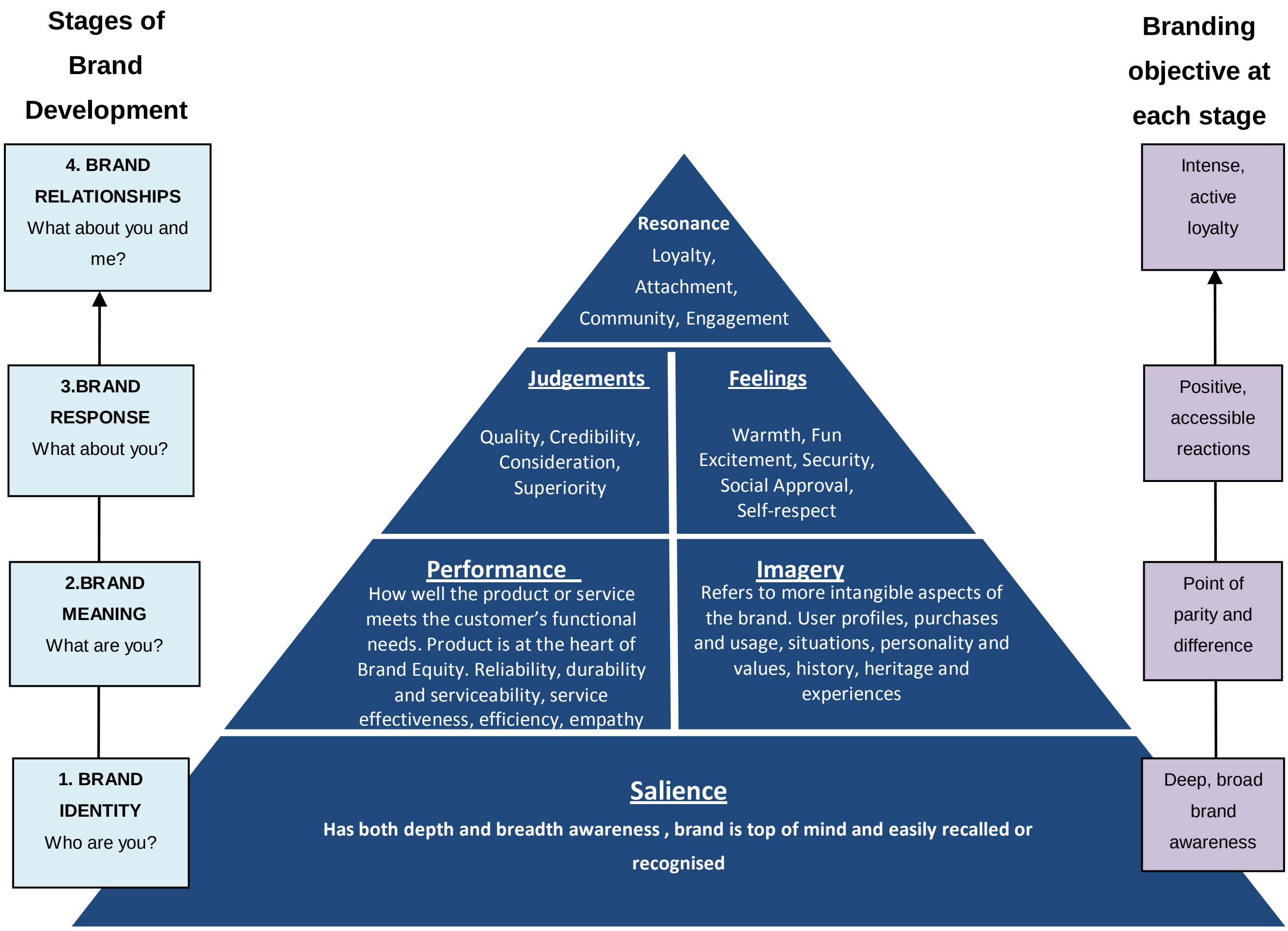

Figure 2 Customer-Based Brand Equity Pyramid (Keller, 2008)

The first building block is brand salience (***level 1***) which measures the consumer’s awareness of the brand, or brand identity. This is represented as top of mind awareness and ease of recall and recognition of the brand name. A particularly salient brand is one where the consumer easily recalls the brand and is also one which has a breadth and depth of awareness which leads to the consumer making sufficient purchases of the brand (Keller, 2008). The consumer thinks of ways the brand can be used and consumed across a variety of settings. Brand salience is an important step in building Brand Equity, but the organisation needs to create a brand meaning. The brand meaning stage (***level 2***) consists of two categories of brand associations; the first is brand performance; a more rational association while the second is brand imagery, a more emotional one. Brand performance relates to how well the product or service meets the functional needs of the customer whereas brand imagery refers to more intangible aspects of the brand such as purchase and usage situations, personality and values, history, heritage and experiences.

Brand meaning is what helps to produce brand responses (***level 3***); which are what customers think and feel about the brand. Brand responses ensure that the appropriate customer response is elicited to this brand identification and brand meaning. The brand response should always be positive, and can be driven from the consumer's "head", through brand judgements, or driven from the consumer's "heart", through brand feelings. Consumers judge brands on their quality, credibility, consideration and superiority. The "emotional route", brand feelings usually evoke positive reactions to intangible aspects of the brand such as warmth, fun and excitement. Keller (2008) explains that a McKinsey study reveals that when these two types of appeals are linked, they offer distinctive physical and emotional benefits that drive greater Shareholder Value.

The highest level of the pyramid (***level 4***), brand resonance describes the nature of brand relationships and the extent to which customers feel they are "in sync" with the brand. Strong brands in South Africa that are good examples of this are Pick n Pay, Standard Bank, ABSA, SAB Miller and Bidvest. Resonance is characterised by two components, intensity and loyalty. Brand resonance has a clear ordering where behavioural loyalty is a starting point; however, personal attachment and a sense of community are needed for active engagement.

2.3.2 The Brand Value Chain

The Brand Value Chain (BVC) is a method used to track the value creation process for brands to better understand the financial impact of brand marketing investments. Keller (2008) defines the BVC as a structured approach towards assessing the sources and outcomes of Brand Equity and the manner by which marketing activities create brand value. The model provides a framework on how to design and implement a Brand Equity measurement and management system. The BVC assumes that the value of a brand ultimately resides with customers. Keller (2008) describes the brand value creation process in four stages as set out in Figure 3.

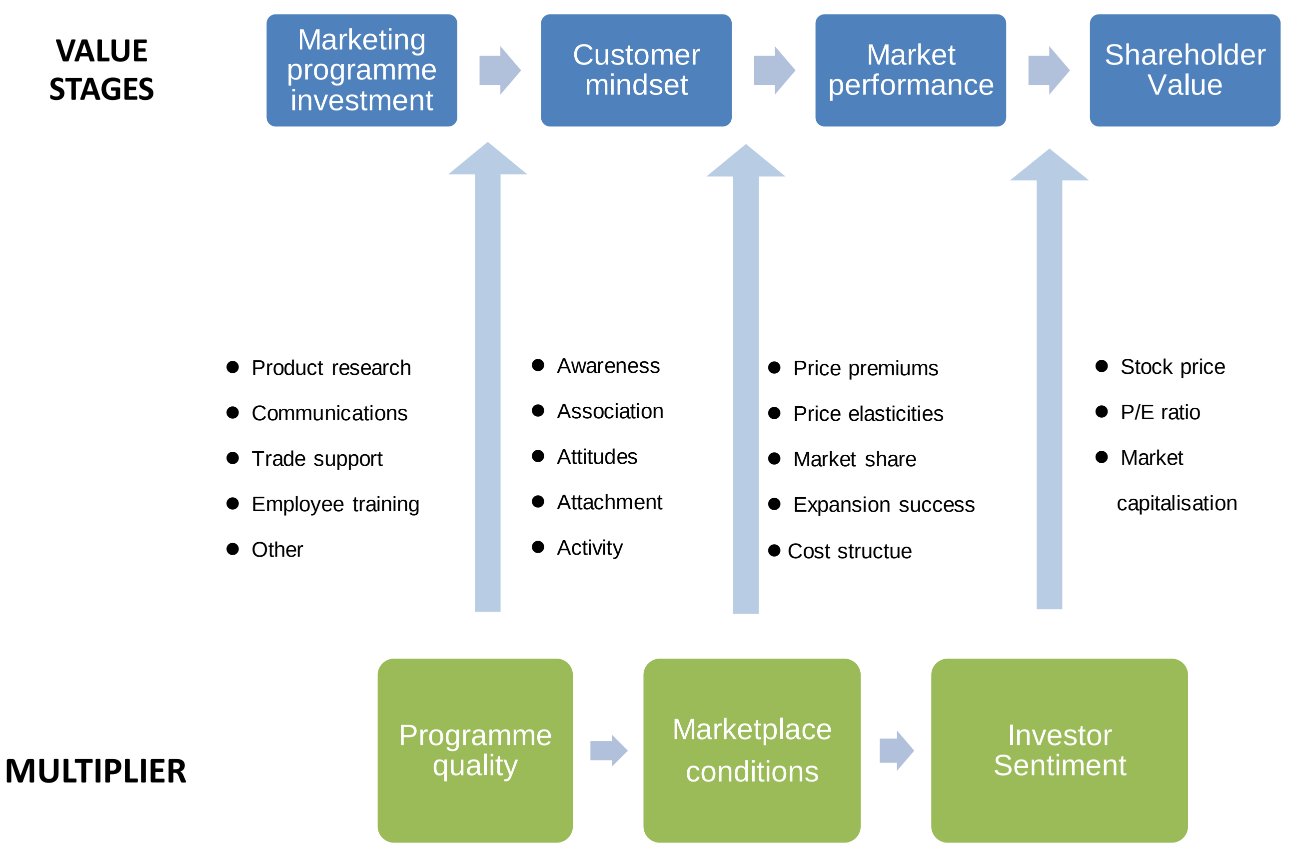

Figure 3 The Brand Value Chain (Keller, 2008)

The BVC model consists of four stages where value is created and the model has three linking factors, known as multipliers, which intervene between these stages to determine to what extent value is created at each stage.

*Marketing programme investment (**stage 1**)* begins when the firm invests in a marketing programme targeted at actual and potential customers. Examples of the marketing investment that can be attributed to brand value development include product research and development, trade or intermediary support, and brand communications programmes. Some of these large investments do not guarantee success. The *programme quality multiplier's (**multiplier 1**)* effectiveness is dependant on a high quality marketing programme that affects the customer's mindset in a favourable way. A high quality programme is characterised by clarity, relevance, distinctiveness and consistency. A well integrated programme that is highly relevant and unique will have a higher return on marketing investment.

The *customer mindset stage (**stage 2**)* is when the associated marketing activities affect the consumer's mindset. This includes thoughts, feelings, experiences, images, perceptions, beliefs and attitudes - essentially what customers know and feel about the brand. The following five dimensions are hierarchical and are important measures of the customer mind-set: brand awareness, brand associations, brand attitudes, brand attachment and brand loyalty. The second multiplier effect, *marketplace conditions (**multiplier 2**) depends* on three factors beyond the customer mindset. These effects increase the value of one's brand in the marketplace competitive superiority, channel and other intermediary support and the support from a sizable customer base.

*Market performance (**stage 3**)* is when the collective mindsets of consumers determine the brand's market performance based on how much customers are prepared to pay and the frequency of their purchased. The first three components of market performance; price premiums, price elasticities and market share determine the *direct revenue stream* of the brand over time. For brand value to increase at this stage, the ideal prerequisites are greater price premiums, inelastic response to price increases, and an elastic response to price decreases and greater market share. Three additional components of market performance that lead to brand profitability include expansion success by extending into new product lines or categories, ii) lowering ones marketing costs as customers already have a favourable opinion of your brand so the same level of effectiveness can be attained because the marketing communication will be more memorable due to prior knowledge of the brand and iii) profitability.

The final and third multiplier effect, *investor sentiment (**multiplier 3**),* is dependant on four external factors affecting shareholder value. The first is *market dynamics* which incorporates interest rates, investor sentiment, and the supply of capital. Secondly, g*rowth potential* of the brand in the industry is affected by economic, social, physical and legal environments. Thirdly, the risk profile of the brand is assessed taking into consideration the economic, social, physical and legal environments, and finally to determine the importance of the brand's contribution to the overall firm's portfolio.

*Shareholder Value (**stage 4**),* the final value stage, reflects the value created in the market place. At this stage the investment community considers the brand's market performance and other factors such as the replacement cost and purchase price in acquisitions to arrive at an assessment of Shareholder Value. Three particularly important indicators are i) *stock price, ii) price/earnings multiple, and iii) market capitalisation of the firm.*

To conclude, the four value stages in the BVC model create strong brands, and with the injection of positive multiplier effects, this can deliver greater returns to shareholders with less risk.

2.3.3 Other Brand Equity models

Another model that determines long-term brand value is introduced by Keller and Lehmann (2009). The conceptual framework consists of two stages: i) brand vision and ii) brand actualisation. Brand vision involves recognising the current Brand Equity and understanding the inherent potential of a brand and the future Brand Equity. Brand actualisation involves fulfilling inherent brand potential. Inherent brand potential (IBP) is based on a set of characteristics and circumstances that underlie current Brand Equity which will help (hurt) the brand grow (and shrink) sales over the long run. IBP is latent value that can be extracted from a brand via optimally designed marketing strategies, programmes and activities. The brand's potential can be seen as an "option value" of a brand which recognises and capitalises on its assets. Acquiring a brand will only make sense when those who acquire it envisage a better brand vision than the prior owners (Keller and Lehmann 2009).

The first stage, brand vision, requires marketers to recognise the inherent brand potential and design marketing programmes, processes and activities to realise the brand potential. Organisations that understand and recognise this brand potential can capitalise and create substantial value in the marketplace.

The second stage, brand actualisation, involves firms behaving in a manner to maximise 1) brand persistence, which originates from current customers being convinced to increase their spending through programmes, and 2) brand growth, which comes from new customers being attracted to the brand in the future through product and market development strategies. Brand persistence reflects the extent to which the current customer-base continues to spend at current levels which can be sustained over time, this is known as retention in CRM terms (Keller and Lehmann, 2009). Brand growth, a component of brand actualisation reflects the extent to which current customers increase their spending and new customers are attracted to the brand, known as expansion and acquisition in CRM terms (Keller and Lehmann, 2009). The outcome of brand persistence and brand growth results in a firm maximising its brand performance and creating long-term brand value for the stakeholders in the organisation. Marketers are thus required to build, manage and maintain the brand from the first stage of brand vision to the second stage of brand actualisation.

Keller and Lehmann (2009) state that brands can vary in terms of inherent brand potential for each organisation. This may relate to different industry segments where different types of brand images are created. This may have more distinctive and abstract associations which enable the brand to remain strong, favourable and unique to the consumer.

Aaker's (1995) Brand Equity model defines the concept in five components which merge financial and marketing terminology. Brand assets and liabilities are linked to a brand name and symbol or logo that adds or subtracts value provided by a product or service. The categories of brand assets are: 1) brand loyalty, 2) brand awareness, 3) perceived quality, 4) brand associations, and 5) other proprietary assets (e.g. patents, trademarks and channel relationships). These assets provide benefits and enhance value to both the firm and customer. From the customer perspective, Brand Equity makes the information easier to process and gives the consumer confidence in his/her purchase decision with the result that he/she is satisfied when they consume or utilise the product or service. From the perspective of the firm, Brand Equity ensures the efficiency and effectiveness of marketing programmes due to prescriptive guidelines, increased brand loyalty, larger margins, brand extensions, trade leverage and competitive advantage.

2.3.4 Benefits of building Brand Equity

Leone et al. (2006) also highlight several benefits that will result if marketers can successfully create three essential brand associations (strong, favourable and unique) mentioned previously in the CBBE model. These benefits are similar to the benefits outlined in Aaker's (1995) model which are:

- ability to negotiate lower cost distribution;
- brand longevity;
- growth opportunities from new product lines and categories;
- greater customer loyalty;
- greater trade co-operation with, and support for channel members;
- improved perception of product performance;
- increased marketing communications and effectiveness;
- larger margins;
- less vulnerability to competitive marketing actions and crises; and
- more inelastic customer responses to price increases.

2.3.5 Challenges in the external environment

Aaker (1995) explains that managers face problems and challenges caused by the complex external environment, where it is difficult to achieve the consistency that is required to build and maintain a strong brand. Unexpected competitive forces and internal forces are constantly at play. The inherent brand potential described by Keller and Lehmann (2009) which is latent can be at the risk of never reaching its true potential. Aaker (1995) identifies eight reasons why brands could potentially fail to reach this potential and these appear below.

1. There are pressures to compete on price. Promotional giveaways, lower prices and private label brands can conflict with brand-building efforts.
2. There is a proliferation in the number of new competitors in the market who are prepared to take risks.
3. The market structure is fragmented and the use of a vast number of agencies and media vehicles can weaken the brand message.
4. There are complex branding strategies and brand relations.
5. Marketers receive internal pressure from the organisation to change the brand identity and its execution while it is still effective or even before it achieves its brand potential. These sporadic changes can result in undercutting of Brand Equity.
6. If there is an organisational bias against innovation, organisations tend to keep the competitive battleground static; as they view change to be costly and risky.
7. Well established and strong brands are tempted to scale back on investing in the core brand to improve short-term performance or fund new business ventures. This poses a risk for organisations that overpay for strategic investments which can be unprofitable in the long run.
8. Management myopia prevails as management are increasingly under pressure to show short-term results which undermines the investments in brands as discussed earlier in the study by Mizik and Jacobson (2007).

2.3.6 Weaknesses in the Brand Equity concept

The Brand Equity concept is deficient in terms of the analysis of detailed customer information in order to segment the market and identify profitable clients, and ensure the organisation provides products and services to these clients. Keller (2008) emphasises that Brand Equity could benefit from sharper segmentation schemes that could lead to a more sustainable outcome. The Brand Equity perspective tends to have less financial consideration as the concept lacks a quantifiable financial effect to the bottom line. Review of the prior research provides empirical evidence of a relationship between Brand Equity and Shareholder Value; however this is a correlation rather than a driver of Shareholder Value (Bick, 2009).

2.3.7 Deductions from the Brand Equity Models

The CBBE and BVC models have commonalities. Both make reference to brand knowledge which creates a differential effect in the consumer's mind about a product or service. This effect simplifies the consumer's purchase decision amongst brands. Without dimensions of differentiation, the brand will not remain competitive and occupy a unique position and brand image in the mind of the consumer. Both models have a hierarchical or laddering effect which explains several drivers of Brand Equity. The lowest levels in both models relate to brand identity, salience and awareness. The second levels relate to brand meaning and brand associations. The third levels relate to brand judgements or attitudes and the higher levels relate to brand relationships and creating strong bonds with customers through resonance, loyalty and attachment.

Brand Equity is an intangible asset that drives market performance of the organisation which leads to an increase in Shareholder Value. Building Brand Equity requires investment in marketing programmes that target consumer's perceptions, attitudes and behaviour. The CBBE model fails to provide a link between building Brand Equity and its financial impact on market performance. The BVC model is a more appropriate model as it explains the entire value creation of brands from the initial marketing programme investment stage to the market performance and firm value stage. The CBBE model is only limited to the first two value stages of the BVC model. Consequently, Brand Equity is a critical focus for marketing practitioners. This leads us to the first research proposition.

Research Proposition 1: The rationale for building Brand Equity in South African organisations is because strong brands*:*

- attract and retain top employees (Keller, 2008)
- establish a unique positioning and brand image (Keller, 2008);
- contribute to larger margins by charging a price premium (Keller, 2008);
- make consumers less price sensitive (Leone et al., 2006);
- create an emotional response to purchasing (Keller, 2008);
- provide opportunities to grow the business by introducing new line and category extensions (Leone et al., 2006);
- increase Shareholder Value (Bick, 2009, Keller, 2008);
- place organisations in less vulnerable positions making it easier to respond to competitive marketing actions (Keller, 2008);
- develop the market by creating new geographic segments and channels (Ambler et al., 2002); and
- simplify the consumers purchase decision amongst brands (Keller, 2008).

2.4 Building Intangible Assets – Customer Equity

Customer Equity is a financial asset that organisations should measure, manage and maximise just like any other asset (Blattberg et al., 2001). Blattberg et al. (2001) describe the Customer Equity management process as a dynamic, integrative marketing system that uses financial valuation techniques and data about customers to optimise the acquisition, retention, and selling of additional products to a firm's customers, and that maximises the value to the company of the customer relationship throughout its life cycle. In other words, it is a method of calculating the asset value of an intangible concept: customer relationships. Blattberg et al. (2001) explain that in the past few decades management have focussed on cost management and revenue growth; however, Customer Equity management balances the two, creating market-based growth while carefully evaluating profitability and return on investment of the marketing investment.

2.4.1 Focusing on Customer Equity

The environment in which marketers operate is changing rapidly. There is a slight shift in many organisations' strategic focus from a product and sales philosophy to a more customer-centric culture which aims to retain profitable customers (Blattberg et al., 2001). Hence, many organisations are introducing customer relationship management into their programmes to manage and optimise these personal interactions. Marketing programmes focussing on Customer Equity plan to utilise advancements in information systems to help companies better manage and monitor their interactions with customers, and this focus will surpass and displace mass marketers (Blattberg et al., 2001). The major elements of the Customer Equity model are customer acquisition, customer retention and add-on selling as depicted in Figure 4.

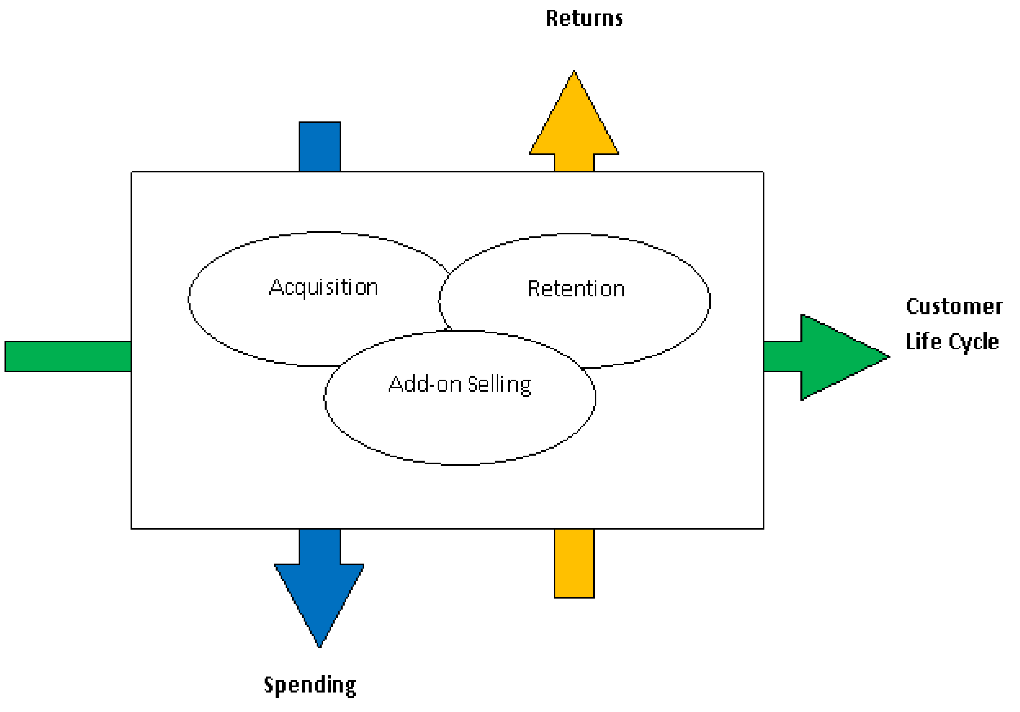

Figure 4 The Customer Equity Model (Blattberg et al., 2001)

Add-on selling should not be confused with cross-selling. Cross-selling depends on specific interactions or relationships between products, whereas add-on selling does not. Add-on selling is broader than cross-selling. An example of cross-selling is selling printers with computers, and an example of add-on selling is selling a computer with additional disk drives. Add-on selling requires the sales force to sell not only additional equipment but peripheral equipment and other relevant products and services.

For organisations that focus more on Customer Equity, Blattberg and Deighton (1996) emphasise six basic changes to marketing strategy and these are listed below.

- Marketing strategy, tactics and execution become customer-centric and not product-centric.
- The firm manages a customer life cycle. The marketing mix varies by stage in the customer life cycle.
- The firm manages a portfolio of customers balanced across acquisition, retention and add-on selling stages.
- The marketing output of the firm is quantifiable. Marketing is managed using the appropriate Customer Equity measures, and costs are balanced against financial returns.
- The firm communicates changes in the asset value of its customers through Customer Equity flow statements. The firm measures its customer assets through lifetime value.
- The firm organises around customer acquisition, retention and add-on selling.

Blattberg and Deighton (1996) highlight that companies such as McDonalds plan their marketing efforts focussed on their current customer base (retention) as it is easier and more cost efficient to convince these customers to purchase one's product frequently than focussing efforts on acquiring a new customer. Blattberg and Deighton (1996) emphasise that organisations should focus on maximising their Customer Equity by balancing acquisition and retention efforts properly and this should be what drives the company's entire marketing programme. Blattberg and Deighton (1996) suggest eight guidelines for maximising Customer Equity which are set out below.

1. Invest in high value customers first.
2. Transform product management into customer management.
3. Consider how additional sales and cross-selling can increase Customer Equity.
4. Look for ways to reduce acquisition costs.
5. Track Customer Equity gains and losses against marketing programmes.
6. Relate branding to Customer Equity.
7. Monitor the intrinsic retainability of the firm's customers.
8. Consider writing separate marketing plans or building two marketing organisations for acquisition and retention.

Similarly, another list compiled by Kumar et al. (2006) provides guidelines for maintaining an efficient customer management strategy:

1. Knowing the customer well to deliver superior value while maximising profitability of the firm.
2. Adopt a forward-looking metric such as CLV for superior decision making and customer management strategies. The authors show that customers who are selected on their lifetime value provide higher profits in future periods.
3. Select the high- and medium-CLV customers for future targeting.
4. Allocate the optimal marketing budget across different customers or distributors based on "future" revenue potential.
5. Sell the right product to the right customer at the right time.
6. Balance acquisition resources and retention resources and focussing on optimal spend.
7. Minimise churn of your high value customers or distributors.
8. Encourage single channel customers to become multichannel customers.

To conclude, the key to long-term marketing success is to create strong bonds with customers. Kotler and Keller (2009) list seven considerations which appear below for organisations that help form strong relationships with their customers:

- Create superior products, services and experiences for the target market.
- Get support across various departments in planning and managing customer satisfaction and retention.
- Integrate the “voice of the customer”, his/her stated and unstated needs or requirements in all business decisions.
- Organise and make accessible a database of information on individual customer needs, preferences, contacts, purchase frequency and satisfaction.
- Make it easy for customers to reach appropriate company personnel and express their needs, perceptions and complaints.
- Assess the potential of frequency programmes and club marketing programmes.
- Run award programmes recognising outstanding employees.

This list covers topics in client segmentation, customer surveys, customer acquisition and retention, customer relationship management and loyalty programmes. So there are a number of different elements that come in to play when creating strong bonds with customers that help to build Customer Equity.

Kumar and George (2007) assert that the value of Customer Equity is not measured by the profit from each transaction but by the total profit that the firm earns from the customer for the duration of the firm-customer relationship. The customers are therefore seen as intangible assets, which mean that managing the firm-customer relationship more profitably through customer-specific marketing actions and determining their precise value prove to be difficult. The next section describes the two approaches outlined by Kumar and George (2007); the aggregate level and the disaggregate level.

2.4.2 Measuring Customer Equity

Kumar and George (2007) describe two approaches to measuring Customer Equity, the aggregate level and the disaggregate level. The aggregated method uses a top-down approach by utilising aggregated data; segment or firm level data to compute the average lifetime of a customer or the average customer lifetime value. Kumar and George (2007) explain that this average is multiplied by the number of customers to arrive at Customer Equity. Contrary to this, the disaggregated approach is bottom up, utilising each individual's Customer Equity for all existing customers and then summing the lifetime value of all customers.

One of the aggregated approaches proposed by Rust et al. (2004b) define the Customer Equity concept in financial terms as the discounted lifetime values of a firm's customer base. This Customer Equity model consists of the three components shown below.

1. **Value equity** is the customer's objective assessment of the utility of a brand based on perceptions of what is given up for what is received. The three drivers of value equity are quality, price and convenience.
2. **Brand Equity** is the customer's subjective and intangible assessment of the brand, above and beyond objectively perceived value. This definition differs from the CBBE model which places emphasis on the differential response that strong brands have over the consumer's purchase decisions. The three key drivers of Brand Equity are narrowly defined as brand awareness, customer brand attitudes, and customer perception of brand ethics.
3. **Relationship / retention equity** is the customer's tendency to stick to one brand, above and beyond objective and subjective assessments of the brand. Relationship equity is driven by several key marketing programmes: loyalty, special recognition and treatment, affinity, community building and knowledge building.

These three components vary in importance for different organisations and industries. For example, the Brand Equity component will play a prominent role in industries that sell products to consumers who require low involvement and simple decision making. In a business to business setting, Value Equity is more important as more attention will be paid to price, quality and convenience for business purchases. The third component, retention equity, will be more important to companies that sell goods and services to the same customer. To build Customer Equity, marketing programmes should focus on growing the lifetime value of these customer relationships. Marketing practitioners are able to build Customer Equity through the following initiatives:

- customer retention activities;
- cross-selling activities;
- customer acquisition activities.

All these activities contribute to customer lifetime value (CLV), which is the profit that accrues to a company from transactions with current customers during the time that the customer has a relationship with the company. To spur growth in the business, marketers invest in customer acquisition strategies to attract high value prospective customers. To ensure a long-term payback during the customer’s lifetime, marketers introduce retention strategies such as loyalty and leasing programmes.

There has been an extensive amount of in-depth research conducted on customer valuation, and academics have suggested various approaches and the value may vary dependant on the type of approach. Kumar and George (2007) suggest that one should use a consistent approach when comparing two firms and propose a new integrated approach using the two methods. Table 4 in Appendix E outlines five methods of measuring Customer Equity researched by various academics. Marketing practitioners may need to consider the following when selecting which is the best method to use to measure Customer Equity:

- availability of large amounts of longitudinal data in the organisation and the data requirements (i.e. large number of variables);
- omits network effects and competition;
- take into account assumptions that are built into the models;

- nature and difficulty of measuring intangible assets;
- the accuracy of the metrics;
- the scope of the metric in formulating individual, customer-level and firm-level strategies'
- correctly identifying the drivers of Customer Equity in the organisation;
- cost involved in conducting surveys and building cost models; and
- ease and time of implementation.

To help firms effortlessly select the best measure taking into consideration their situation and all the points mentioned earlier, Kumar and George (2007) present a flow chart which provides a step by step solution to help marketing practitioners choose the right measure. The flow chart is discussed in more detail in a later section.

2.4.3 Drivers of Customer Equity

Kumar and George (2007) list the drivers of Customer Equity based on the five methods of measuring Customer Equity. Table 5 in Appendix E lists the drivers of Customer Equity for each of the five measurement methods. Organisations should aim to optimise marketing effort to improve the drivers of Customer Equity resulting in maximisation of the asset value of the customer which is known as the customer lifetime value. Organisations that maximise their Customer Equity can be a source of competitive advantage and this can improve the organisation's performance (Kumar and George, 2007).

Kumar and George (2007) have a strong reason to believe that maximising Customer Equity by adopting the appropriate Customer Equity management practices will become the key to the success of firms in the long run. Implementing customer level strategies such as optimal resource allocation, purchase sequence analysis, and balancing acquisition and retention spending maximises Customer Equity at the disaggregated level.

2.4.4 Benefits of building Customer Equity

The benefits of building Customer Equity are similar to the Brand Equity perspective. As mentioned earlier, building Marketing Equity leads to greater customer loyalty and earning larger margins by retaining as many profitable customers as possible. The benefits of using the Customer Equity perspective as outlined in both Keller (2008) and Kotler and Keller (2009) are that it focusses on bottom line financial value and has clear quantifiable financial measure of financial performance. Organisations that focus on this perspective have developed detailed customer analysis, and through the various methods of measuring Customer Equity, marketers are better equipped to formulate strategies that improve Customer Equity at the Customer, Segment or Firm Level. Kotler and Keller (2009) indicate that this analyses also focusses on sharper forms of segmentation at the customer level, by focussing on the organisation's most profitable customers. By doing this, marketing practitioners are encouraged to develop personalised, customised marketing programmes for individual customers. The Customer Equity perspective also places additional emphasis on Customer Relationship Management.

2.4.5 Weaknesses in the Customer Equity concept

The Customer Equity perspective has limitations with regards to go-to market strategies. An example of this is one-to-one marketing where it is difficult and costly to develop customised programmes related to products and pricing. Leone et al. (2006) highlight that a firm's ability to offer such customised relationships depends on the nature of its distribution relationships. The Customer Equity perspective ignores the power of brands to attract higher quality employees, elicit strong support from channel members in the supply chain and the opportunity to grow the firm by introducing new product categories and line extensions in the marketplace by relying on prior consumer brand knowledge.

The lack of branding programmes can result in the neglect of the importance of perceived quality which encourages channel member interest. Focussing too heavily on Customer Equity can also weaken the organisation's response to anticipating the competitor's countermoves in the marketplace. For organisations that supply retailers, organisations with strong brands are in a better position to negotiate distribution costs because these suppliers provide more value for retailers, as the supplier's brands attract more consumers into the store. For those organisations that use 1) channel members for their distribution, and have 2) direct market access, a combination of Customer Equity and Brand Equity initiatives is beneficial and complementary to creating value for the retailer and the end consumer.

A weakness of focussing more effort on Customer Equity, as stated in Keller (2008), is that it reduces the value of building a strong brand and organisations tend to be less prescriptive about the specific marketing guidelines as organisations focus on customer acquisition, retention and cross-selling only. Where Brand Equity considers the competition and the positioning of the organisation's brand in relation to its competitors, the Customer Equity concept ignores consumer and market dynamics. Doyle (2000) emphasises that the lack of Brand Equity in marketing programmes can result in risks of one's product being commoditised and in turn the organisation is at risk of losing its sustainable competitive advantage in the marketplace.

2.4.6 Deductions from the Customer Equity Models

There are several models to measure Customer Equity. These models differ from one another in terms of their data requirements, expected benefits, metrics to track, costs involved and ease and time of implementation. Table 6 in Appendix E shows the advantages and disadvantages for selecting the aggregated vs. disaggregated approach. Table 7 displays the costs and ease of implementation across the five models. Organisations should have an in-depth understanding of the different type of approaches for measuring Customer Equity, as this will enable them to adopt the correct approach given the objectives of the firm and the data that is available.

Kumar and George (2007) have provided guidelines (see Figure 6 in Appendix F) as to which model to use that best suits the organisation's needs and the decision on which approach to use should be driven by the objectives rather than the data that is available. Cost considerations, the type of transaction data that is required or the expected benefits may be a deciding factor when selecting a particular approach. Marketers need to bear in mind that all Customer Equity models involve assumptions that may not reflect real life scenarios and may oversimplify reality.

Drivers of Customer Equity stated in Venkatesan and Kumar (2004) include purchase frequency, contribution margin and marketing costs. Whilst in Rust et al. (2004b) aggregated approach, building relationship equity is driven by several key marketing programmes such as membership in loyalty programmes, affinity programmes, special recognition programmes and community / knowledge building programmes. This leads us to the second research proposition.

Research Proposition 2: The rationale for building Customer Equity in South African organisations is because high Customer Equity:

- is a determinant of long term profitability and sustainability (Doyle, 2000);
- has clear quantifiable financial effects and emphasises the bottom line financial value created from customer retention, acquisition and add-on selling programmes (Keller, 2008);
- focusses on sharply segmenting the client base by client profitability (Lemon et al., 2001);
- increases Shareholder Value (Bick, 2009);
- offers opportunities to cross-sell (Blattberg et al., 2001);
- fosters customer loyalty through customer loyalty programmes Rust et al. (2004b);
- is beneficial to customer relationship management (Blattberg and Deighton, 1996);
- encourages customer profiling and customer research Kotler et al.(2009); and
- has a perception of high switching costs for the consumer (Rust et al., 2004a).

2.5 Focus areas for marketing programmes

2.5.1 Relationship between Brand Equity and Customer Equity

The two concepts, Brand Equity and Customer Equity are highly interrelated. The following examples of Brand Equity building frameworks provide evidence of strong links between these two concepts. As explained earlier, the Customer-Based Brand Equity (CBBE) model describes building Brand Equity from the perspective of the consumer. The power of brand knowledge lies in the mind of the consumer and the consumer's response is dependant on the effective marketing of the brand. The highest level of the model, brand resonance, explains the relationship that the consumer has with a brand, and the branding objective at this stage is focussed on the creation of intense customer loyalty to the brand. Similarly, stage 2 of the Brand Value Chain is focussed on the effectiveness of marketing activities that have a hierarchical effect on consumer behaviour, with the end goal being strong brand attachment with loyal customers. Brand Equity therefore describes the more psychological effect that takes place inside the consumer's mind: both positive emotional feelings and rational thoughts.

When analysing frameworks that build Customer Equity, there is evidence of another strong link between Customer Equity and Brand Equity. Blattberg and Deighton (1996) propose as one of their guidelines to maximising Customer Equity the importance of relating branding to Customer Equity. Another example is evident in the aggregated Customer Equity model presented by Rust et al. (2004b) who state that Customer Equity consists of three constituents; value equity, Brand Equity and relationship / retention equity. Bick (2009) explains that Brand Equity and Customer Equity are not mutually exclusive and that they do overlap in some key areas. Ambler et al. (2002) suggests that both brands and customers overlap and grow in the following four areas:

- acquiring new customers for current offerings;
- ability to encourage cross buying from current customers;
- ability to charge a price premium for its products and services; and

- reduced marketing costs.

The Brand Asset and Customer Asset perspective (Ambler et al., 2002) in Figure 5 depicts the benefits to marketers if they focus on building one of the two marketing intangible assets; the brand, the customer or both. Brand Equity is generally consistent with associations of the physical product which organisations are responsible for delivering, superior and differentiated offerings to meet or exceed the needs of the targeted consumer segment. Thus, Ambler et al. (2002) relate the Brand Equity concept to the consumer durables and non-durable sectors of the economy. Ambler et al. (2002) explains that shifts from product-based manufacturing economies to service-based economies are influencing organisations to shift their focus to Customer Equity.

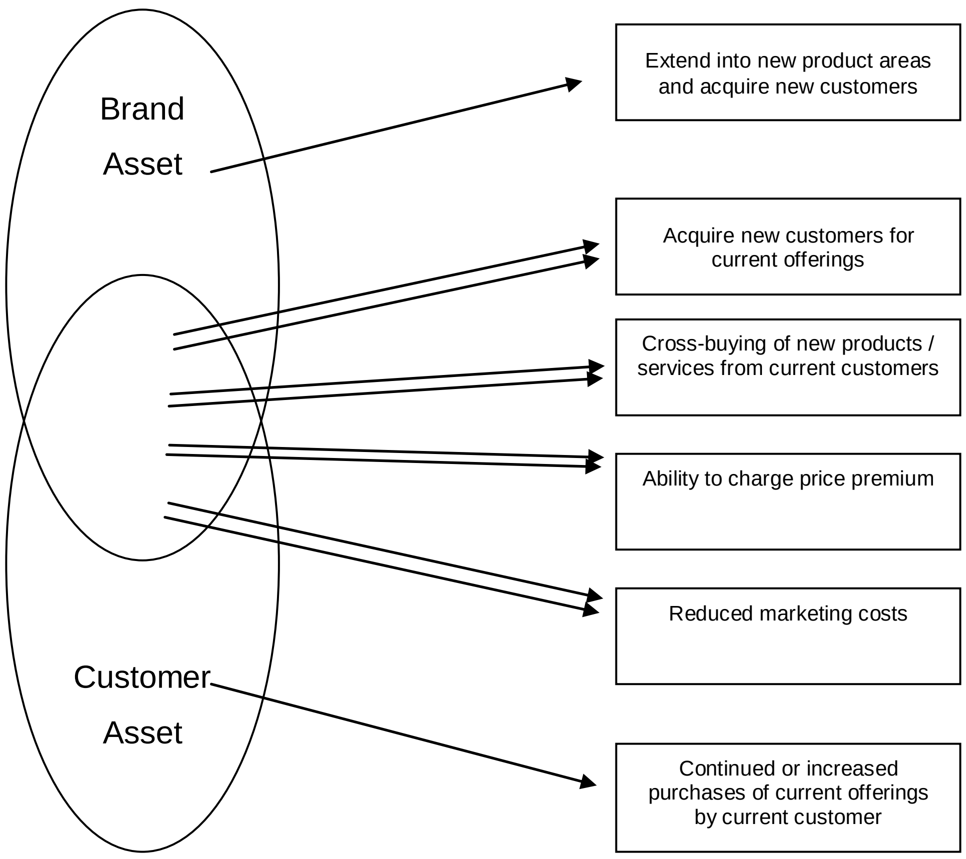

Figure 5 Brand Asset and Customer Asset Perspective (Ambler et al., 2002)

Leone et al. (2006) describe the Brand Equity and Customer Equity relationship as being related and inextricably linked. In practice Leone et al. (2006) suggest that the two perspectives are complementary notions that emphasise different considerations. So even though Brand Equity and Customer Equity have distinct differences, the two are also highly related. An example of retailers, used by Leone et al. (2006), emphasises the link between Brand and Customer Equity. Brands act as “bait” for the customers they want to attract; hence retailers assemble an attractive brand portfolio to establish a profitable customer franchise. As the dynamics in the supply chain change, power is shifting downstream to retailers who place more emphasis on both Brand Equity and Customer Equity perspectives.

Keller et al. (2006) state that prior academic research has collectively improved the understanding of brands and that Brand Equity is closely linked to Customer Equity. Keller (2008) explains that Brand Equity success is driven by customers, but brands are the necessary “touch point” for organisations to connect with their customers. The Customer-Based Brand Equity model by Keller (2001) also sets out to explain the relationship between these two concepts. Brands create the value that elicits a customer response to marketing activities which commands a higher price premium for goods and services. In turn, increased levels of loyalty engendered by brands generate incremental cash flows which create and build Customer Equity. Many marketing activities will increase Customer and Brand Equity; however, Brand Equity places more emphasis on the “front end” of marketing programmes, whereas Customer Equity tends to attach more importance on the “back end” of marketing programmes.

From a financial perspective, Bick (2009) highlights that Brand Equity and Customer Equity utilise net present value for future profit streams which is discounted at an appropriate rate, to ascertain the value for each. The key difference is that the model for Customer Equity is based on the whole profit stream from individual consumers across all brands. Brand Equity on the other hand, utilises a portion of the profit stream which is based on individual brands across all customers. Therefore, Customer Equity has the potential to exceed the Brand Equity value (Bick, 2009).

According to Doyle (2000) organisations that invest in both types of marketing assets have the ability to generate long-term profits. Marketing assets consist of the following categories: brands, market knowledge and customer and partner relationships. By investing in marketing assets, the most important source of Shareholder Value, organisations can manage and build a brand which engenders customer loyalty and attracts and retains profitable customers who are prepared to pay premium prices for their goods and services.

Doyle (2000) also comments on these changing industrial structures. In recent decades the service sector economy has grown at least twice as fast as manufacturing output. The service sector growth is driven by the rise in living standards. This phenomenon will continue as number of services increase in the information and knowledge age. With the growth in the service sectors such as insurance, credit cards, telecommunications, banking and hospitality, the Customer Equity concept gains prominence in marketing programmes. Organisations are beginning to recognise and realise that they need to focus on developing strong relationships with current customers. Customer focussed activities involve segmenting clients according to profitability which allows organisations to differentiate their service and in turn supports client acquisition and retention activities (Lemon et al., 2001).

2.5.2 Differences in Brand Equity and Customer Equity

According to the American Marketing Association (2004), marketing is defined as "*an organisational function and set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and stakeholders*". Doyle (2000) defines the changing role in marketing which focusses on developing relationships with valued customers and creating a competitive advantage for the organisation.

To increase Shareholder Value, a shift has occurred from traditional transactional marketing to relationship marketing. Relationship marketing is the strategic management of relationships with all relevant stakeholders (investors, employees and channel members). Customer acquisition and retention strategies have thus moved to the top of marketers' agendas as a useful method to create bottom line financial value for the organisation. Defining and managing this Customer Equity building process in organisations improves and maximises customer relationships. Thus, the goal in marketing is to identify market opportunities and to attract and build profitable customer relationships with goods and services that promise superior value.

By focussing on building the brand, organisations can create a sustainable competitive advantage which can be difficult to achieve if organisations only focus on the Customer Equity perspective. In a noisy marketplace, organisations with strong brands can easily differentiate their goods and services from those of the competition. The brand facilitates the consumer's decision making process and over time the consumer tends to develop a predisposition to buy the organisation's branded products or services. This type of organisation has an opportunity to create future cash flows based on its ability to create a competitive advantage.

Relating back to the Brand Asset and Customer Asset perspective (Ambler et al., 2002) in Figure 5 , if marketers focus exclusively on building the brand asset, it enables the firm to extend into new product lines and categories and new geographic markets more easily as the organisation has an established brand name. Alternatively, if marketers focus exclusively on building the customer asset, the firm has the ability to continue to increase purchases of the current offering to existing customers through the following programmes: customer loyalty, special recognition and treatment, affinity, community building and knowledge building.

2.5.3 The Brand Equity and Customer Equity Trade-off

Creating Shareholder Value is dependant on marketing practitioners investing in Brand Equity and Customer Equity to achieve returns for the organisation; the net present value of all future cash flows. The management function should seek to maximise returns for shareholders by developing relationships with valued customers (Customer Equity) and creating a sustainable competitive advantage (Brand Equity). Marketing practitioners should also not forget to manage their internal stakeholders and communicate the benefits that the marketing function provides to the organisation.

Prior research suggests that focussing on either Brand Equity or Customer Equity or a combination of the two is different for particular industries. The research of Kerin and Sethuraman (1998) shows that in the consumer goods industry, Brand Equity tends to be a major marketing focus and that there is empirical evidence that correlates brand value and Shareholder Value. Similarly, Rust et al. (2004a) introduce the return on marketing model, a broad framework for evaluating return on marketing based on Customer Equity as an important marketing driver in services. The model enables marketers to be financially accountable and to trade-off strategic marketing investments that offer the highest projected financial return.

Bick (2009) provides two diagrams that depict the trade-off positions between Brand Equity and Customer Equity. The first diagram (see Figure 6) is a spectrum with Brand Equity dominance at the one end and Customer Equity at the other. The marketing equity spectrum has limitations in relation to the choice of Brand Equity and Customer Equity options having equal dominance. Hence, the 2x2 matrix (Figure 7) accommodates the high or low Brand Equity and high or low Customer Equity options, and hence firms can hold a position in any one of the four quadrants.

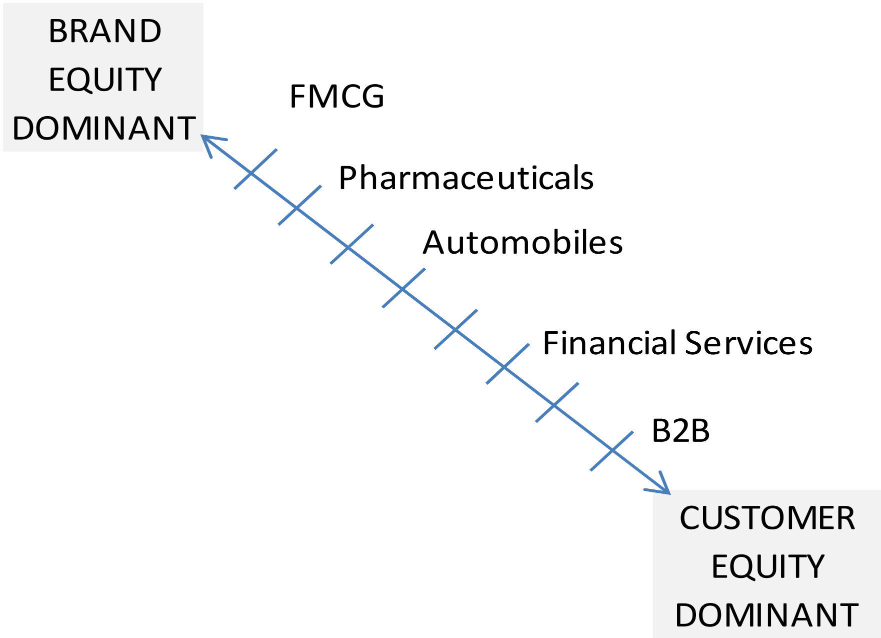

Figure 6 Marketing Equity Spectrum (Bick, 2009)

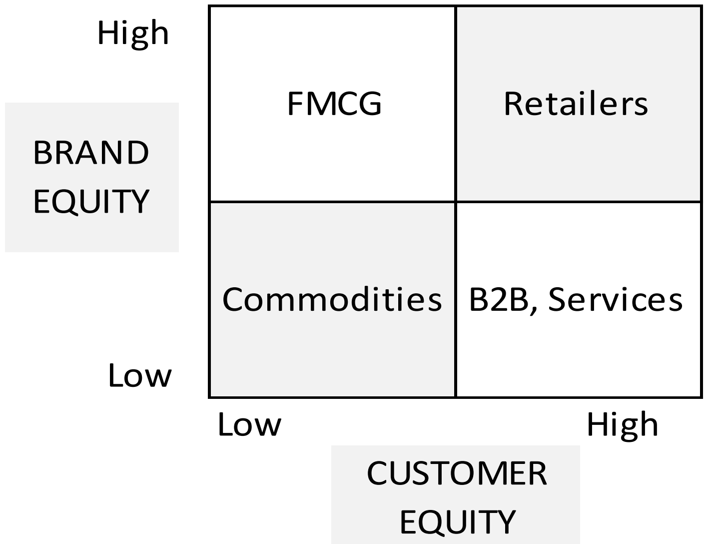

Figure 7 Brand Equity and Customer Equity trade-offs (Bick, 2009)

Bick (2009) highlights seven key determinants that may influence and explain the marketing manager's choice in relation to Brand Equity vs. Customer Equity trade-off decisions.

- Firstly, organisations that tend to have direct contact with the customer will focus on Customer Equity. Organisations that are removed from direct interaction will tend to focus on Brand Equity. As mentioned earlier in the literature review, technological advancements have allowed certain industries to get closer to the customer and as such industries are now choosing to focus on Customer Equity.
- Secondly, organisations with a high fixed cost structure for production and low costs to serve the customer should focus on Brand Equity. Conversely organisations with low fixed costs but high costs involved in serving the customer should focus on Customer Equity.
- Thirdly, organisations that have strong technological capabilities that house well developed CRM databases and systems should focus more on Customer Equity.
- A fourth is strategic focus. Organisations in the start-up phase, which have a highly innovative product concept that provides a competitive advantage, would be best suited to following a Brand Equity focus. For organisations that operate in a mature market, focussing on Customer Equity would be more appropriate to ensure the organisation retains loyal customers and reduces its customer churn.
- The fifth determinant is strategic choice. Organisations can also choose to be different and select a competitive strategy that is traditionally not followed in the industry to compete differently with other organisations in the industry.
- The sixth is based on time horizons. Brand Equity is suited to front-end programmes and Customer Equity is suited to back-end or later stages in the marketing programmes.
- The seventh determinant is whether marketing is transaction or relationship based. Organisations that manufacture goods tend to focus more on Brand

Equity compared to those organisations that supply services and would therefore tend to focus on Customer Equity.

As mentioned earlier, choosing Brand Equity over Customer Equity or vice versa has both advantages and limitations. Brand Equity has strong go-to-market strategies, however, Customer Equity focusses on bottom line financial value that can be extracted from customers. Brands help attract the customers and the customers serve as tangible profit engines for the brand (Bick, 2009). This leads us to the following research propositions.

Research Proposition 3: The following marketing factors influence the marketer's decisions as to whether to focus their marketing investments on Brand Equity or Customer Equity or both:

- interactivity with end customers (Bick, 2009);
- high marketing costs allocated to serving the customer (Bick, 2009);
- organisation has relational client databases (Bick, 2009);
- start up or mature phase of the business (Bick, 2009);
- organisation offers a highly innovative product (Bick, 2009);
- the brand or customer relationships are a differentiating factor (Bick, 2009);
- marketing programme is at the front end/early stage or back end/later stage (Bick, 2009); and
- transactional, product focussed marketing approach or relationship, customer focussed marketing approach (Bick, 2009).

This leads us to the Research Proposition 4: Marketing practitioners based in different South African industries trade-off Brand Equity for Customer Equity when making marketing investments.

2.6 Conclusion of Literature Review

To conclude, the literature review section reveals that marketing practitioners should consider focussing on building both Brand Equity and Customer Equity when designing marketing programmes. The two concepts should operate in tandem to maximise the benefits arising from investing in both marketing assets as explained in the Ambler et al. (2002) model. Investing in both types of intangible assets provides several benefits for the organisation and the customer. The literature review presents various frameworks and models linking Shareholder Value (market to book value) to the intangible asset value (customer lifetime value, Brand Asset Valuator®, Interbrand's annual valuation in Business Week magazine) of the firm. This correlation is an important one; as it provides financially accountability to marketing professionals' strategic investment decisions with respect to creating Shareholder Value. Further, research will be conducted to ascertain whether the Brand Equity vs. Customer Equity trade-off matrix is the appropriate model to use to identify the positioning of different industries in South Africa.

3. RESEARCH PROPOSITIONS

3.1 Introduction

The propositions set out below are derived from the literature review. They are categorised based on the problem statement in the introduction and will be further examined in the interpretation of findings of the ensuing research.

3.2 Research Proposition 1

The rationale for building Brand Equity in South African organisations is because strong brands:

- attract and retain top employees
- establish a unique positioning and brand image;
- contribute to larger margins by charging a price premium;
- make consumers less price sensitive;
- create an emotional response to purchasing;
- provide opportunities to grow the business by introducing new line and category extensions;
- increase Shareholder Value;
- place organisations in less vulnerable positions making it easier to respond to competitive marketing actions;
- develop the market by creating new geographic segments and channels; and
- simplify the consumers purchase decision amongst brands.

From the literature review Leone et al. (2006) list several benefits that derive from brand building initiatives. These initiatives create greater customer loyalty and contribute to larger margins. Loyal customers are less sensitive to price increases for branded products which protects the firm from falling prices. Strong brands offer more opportunities to expand the business as it is easier to introduce new line and category extensions into the marketplace with an established brand. Hence, the longevity of the brand thrives owing to accumulated brand building initiatives over the years. In a competitive marketplace, brands place organisations in less vulnerable positions making it easier to respond to competitive marketing actions. The stronger the brand, the less risk there is. This encourages healthier long-term cash flows which are discounted at lower rates resulting in higher firm valuations and most importantly increasing Shareholder Value.

3.3 Research Proposition 2

The rationale for building Customer Equity in South African organisations is because high Customer Equity:

- is a determinant of long term profitability and sustainability;
- has clear quantifiable financial effects and emphasises the bottom line financial value created from customer retention, acquisition and add-on selling programmes;
- focusses on sharply segmenting the client base by client profitability;
- increases Shareholder Value;
- offers opportunities to cross-sell;
- fosters customer loyalty through customer loyalty programmes;
- is beneficial to customer relationship management;
- encourages customer profiling and customer research;
- has a perception of high switching costs for the consumer;

From the literature review, Bick (2009) suggests that Customer Equity is a more inclusive indicator of the value of the organisation compared to Brand Equity. This is also supported by Keller (2006) who states that Customer Equity can be shown to be the sum of profit arising from selling equivalent generic products as well as additional value from branded products. However, the Brand Equity value is smaller as it is derived from a limited set of branded products only. The Customer Equity concept is a new approach to marketing and corporate strategy and is certainly the most important determinant of long term value of the firm, as current customers are a reliable source of future revenues and profits. Keller (2008) asserts that the Customer Equity concept analyses detailed customer information that places emphasis on the bottom line financial value created from customer retention, acquisition and add-on selling programmes. By firms focussing on sharply segmenting their client base according to client profitability, the firm is able to maximise Customer Equity to ensure long-term profitability and in turn increase Shareholder Value.

3.4 Research Proposition 3

The following marketing factors influence the marketer's decisions as to whether to focus their marketing investments on Brand Equity or Customer Equity or both:

- interactivity with end customers;
- high marketing costs allocated to serving the customer;
- organisation has relational client databases;
- phase of the business (start up or mature phase);
- organisation offers a highly innovative product;
- the brand or customer relationships are a differentiating factor;
- marketing programme is at the front end/early stage or back end/later stage; and
- transactional, product focussed marketing approach or relationship, customer focussed marketing approach.

Bick (2009) proposes seven key determinants that may influence whether marketers choose to focus on building Brand Equity or Customer Equity in their organisation. The type of products offered or industry may also determine which concept marketers focus on more (Bick, 2009). The research findings will provide further insights into how marketing management decide on which areas to focus on when building intangible assets, and whether the characteristics of their particular industry are a determinant of their decisions.

3.5 Research Proposition 4

Marketing practitioners based in different South African industries trade-off Brand Equity for Customer Equity when making marketing investments.

Firms can have a high or low Brand Equity and high or low Customer Equity. Based on the trade-off matrix introduced by Bick (2009), organisations are faced with four investment options from which they can choose. The research will set out to explain why various South African industries choose to invest in one of the four quadrants and whether the abovementioned determinants provide valid reasons for having more of a Brand Equity focus or more of a Customer Equity focus.

4. RESEARCH METHODOLGY

This section explains the methodology that was used to conduct the research.

The research methodology section comprises of the following:

- explanation of the research methodology and approach;
- a review of the research design;
- the table of the population;
- appropriate sampling method;
- description of the structure and content of the research instrument;
- a procedure for data collection, analysis and interpretation;
- limitations that existed during the data collection, analysis & interpretation; and
- validity and reliability of the study.

4.1 Research methodology / paradigm

The research approach used a combination of quantitative and qualitative methods. The survey questionnaire contained a combination of both open and closed questions. Cresswell (2003) described the quantitative approach as primarily reducing the theory in the literature reviews into specific variables and research proposition statements which enabled the researcher to measure, observe and test the stated theory. The data that was gathered from the survey and the answers to the proposition statements were analysed. The quantitative data was close-ended questions with predetermined values and was based on numeric data.

Cresswell's (2003) description on the qualitative approach suggested that multiple meanings of the marketing professional's perceptions would exist on the particular topic and the findings would describe different perspectives from various South African industries. Qualitative data tends to be derived from open-ended questions which produces more textual data and may reveal emerging approaches not revealed in quantitative data. The research was conducted using a combination of experimental and narrative designs.

The research instrument measured the attitudes and perceptions of marketing practitioners concerning how they choose to focus on building Brand Equity and/or Customer Equity in their marketing programmes to increase Shareholder Value. Through open-ended interview questions the research revealed whether marketing practitioners in particular areas choose to focus more attention on one of these concepts. The research discussed the relationship between Brand Equity and Customer Equity and where South African organisations from different industries are focussing their marketing efforts.

To answer the proposition statements in a comprehensive manner, a mixed method design was used. The research design aims to capture the best of both the qualitative and quantitative approaches. Cresswell (2003) explains that the mixed method approach consists of pragmatic knowledge claims which consists of quantitative and qualitative data. This type of approach provides the researcher with diverse types of data that seek to gain a deeper understanding of the proposition statements. The quantitative research approach was chosen to select which marketing activities play an important role in building Brand Equity and Customer Equity. The questionnaire was designed so that the results would provide a measure for the respondents' attitudes and ratings along the marketing equity matrix. Additional data on the population in general and information from qualitative questions provided detailed viewpoints of the concepts which present further explanation to the quantitative findings.

4.2 Population and sample

The population consisted of all marketing practitioners who are employed at South African companies. Many of these companies are listed on the Johannesburg Stock Exchange (JSE). These practitioners have the responsibility for the budget allocations for their respective marketing programmes and the investment decisions relating to marketing assets; both brand and customer.

4.2.1 Sample and sampling method

The sampling method was a convenient sample that followed a three-pronged approach which is described below.

- Firstly, the sample comprised Chartered Marketers who are members of the Marketing Association for South Africa and the WITS Alumni database. Members were contacted through the Marketing Association's database and through the WITS Business School.
- Secondly, a target list of the larger firms on the JSE was drawn up and the researcher adopted direct calling methods to arrange personal interviews with respondents.
- Thirdly, the researcher leveraged off family, friends and business school networks to arrange meetings with prospective respondents. The minimum sample size was 60 respondents.

Table 8 in Appendix E provides a breakdown of the sampling method.

4.3 Procedure for data collection

Prior to conducting the research, pilot interviews were conducted with several marketing practitioners. The purpose of this pilot test was to check if any questions on the survey were unclear, if questions were poorly worded or misunderstood. In this instance, minor adjustments were made to the research instrument. Once the pilot phase had been completed, prospective respondents were contacted to arrange face-to-face interviews at their offices or alternatively interviews were conducted over the phone. A list of prospective respondents was used as a basis from which to conduct comprehensive personal interviews. When arranging time for the interview, prospective respondents were informed of the purpose of the research and were asked to confirm whether they were responsible for the marketing investment decisions in the organisation. This ensured that they had the ability to articulate meaningful answers to the questions contained in the research instrument. Prior to commencement of the interviews, the researcher requested permission from prospective respondents to record the interview and take brief hand written notes. An online survey was designed and set up for those respondents who were based outside of Johannesburg.

Table 9 in Appendix E provides a breakdown of the method of responses.

Kotler and Keller (2009) states that personal interviews are the most versatile method as the researcher can ask more questions and record additional observations about the respondent such as dress and body language, as well as the office setting. Personal interviews are the most expensive method of research; they are subject to interviewer bias and require administrative planning and supervision. All interviews were arranged interviews where respondents were contacted for an appointment. Kotler and Keller (2009) suggest that telephone interviews are the best method for gathering information quickly and the researcher is able to clarify questions if respondents do not understand them.

Online interviews were conducted through a website called Survey Monkey (www.**surveymonkey**.com) which provides a useful platform for the researcher to create and publish online surveys and view responses in real time. Online research is growing in popularity and in the US it makes up 33% of all survey based research. The disadvantage of collecting online responses is that the researcher receives very limited information compared to a personal or telephone interviews where marketing practitioners find it easier to engage in dialogue with the researcher and thus have additional time to share detailed information, particularly with the open ended questions. As for the quantitative questions, respondents who participated in personal interviews provided an explanation for their particular quantitative ratings. With online responses the information garnered from the website was very limited with little depth in their responses.

4.4 Data analysis and interpretation

The qualitative information for question 3, question 6 and question 7 from the personal interviews was transcribed and categorised into key themes and formed the basis to prove and substantiate whether each research proposition was supported or not. The interviewee's qualitative responses can be accessed under Appendix D.

Content analysis was conducted on the qualitative data which seeks to investigate the why and how of management's decision making, was analysed using a system prescribed in Huberman and Miles (1983). When analysing large amounts of qualitative data and narrative text, three linked stages were used to deal with the problem of data overload. These were data reduction, data display and the drawing and verification of conclusions.

Prior to data reduction, the raw data was cleaned to eliminate any invalid responses or results with extreme outliers. The first stage was data reduction which continuously occurs from the data design, to data collection, and through to the write up stages. This stage was characterised by analysis of the form which "sharpens, sorts, focusses, throws away, organises and clarifies data in such a way that final analysis can occur coherently" (Huberman and Miles, 1983).

Data summaries and coding were used to reduce, aggregate and partition the data without distorting or oversimplifying the results and also considering alternate analytic and reductive approaches to the ones that were initially used. In the data display stage, considerations relating to how the findings from the research would be formatted and displayed in different modes such as narrative text, figures and matrices were determined. In most cases the findings from the quantitative data are represented in matrices and graphics and the qualitative data in narrative text in Appendix D. The conclusions and the drawing of meaning from the data were conditioned by the display modes that were chosen (Huberman and Miles, 1983).

Key terms and themes were identified and presented across all the interviews. A compare and contrast analysis was carried out to note any patterns and trends. Triangulation, mentioned by Kalof and Deitz (2008) helped offset the limitations of any of the other approaches and verify key findings in the study. The purpose of triangulation was to increase the credibility and validity of the results by comparing quantitative and qualitative findings.

4.4.1 Distribution-Fitting Rescaling analysis

On completion of all the scheduled interviews, quantitative data was captured, collected and stored in an Excel spreadsheet. The responses to the quantitative questions in the questionnaire used a 10-point and 5-point Likert scale. The data was rescaled using Distribution-Fitting Rescaling analysis as the original ordinal data cannot be assumed to behave in equal intervals (Stacey, 2005). Rescaling allows for numerical manipulation and statistical analysis to be performed. The distribution fitting method has demonstrable improvements in accuracy and validity as compared to other methods.

4.5 Limitations of the study

The research relies on a minimum number of respondents agreeing to participate in the survey, and the results of the survey may be weak due to the small sample size and the heterogeneity of the sample. The sampling method is also unbalanced and may pose a risk of not being truly representative of the population. A maximum of 58 respondents have been listed in the sample population table in appendix D. Due to a relatively small sample size, industry positioning cannot be proved as the spectrum of industries did not have the required depth in data. If there was a depth in the data, a more sophisticated technique such as correspondence analysis should be carried out. The findings were more of an illustrative example and do not represent a definitive industry positioning. Low participation rate in the survey questionnaire may be due to the following reasons:

- lack of interest in the topic or research;
- respondents had limited time available in the busy work day to participate;
- company policy may not allow them to participate;
- last minute cancellations of the personal interview.

Every effort was made to ensure that respondents honoured their agreement to participate in the survey.

4.6 Validity and reliability

When the research questionnaire was designed there was a risk that the research would fail to measure things accurately. Examples of these failures included:

- poor measurement and design of research; and
- research bias.

According to Kalof (2008), validity is concerned with congruence or “a goodness of fit” between the details of the research, the evidence and the conclusions drawn by the researchers.

4.6.1. External validity

Kalof (2008) defines external validity as the ability to generalise from a study to a larger population. From the relatively small population size of over 50 organisations, Kalof (2008) explains that it would not be possible to use the findings as a generalisation for the entire population. Therefore the findings have very limited external ability due to the limited size of the sample.

4.6.2. Internal validity

Kalof (2008) defines internal validity as the means that the study draws appropriate conclusions from the data at hand. To ensure that the research instrument contained all the necessary questions from which to draw appropriate answers to each sub-problem statement, all question numbers were referenced under each sub-problem statement in a consistency matrix.

As there were limitations upon the number of respondents available in each industry, the survey reflected marketing professionals’ perceptions in particular industries only. Another threat to internal validity discussed in Kalof (2008) is drawing causal inferences incorrectly. In the study, this researcher inferred that building Brand Equity and/or Customer Equity increases Shareholder Value. As there is an absence of randomisation in the experiment, Kalof (2008) advises that researchers must always have some concern with alternative explanations.

Sampling bias is evident as there is a difference between what the researcher observed in the sample data and what she would have observed if she had collected data from the entire population. As the sample in the research is not a representative random sample, the research findings cannot be generalised beyond the sample in the study.

4.6.3. Reliability

Kalof (2008) states that reliability relates to consistency. This means that the research is considered reliable if similar findings relating to a particular area of the research are revealed time and time again. Kalof (2008) defines a reliable measure as one that keeps the error small. The research instrument asks multiple questions on the same subject relating to Brand Equity and Customer Equity. The aggregation of multiple questions offers more reliability than a single question.

5. RESULTS AND DISCUSSION

5. 1. Introduction

This section includes a comprehensive discussion on each research proposition statement from the researcher's perspective, with reference to the information gleaned from the literature review and the quantitative and qualitative feedback received from the respondents.

5. 2. Sample

In-depth personal interviews were conducted with 33 (55%) marketing practitioners, 25 (42%) were online responses and two interviews (3%) were conducted over the telephone.

Eighty-five percent of the respondents were based in companies with large market capitalisations whilst a small number were represented from the small to medium cap companies. It was the intention to focus on large cap companies as the marketing investments are substantial in size compared to the smaller organisations, thus gleaning the information from those organisations that have substantially larger marketing budgets.

5. 3. Marketing investments in South African organisations

In the research questionnaire (see Appendix B), question number 3 sets out to determine what marketing investments currently take place in South African organisations to build Brand Equity and Customer Equity. The following list provides an overview of investments made in particular industries. Most respondents invest a large proportion in traditional forms of advertising and promotions with a growing number of organisations investing in online and mobile marketing.

Table 12 in Appendix E provides an overview of the type of investments by sector as described by marketing practitioners. A large proportion of the marketing investment in organisations is in mass communications, in particular experiential marketing through events and sponsorships. Mass communications are typically used to build Brand Equity to increase depth and breadth of awareness and ensure the firm's brand is "top of mind" with consumers. The brand should be easy to recall and recognise and should evoke a favourable image in the mind of the consumer. Advertising and promotions use traditional forms of media vehicles such as print media and radio, public relations and outdoor advertising.

In relation to personal communications, the online and mobile marketing, direct marketing, customer acquisition and retention programmes, CRM and customer segmentation were notable investments made on the Customer Equity side.

5. 4. Research proposition 1: Brand Equity rationale

The rationale for building Brand Equity in South African organisations is because strong brands:

- attract and retain top employees;
- establish a unique positioning and brand image;
- contribute to larger margins by charging a price premium;
- make consumers less price sensitive;
- create an emotional response to purchasing;
- provide opportunities to grow the business by introducing new line and category extensions;
- increase Shareholder Value;
- place organisations in less vulnerable positions making it easier to respond to competitive marketing actions;
- develop the market by creating new geographic segments and channels; and
- simplify the consumers purchase decision amongst brands.

For the quantitative responses, the data for Question 4 and 5 used a 5-point Likert scale to measure the level of importance that each activity has played in building Brand Equity or Customer Equity. The responses were captured in an Excel spreadsheet and placed into a frequency table, and a data re-scaling technique was applied to the frequency table. The normal distribution fitting algorithm was used to apply to the re-scaled data. In addition, qualitative data is presented in Appendix D.

Results were rescaled using the distribution-fitting rescaling approach which was used to analyse the data from 58 completed questionnaires. The results are presented in Table 1 and Table 2. The elements in research proposition 1 and research proposition 2 are classified into 3 main categories, with the average equal to zero.

Significantly more important than the average (low p-value)	Colour coding refers to Table 1 on page 62 and Table 2 on page 72
Not significantly different to the average (higher p-value)	
Significantly less important than the average (low p-value)	

The following list describes the terms in Table 1 and Table 2:

μ: Represents the average

σ: Represents the standard deviation; which is the measure of variability (the square root of the variance.

t-value: Is the formula for a test statistic that either exactly follows or closely approximates a t-distribution under the null hypothesis

p-value: Represents the observed level of significance. A low p-value provides evidence for rejecting the null hypothesis and accepting the alternative hypothesis

When analysing the rank of importance that various activities occupy in building Brand Equity (Question 4) and Customer Equity (Question 5) the students t-test was first conducted and then a corresponding significance value obtained. All tests for significance were evaluated at an alpha of 0.05 which corresponds to

95% significance. A statistically significant value indicates that the mean response of the construct was statistically different from other constructs. The mean shown indicates how highly the marketing practitioners rate the activity in building Brand Equity. A higher μ-value indicates higher levels of importance and a lower μ demonstrates lower levels of importance. Table 1 quantifies the level of importance in the role that each activity plays in building Brand Equity as outlined in Research Proposition 1. Ten statements listed under Question 4 were analysed using this technique, which requires fitting hypothesized distribution to the observed data set.

Question 4:

On a scale of 1-5 (1 is unimportant, 5 is very important), indicate the role of each of the following activities in building Brand Equity in your organisation.

Table 1 Roles in building Brand Equity

	Benefits provided by Brand Equity	μ	σ	t-value	p-value	Significance
Most important	Establishes a unique positioning and brand image	0.56	0.73	5.8519	0.0000	Statistically significant
	Increase Shareholder Value	0.28	0.89	2.3725	0.0211	Statistically significant
	Simplifies the consumer's purchase decision amongst brands	0.26	0.89	2.2557	0.0280	Statistically significant
Inconclusive	A strong brand perception attracts and retains top employees	0.14	0.84	1.2512	0.2161	Not significant
	Insulates your products or services from the competition	0.10	0.85	0.8930	0.3757	Not significant
	Creates opportunities to extend into new product lines or categories	0.05	0.78	0.5147	0.6088	Not significant
Least important	Creates an emotional response to purchasing	-0.28	0.85	-2.4607	0.0170	Statistically significant
	Develops the market by creating new geographic segments and channels	-0.29	0.83	-2.6908	0.0094	Statistically significant
	Charge a price premium for products or services	-0.34	0.91	-2.8288	0.0065	Statistically significant
	Consumers are less price sensitive	-0.45	0.83	-4.0912	0.0001	Statistically significant

The most important marketing objectives listed for building Brand Equity show statistical significance in the following activities: 1) brands establish a unique positioning and brand image, and this helps to 2) simplify the consumer's purchase decision amongst brands, and 3) increases Shareholder Value. Objectives which are less significant reasons why marketers build strong brands are that brand building creates an emotional response to purchasing, develops markets by creating new geographic segments and channels, it contributes to larger margins by charging a price premium, and it makes consumers less price sensitive.

5.4.1 Establish a unique positioning and brand image

The element of this research proposition was identified by respondents as being most important and a statistically significant reason why marketing practitioners build brands. The following table describes respondents' views from different industries on how their organisations establish a unique positioning and differentiate their products or services:

Industry	Comments on how to differentiate one's value offering
Business to business	In a business to business scenario, a few interviewees have differentiated themselves through institutional ties by providing online systems to their clients. These systems installed at the client site, automate and centralise the ordering process and provide the online solutions to the client's ordering process which facilitates management control of their client's spending.
Retailing	In retail, to distinguish the brand one needs to create a unique identity through store image to differentiate oneself from competitors and provide a unique experience for consumers.
Service firms	For services firms, both the brand and the customer relationships are essential in differentiating organisations. For certain firms, what differentiates them from their competitors is the quality of service more than the brand.

Industry	Comments on how to differentiate one's value offering
Technology, Media, Telecommunications (TMT)	In the TMT sector, the technology advantage is so short-lived that it may not be worthwhile to differentiate on product as this is not sustainable. Thus the inherent advantage is focussing on building the brand using some of the following associations, network reliability, price, customer service or innovation. However very few points of difference exist due to the risk of commoditisation.

Interviewees stated that brand judgements are an important stage of the process in building brands. Marketers consider brand quality and brand credibility as representing two important judgements that consumers may make about the brand. Brand judgements are the second highest level of the Customer-Based Brand Equity (CBBE) model. Brand quality may form the basis for consumers to choose one brand over another. According to Keller (2008), the most important attitudes that consumers have towards a brand are perceived quality, customer value and satisfaction. Keller (2008) defines perceived quality as the customer's perception of overall quality and the superiority of a product or service compared to alternatives, and with respect to its intended purpose. Continual product improvements and innovations have raised the bar in terms of heightened customer expectations.

Interviewees provided new insights that were not previously discussed in the literature review. Corporate reputation can also be linked to the corporate brand image and specifically relates to the manner in which the company conducts its business. Targeted public relations or media relations activity are vehicle that organisations use in support of a brand campaign to build trust and credibility in the marketplace. For business to business organisations that were interviewed, marketing practitioners had to take into account that their partners were closely aligned to their corporation's values and that their partners have similar brand associations in the minds of the consumer. Marketing practitioners should be ready to respond and defend the corporate brand from any negative publicity. Slow responses in dealing with negative publicity can have an adverse effect on brand building. An example of a corporation that was slow to respond to negative publicity was Toyota in the United States, Europe and China. A product recall took place during the first quarter of 2010 as there were problems with the accelerator mechanism. Toyota's CEO was slow to respond to the large-scale product recall. Ensuring that one's business has efficient public relations function to deal with customer complaints or service issues can help mitigate the risk of eroding Brand Equity.

An annual reputation quotient survey conducted by Harris interactive (Anon.) states that a strong statistical correlation exists between an excellent corporate reputation and the consumer's intention to buy a company's products and services recommended to them by other people, or to buy a company's stock recommended to them by other investors. Interbrand found that corporations that have a good reputation could improve the stock price from 5% to 7% in a bullish market.

5.4.2 Increases Shareholder Value

The element of this research proposition was identified by respondents as being most important and a statistically significant reason why marketing practitioners build brands. Research has shown that strong brands deliver greater returns to stockholders with less risk (Keller, 2008). Within the South African market, strong brands that have delivered good returns include South African Breweries (SAB), Standard Bank and MTN. The South African market is small in comparison to the markets of the US, China and Brazil and can thus be described as an oligopoly in some industries and therefore this statement may be not entirely true.

According to Bick (2009), both Brand Equity and Customer Equity are drivers of Shareholder Value however more metrics have been developed for Brand Equity whilst Customer Equity metrics are still gaining acceptance. Bick (2009) reveals key differences between the two: Brand Equity is more product-focussed and relates to brand image, whilst Customer Equity is a more customer focussed driver of Shareholder Value.

Another model that is useful in assessing the outcome of Brand Equity is the Brand Value Chain (BVC) model which is discussed in the literature review. Shareholder Value is the last stage in the BVC and it focusses on how the investment community regards the market performance of a corporate brand. This market performance is based on the collective "mindset" of a broad group of customers. According to Keller's (2008) BVC model, the value that a brand creates in the marketplace is reflected in Shareholder Value when the firm is operating in a healthy industry without any serious external environmental hindrances. Financial analysts and the marketplace form opinions and assess the value of the corporate brand and use indicators such as the stock price, the price/earnings multiple and the overall market capitalisation for the firm. At this last stage other factors such as replacement cost and purchase price in acquisitions may also influence the Shareholder Value.

5.4.3 Simplifies the consumer's purchase decision

The element of this research proposition was identified by respondents as being most important and a statistically significant reason why marketing practitioners build brands. Brand judgements are the customer's personal opinions and evaluations of a brand which consumers form in their heads by putting together all the brand performance and brand imagery associations. This brand response should be a positive cognitive response and customers make all types of brand judgements. Consumers judge brands on their quality, credibility, consideration and superiority. Marketers consider brand credibility as an important judgement that consumers make about the brand. The outcome of consumers brand judgements should be positive. Brand responses or judgements must be easily accessible in the consumers' mind when they need to recall or recognise the brand.

5.4.4 Emotional response to purchasing

The element of this research proposition was not well supported by most of the interviewees. This was one of the least important elements in the research proposition statement.

Depending on the type of product or service, not all interviewees build brands to evoke an emotional response in the consumer to purchase. Examples of products or services that evoke emotional responses were found in insurance and business to business firms. Referring to the CBBE pyramid discussed in the literature review, the result suggests that the majority of interviewees followed the “rational route” of brand building which relies on brand performance, and how well the product or service meets the customer more functional needs in terms of product reliability, durability and serviceability.

5.4.5 New geographic segments and channels

The element of this research proposition was not well supported by most of the interviewees. This was one of the least important elements in the research proposition statement.

In some cases, when entering new geographic segments and channels, organisations may acquire or enter into a joint venture with a local brand that has higher brand awareness in the market.

5.4.6 Charging a price premium

The element of this research proposition was not well supported by most of the interviewees. This was one of the least important elements in the research proposition statement.

Interviewees have emphasised that if organisations have a strong brand and the product or service has good value, in terms of quality and reliability, then organisations can consider charging a price premium. However for weaker brands, charging a price premium for one’s products or services can result in even lower demand for your products or services. This statement was not entirely supported by interviewees.

5.4.7 Consumers are less price sensitive

The element of this research proposition was not well supported by most of the interviewees. This was one of the least important elements in the research proposition statement.

Market performance is also dependant on elasticity of prices. This measures how much consumer demand increases or decreases when the price rises or falls. The result suggests that consumers are price sensitive in the majority of industries. Brand value is created when charging consumers higher price premiums; with a more inelastic response to price increases, and a more elastic response to price deceases. However market performance shows that this is not always true, especially in recessionary periods, as organisations pay more attention to the price variables.

5.4.8 Attracts and retains top talent

The element of this research proposition was partially supported by respondents as not being of much importance.

Keller (2008) refers to a company such as Accenture which maintains a strong corporate image as a means to attract, motivate and retain top employees. Building a strong brand image can attract top professionals to an organisation and for those organisations that are affiliated to an international brand; employees could possibly be attracted to opportunities to work abroad. A few interviewees disagreed with this statement and suggested the main driver was remuneration. The statement that a strong brand attracts talent may only be applicable to younger persons who have recently entered the marketplace and thus this statement may not apply to more mature persons in the marketplace.

5.4.9 Responding to the competition

The element of this research proposition was partially supported by respondents as not being of much importance. Interviewees shared the following key points on responding to the competition.

- Brand is all about differentiation and what sets an organisation apart from its competitors. Ensuring that the organisation's brand gets noticed in the marketplace by investing in activities that makes the brand stand out. Take bold actions with marketing investments. Distinguishing the organisation's brand can position the organisation ahead of its competitors.
- Marketing practitioners have the ability to distinguish their products at the category level by highlighting points of difference. A financial services firm interviewed has an affiliation with overseas organisation. The local bank leverages off the international bank's capability to bring non-vanilla products to the local market more quickly than its competitors.
- Competition between organisations is not only from local firms but also international ones. Brand Equity in the South African market is low for cheap imported products, however, they still pose a major risk as consumer decisions are entirely price driven. A well publicised example of an industry affected by this phenomenon is South Africa's clothing and textile industry. There is a strong drive to revive this industry through various events and sponsorship marketing to support local South African designers and their brands and raise their profile in the local marketplace and abroad.
- Within the portfolio of brands, cannibalising each other's brand may be counterproductive to growing Brand Equity. Further value may be realised if marketers invest not only in building the portfolio of brands or brands at the operating company level but also in building at the corporate brand or parent brand level. Leveraging off the corporate brand or parent brand can be beneficial in terms of increased trust and credibility. The holding company's brand (parent brand) is usually the brand name used for the listed entity on the stock exchange and this brand name provides a direct link to Shareholder Value.

- During recessionary times, consumers may be inclined to switch to more affordable or cheaper brands. Organisations that sell premium brands may experience a decline in sales. To protect themselves over these periods, organisations may adopt a defensive strategy by also stocking more affordable products to avoid churn. However there are risks in selling lower priced items and this may have negative implications and be counterproductive to brand building initiatives.
- Price can be a key differentiating factor as a result of efficiencies in operations and can be a competitive advantage for organisations. This is the antithesis of the statement that marketers can charge a price premium for products. This may be more relevant to luxury and premium brands.
- Be nimble and agile. If the market in particular industry changes, those organisations that will perform better are those that can attain first mover advantage in the marketplace.

According to Leone et al. (2006) organisations that have strong brands are less vulnerable to competitive marketing actions. As part of the strategic brand management focus, organisations should identify and establish a brand positioning. Part of the positioning is to persuade consumers to have strong favourable and unique associations relating to the brand. Positioning thus convinces consumers of the advantages or points of difference (POD) over the competitors and ensures that the consumer’s mind is less concerned about any disadvantages over the competitors (points of parity). Brands that successfully communicate POD and POP have the ability to respond to competitive marketing actions. For example one of the interviewees owns a unique ring lock scaffolding system that differentiates that organisation from all competitors who have the traditional square shaped scaffolding.

Product parity and price competition represent a major competitive concern in most industries as competitors are quick to emulate changes made by an organisation. In numerous industries, these scenarios can result in commoditisation in the marketplace with very little innovation. Communicating

POD about one’s brand and excellent service to consumers is vital to responding to competitors in the marketplace.

5.4.10 New product lines or new category

The element of this research proposition was partially supported by respondents as not being of much importance.

A fourth outcome of the Brand Value Chain model is brand expansion. To increase value at the market performance stage and add enhancements to the revenue stream, strong, successful brands can support line and category extensions and new product launches. This rating for this statement and the role that it plays in building Brand Equity was not a statistically significant result.

5. 5. Research proposition 2: Customer Equity rationale

The rationale for building Customer Equity in South African organisations is because high Customer Equity:

- is a determinant of long term profitability and sustainability;
- has clear quantifiable financial effects and emphasises the bottom line financial value created from customer retention, acquisition and add-on selling programmes;
- focusses on sharply segmenting the client base by client profitability;
- increase Shareholder Value;
- offers opportunities to cross-sell;
- fosters customer loyalty;
- is beneficial to customer relationship management;
- encourages customer profiling and customer research; and
- has a perception of high switching costs for the consumer

Table 2 quantifies Question 5 which refers to the level of importance in the role that each activity plays in building Customer Equity as outlined in Research Proposition 2.

Nine statements listed under Question 5 were analysed using this technique, which requires fitting hypothesized distribution to the observed data set.

Question 5:

On a scale of 1-5 (1 is unimportant, 5 is very important), indicate the role of each of the following activities in building Customer Equity in your organization

Table 2 Roles in building Customer Equity

	Benefits provided by Customer Equity	μ	σ	t-value	p-value	Significance
Most important	Long term profitability and sustainability	0.62	0.83	5.6724	0.0000	Statistically significant
	Customer relationship management	0.52	1.16	3.4357	0.0011	Statistically significant
	Clear quantifiable financial effects and contribution to the bottom line	0.31	1.09	2.2080	0.0314	Statistically significant
Inconclusive	Increases Shareholder Value	0.15	0.94	1.1966	0.2365	Not significant
	Customer profiling and customer research	0.10	0.82	0.9261	0.3583	Not significant
	Client segmentation by profitability	0.06	1.01	0.4774	0.6350	Not significant
	Cross selling opportunities	0.04	0.77	0.4087	0.6843	Not significant
Least important	Perception of high switching costs	-0.34	0.87	-2.9903	0.0041	Statistically significant
	Customer loyalty programmes	-0.55	1.10	-3.8340	0.0003	Statistically significant

5.5.1 Long-term profitability and sustainability

The element of this research proposition was identified by respondents as being most important and a statistically significant reason why marketing practitioners build Customer Equity.

The definition of Customer Equity in financial terms is the sum of the lifetime value of all customers. Customer lifetime value (CLV) is a forward looking metric that is based on the revenues and costs of customer acquisition, retention and add-on selling. Customer Equity therefore places more emphasis on the bottom line financial value that is created from a customer's purchases. Accordingly this concept provides a quantifiable measure of an organisation's long term financial performance over the period of the customer's lifetime. According to Doyle (2000) organisations that invest in both marketing assets have the ability to generate long-term profits. Marketing assets include brands, market knowledge, and customer and partner relationships.

Kumar et al. (2006) provide guidance for maintaining an efficient customer management strategy that requires the organisation to know their customers well to deliver superior value while maximising the profitability of the firm. Organisations that select customers based on their lifetime value earn higher profits in future periods. Interviewees highlighted the following points regarding long-term profitability and sustainability.

- Shift from a transactional product focussed marketing approach to a more customer focussed marketing approach.
- Sustainability is a focus area for organisations and they are required to report on this topic.
- Business models, such as intermediated models, may focus on incentivising the sales force to sell more products that may not meet the functional needs of clients and this may result in high customer churn rates. This is counterproductive to long-term profitability and sustainability, and erodes value in Customer Equity.

- It is important to think about the other stakeholders in the organisation, namely shareholders who will be interested in investing in organisations that provide consistency in earnings and a good return on investment in the long run.

5.5.2 Customer relationship management

The element of this research proposition was identified by respondents as being most important and a statistically significant reason why marketing practitioners build Customer Equity.

Many firms have introduced programmes focussed on customer relationship marketing to improve one-to-one marketing interactions with consumers, and the objective of CRM is to measure and track financial performance from these interactions. Organisations with strong technological capabilities will differentiate their services from those of the competition as they have invested in CRM systems that provide a more efficient and better quality response to consumer requests. These systems facilitate the implementation of the following marketing strategies: customer acquisition, retention and add-on selling.

Kotler et al.(2009) describe the customer development process as identifying potentials who are good prospects and who may have the potential to become first time customers and then repeat customers and eventually clients within the organisation. These clients may then become members of the organisation through membership or loyalty programmes which offer benefits to clients who join the programme. The next stage is turning members into advocates who actively promote one’s brand through word-of-mouth and then ultimately turning advocates into partners. The interactions or “touch points” that organisations have with their clients can be managed with the help of CRM tools and databases to ensure prospects are converted into advocates or partners.

Historically, organisations have placed emphasis on sales, rather than on building relationships with clients. Organisations now spend a large proportion of their time developing personal relationships with consumers to establish their client needs and to gain a better understanding of how the organisation can create value for their clients. Marketing practitioners now store the customer information in databases, and they use and control the information to better manage their relationships with clients. Organisations should ensure client-facing employees diligently enter client information continuously to ensure a seamless service especially in the case of the organisation losing key salespeople or relationship managers and losing vital client information. For larger organisations, having one large CRM system that spans various business units or operating companies can build increased Customer Equity, as the potential to add-on sell or cross-sell to the most profitable clients across the group is much greater. In some instances, having too many CRM systems in one organisation may not be operationally efficient.

One to one marketing is the first stage in CRM and helps with customer acquisition and with assessing customers' needs, tailoring solutions and creating value for the organisation and the client. CRM and one to one marketing are costly and therefore may be applicable to only certain companies that have a limited number of clients. For organisations that target the mass market, CRM may be less important to them because it may not be feasible to invest in CRM as the payout may not cover the cost of tracking each customer's interaction with the company, and customers may not purchase the goods or services on a regular basis.

Common practices within business to business organisations is to conduct regular client reviews to discuss the breakdown of products and services provided by the organisation and where they are adding value, and to assess where the organisation can create further value for the client. The advantage of these regular review sessions is that the organisation continues to have a two-way open dialogue over the lifetime of the customer.

5.5.3 Contribution to the bottom line

The element of this research proposition was identified by respondents as being most important and a statistically significant reason why marketing practitioners build Customer Equity.

Building Customer Equity tends to place more emphasis on the realised value of marketing activity in terms of revenues. Therefore, the concept provides more quantifiable measures of financial performance as it is closely linked to revenues and the cost associated with various types of initiatives such as customer acquisition, retention and add-on selling to grow revenues. Brand Equity places more emphasis on the intangible value that it created in the customer mindset and therefore has no strong ties to any quantifiable financial effects, whereas Customer Equity has an impact on the bottom line.

5.5.4 Perception of high switching costs

The element of this research proposition was not well supported by most of the interviewees. This was one of the least important elements in the research proposition statement. The perception of high switching costs is most relevant to business to business organisations. With business to business organisations the risk of losing a client, can have a large negative impact as typical transaction in these organisations are characterised by high priced items or large volume orders. However, the converse applies to more consumer-based organisations where the perception of high switching costs is not as important.

With reference to an earlier section on customer loyalty programmes, business to business organisations have created institutional ties by supplying their clients with systems that manage their procurement and inventory. The introduction of these systems on client sites can contribute to higher Customer Equity and prevent churn as clients may lose out on the benefits of using such a system if the organisation were to switch to a competitor. These types of systems provide the following benefits: easy online ordering, centralised accounting processes and time savings with search costs. A small number of the interviewees supply their client with these systems.

5.5.5 Customer loyalty programmes

The element of this research proposition was not well supported by most of the interviewees. This was one of the least important elements in the research proposition statement.

For some interviewees, no loyalty programmes were in place because of the following reasons.

- Organisations were too brand-oriented.
- The cost to company to offer the loyalty programme was too high.
- Consumers were becoming apathetic towards these types of programmes and therefore programmes were not successful at creating strong connections with consumers.
- Consumers in the fast food category were not brand loyal and it was a rare occurrence for consumers to purchase daily from the same fast food outlet.

Some of the interviewees have recently launched loyalty campaigns. A consumer retailer launched a loyalty programme with a bank and a medical aid scheme to reward customers who frequently bought from the retailer. Other organisations have introduced their own measure of customer loyalty. This internal metric measures whether an existing client would recommend their organisation to other people by word of mouth. Referring to the framework by Kotler and Keller (2009) on customer development, this type of metric would help the organisation identify those clients that are advocates for the brand.

One organisation in particular has introduced a loyalty programme that has more far reaching objectives than traditional loyalty programmes. The customer loyalty programme introduced by this organisation is used as a risk management tool which provides far reaching positive social effects on society at large, whilst simultaneously reducing costs in the organisation. These positive effects have made this organisation more competitive in the marketplace.

Building customer loyalty means creating strong bonds with customers. Loyalty programmes are designed to increase the customer lifetime value and ensure long-term marketing success. One of the considerations suggested by Kotler et al.(2009) to create strong connections with clients is to assess the potential of frequency programmes and club marketing programmes.

5.5.6 Increases Shareholder Value

The element of this research proposition was partially supported by respondents as not being of much importance.

The quantitative findings suggest that the interviewees give a higher and more significant rating for the role that brands play in increasing Shareholder Value compared to that of building Customer Equity. This finding suggests that building Customer Equity is more closely linked to the financial performance of an organisation, in particular its contribution to the bottom line. Building Customer Equity is a more customer-focussed driver of Shareholder Value and, according to Bick (2009), both Brand Equity and Customer Equity are drivers of Shareholder Value. However, more metrics have been developed for Brand Equity whilst Customer Equity metrics are still gaining acceptance.

5.5.7 Customer profiling and research

The element of this research proposition was partially supported by respondents as not being of much importance. Interviewees commented that they use customer profiling. They use research as a risk mitigation tool to gauge:

- the drivers that are important to customers and to assess if the firm's performance satisfies the consumers needs; and
- to identify those drivers below customer's expectations and focus on them to improve Customer Equity.

Customer profiling and research helps marketers understand the consumers buying process. Organisations that invest in the understanding the consumer's behaviour at each stage of the buying process are in a better position to assess unanticipated situational factors or mitigate the perceived risk that affects the consumer from making the decision to purchase their particular product or service. Kotler et al. (2009) list three methods to assess the consumer's motivation for purchasing products and services.

- The *introspective method* mimics the way marketing practitioners think they would act in a situation.
- The *retrospective method* entails interviewing a group of consumers asking them to recall events leading to their purchase.
- The *prospective method* locates consumers who plan to buy the product and asks them to think out loud and describe the buying process.
- The *prescriptive method* asks consumers to describe the ideal way to buy the product or service.

5.5.8 Client segmentation by profitability

The element of this research proposition was partially supported by respondents as not being of much importance.

Some interviewees do not segment their customers according to profitability but by market type and this may not be the best way to maximise Customer Equity as some of these segments may be unprofitable and not worth the investment. Another common misconception is that the larger clients are more profitable than the smaller clients. This is not always the case, because organisations give larger buyers discounts for bulk purchases; the cost of the discount to the organisation reduces the profitability of the customer.

Blattberg and Deighton (1996) suggest that organisations should look at investing in there highest value customers to maximise Customer Equity. The renowned 20-80 rule discussed earlier is applicable to most organisations, and marketing practitioners should conduct activity-based costing methods on an ongoing basis to identify the highest value customers and invest in building Customer Equity with those clients to ensure that they create strong bonds and retain the clients over their lifetime.

5.5.9 Cross-selling opportunities

The element of this research proposition was partially supported by respondents as not being of much importance.

Blattberg and Deighton (1996) suggest that organisations can grow their revenues through cross-selling and focussing on satisfying the customer's needs. If organisations tend to focus more on products and not on customer needs, then an organisation may miss out on the opportunity to increase value of its customer base by cross-selling other products and categories to existing customers and boosting sales.

5. 6. Research proposition 3: Factors influencing focus of marketing investment

The following marketing factors influence the marketer's decisions as to whether to focus their marketing investments on Brand Equity or Customer Equity or both:

- interactivity with end customers;
- high marketing costs allocated to serving the customer;
- organisation had relational client databases;
- phase of the business (start up phase or mature market phase);
- organisation offers a highly innovative product;
- the brand or customer relationships are a differentiating factor;
- marketing programme is at the front end/early stage or back end/later stage; and
- transactional, product focussed marketing approach or relationship, customer focussed marketing approach.

The quantitative data for Question 6 was not analysed due to vagueness in the question. The scale to indicate high or low Brand Equity and high or low Customer

Equity was not clearly indicated in the research questionnaire. For these reasons this question was invalid and did not form part of the quantitative analysis. However, the responses gleaned from personal interviews have been presented in Appendix D. Interviewees encountered difficulty with answering this question as there was no way their responses could indicate whether Brand Equity was important or Customer Equity, or both concepts. Several statements from some interviewees on Question 6 of the research instrument are presented below.

- The question draws the distinction between Brand Equity and Customer Equity and these two concepts are not mutually exclusive and therefore one does not have a business if one does not focus on both concepts.
- The question was posed as to why the respondent has to choose one concept at the expense of the other and the comment was made "but indeed this is by default what happens."
- "When deciding whether to focus on and invest in building Brand Equity or Customer Equity, we would never have that discussion together. The two concepts are both seen as important but I would never do a trade off. We've never been in this situation, the budgets are not seen together, and they are separate budgets."

Considering the respondents' feedback received on Question 6, the results for this question will be presented in a descriptive format and all quantitative ratings will be disregarded.

5.6.1 Interactivity with end customers

The element of this research proposition was identified by interviewees and shows that this marketing factor influences the marketer's decision to focus on Customer Equity.

Most respondents who have interactions with the end customer focus on building Customer Equity in their organisation. Business to business (B2B) organisations and retailers emphasise the importance of customer relationships and building strong bonds with existing customers. These organisations form strategic alliances with partners who sell and promote their products and services. Their partners have either access to an extensive distribution network into the mass market, or they have direct access to a particular target market. The B2B organisation may not necessarily be the front brand in these instances, as they leverage off their partner's Brand Equity and distribution capabilities. In this scenario, the B2B organisation focusses on developing strong long term bonds with their partners.

Franchising is a form of licensing that allows the franchisee to buy into a business with a well accepted brand name. The franchisor is the innovator of the franchising system and plans, directs and controls the operations and in most cases decides on the marketing investment in the brand. The franchisor charges the franchisee fees of between 10% - 12% and approximately 5% of these fees will be allocated to marketing. Hence, the franchisor determines the focus of the organisation with support from franchisees. In some cases, depending on the relationship between the franchisor and franchisee, the franchisor may be flexible in terms of allowing the franchisee to do locality marketing at the store level as the franchisee is closer to the end customer and will customise marketing activity relevant to the target LSM in the area. Interview feedback from franchisors suggests that they focus on Customer Equity, for both the franchisee as well as the end customer to ensure they strike the right balance between making the product profitable for the franchisee whilst at the same time making the product or service affordable for the end customer.

5.6.2 No interactivity with end customers

The element of this research proposition was identified by interviewees and shows that this marketing factor influences the marketer's decision to focus on Brand Equity.

For *manufacturing organisations* that have no interaction with the end customer and depend on members in the marketing channel to sell their products, their marketing objective was to focus more effort on building brands to create greater brand loyalty with customers to simplify the consumer's purchase decision between brands. For these marketing practitioners they prefer a pull strategy; where their marketing objective is for their brand to remain top of mind with consumers ensuring consumers ask for their organisation's brand in the retail space.

A similar situation occurs in the financial services sector, where select businesses adopted an intermediated business model, characterised by an intensive distribution of brokers. In this instance the brokers are seen as the intermediary and not as the end customer. Other intermediated business models may adopt exclusive or selective distribution. The aim of selecting these types of distribution models is to ensure that the organisation's brand image is managed and the product or service is sold by dedicated and knowledgeable sales people as the industry is heavily regulated. Depending on what product or service they are distributing, most organisations adopt an intensive distribution strategy to increase coverage and sales; however, if the organisation has a premium brand, more exclusive channel members may be appropriate.

Intermediated business invests very little money in the end customer. They invest heavily in their broker network. As these brokers are independent, they can sell multiple brands to the end customer, thus the intermediated businesses have to focus on building a strong brand to ensure that the end customer requests their products or services. Channel conflict may arise as the interests of independent businesses (brokers) do not coincide with the organisations.

5.6.3 High marketing costs allocated to serving the customer

The element of this research proposition was partially supported by interviewees and shows that this marketing factor influences the marketer's decision to focus on both concepts.

For this factor there were very few qualitative comments available. However, a difference of opinion occurs. The perception among select respondents reveals that high marketing costs allocated to serving the customer may influence both Brand Equity and Customer Equity, whilst others understood that only Customer Equity would be important. Bick (2009) explains that organisations that have high fixed costs and low costs allocated to serving the customer tend to focus on Brand Equity. Conversely, organisations that have low fixed costs and high marketing costs allocated to serving the customer need to focus on Customer Equity. To ensure that organisations service profitable clients, customer segmentation according to profitability is a good strategy for the organisation's long-term survival.

5.6.4 Organisation has relational client database

The element of this research proposition was identified by interviewees and shows that this marketing factor influences the marketer's decision to focus on Customer Equity.

For organisations that have strong technological capabilities; having a well developed relational client database would facilitate a Customer Equity focus. Most respondents understood that Customer Equity would be a focus if the organisation were to invest in Customer Relationship Management (CRM) system. For some organisations, they were at the initial stages of investing in a CRM system, whilst some respondents owned databases that stored information that was of no value to building Customer Equity.

5.6.5 Start-up phase of the business

The element of this research proposition was identified by interviewees and shows that this marketing factor influences the marketer's decision to focus on Brand Equity.

A very small number of the organisations (five) that participated in the survey were in their start-up phase (i.e. were less than five years old). The majority of respondents were in the mature phase (e.g. four institutions were over 100 years old). The strategic focus for organisations that fall on either side of the start-up vs.

mature spectrum differs. At the beginning, start-ups have very little customer loyalty and brand recognition. To attract consumers to the product, the product has to either be highly innovative or offer a competitive price.

From qualitative comments, the majority of respondents recognise that Brand Equity should be the strategic focus for marketers during the start-up phase to acquire customers and build brand awareness in the market. For those organisations that are in the start-up phase, their marketing focus is on Brand Equity; acquiring customers, being top of mind and building market presence.

5.6.6 Mature phase of the business

The element of this research proposition was partially supported by interviewees and shows that this marketing factor influences the marketer's decision to focus on both concepts.

As the Brand Equity increases over the years and consumers shift from being first time customers to repeat customers, marketers shift their focus to Customer Equity to achieve long-term profitability and sustainability. The customer becomes the focal point. Therefore in a mature phase marketers have a massive focus on retaining existing customers through customer loyalty programmes, customer retention programmes and presenting customers with cross-selling opportunities.

With reference to the customer development process discussed earlier, marketers want to turn clients into members, into advocates and then into partners. Respondents have also highlighted that one would still be required to continue building the brand, but the ratio of Brand Equity to Customer Equity would swop around from start-up phase to mature phase. So in a mature market phase marketing practitioners need to build both concepts.

5.6.7 Organisation offers highly innovative product or service

The element of this research proposition was identified by interviewees and shows that this marketing factor influences the marketer's decision to focus on Brand Equity.

Organisations that produce highly innovative products differentiate themselves from their competition and have a sustainable competitive advantage over their competitors. This factor relates strongly to the focus on Brand Equity, and all qualitative comments from respondents give the impression that it would be advisable to focus more on Brand Equity. Focussing on Brand Equity applies to manufacturers as well as organisations that provide intangible products such as financial services.

5.6.8 The brand or customer relationships are a differentiating factor

The element of this research proposition was identified by interviewees and shows that if brands are a differentiating factor then marketers are influenced to focus on Brand Equity. Conversely, if customer relationships are a differentiating factor then marketers focus on Customer Equity.

Bick (2009) states that organisations can strategically choose to focus on building their Brand or Customer Equity to compete in a different way to their competitors or to develop new insights into a market. Organisations therefore would have a competitive advantage based on either providing a quality brand that remains top of mind with consumers or exceptional customer service. From the respondents' statements, focussing on either Brand Equity or Customer Equity is used as a strategic choice by organisations to differentiate themselves from other competitors in the industry. For some organisations, affiliations with other brands can help build more Brand Equity by leveraging off the partnership with a bigger brand. Examples of these include Absa Capital's affiliation to Barclays Capital or a family of brands leveraging off the brand of the "holding company"

5.6.9 Stage of marketing programme (early stage or late stage)

The element of this research proposition was identified by interviewees and shows that at the front end or early stage of a marketing programme, marketers are influenced to focus on Brand Equity. Conversely, at the back end or later stage of a marketing programme, marketers focus on Customer Equity.

Respondents' viewpoints suggest it is appropriate to build Brand Equity at the front end or early stage of the marketing programme, whereas it is effective to build Customer Equity at the back end or later stage of marketing programmes. Select respondents observed that both are important at all stages. Bick (2009) observes that time horizons in an organisation's marketing programme play a role in determining whether to focus on Brand Equity or Customer Equity.

5.6.10 Marketing approach (product or customer focussed)

The element of this research proposition was partially supported by interviewees and shows that this marketing factor influences the marketer's decision to focus on both concepts.

Interviewees observed that both Brand Equity and Customer Equity are important when organisation adopts a product focussed marketing approach or customer focussed marketing approach. However there is a growing importance in Customer Equity to ensure repeat purchases and customer retention. Organisations that effectively manage their customer relationships, especially in the business to business environment, have a stronger chance of long-term sustainability.

The literature suggests the contrary. Over time, the South African economy has shifted from primary and secondary sectors such as mining and manufacturing to more service-based sectors. In line with this shift, Bick (2009) comments that organisations' marketing focus has also changed from a transactional, product marketing which focusses on building Brand Equity to a relationship marketing which focusses on building Customer Equity.

5. 7. Research Proposition 4: Relationship between the two concepts

Marketing practitioners based in different South African industries trade-off Brand Equity for Customer Equity when making marketing investments.

5.7.1 Similarities and differences (Brand Equity and Customer Equity)

The relationship between the two concepts has been discussed extensively in the academic literature and there are different aspects, yet there are similarities too. The following section will discuss some of these aspects briefly.

There are three models discussed in the literature review that make reference to the importance of Brand Equity and Customer Equity. The models are the Customer-Based Brand Equity (CBBE) model, the Brand Value Chain (BVC), and the Brand Asset and Customer Asset Perspective (Ambler et al., 2002). Leone et al. (2006) assert that the two concepts are highly related and inextricably linked. The power of an organisation's brand lies in the mind of the consumer, and hence consumers drive the success of brands but also brands provide the "touch point" for firms to connect with their customers (Keller, 2008).

From a financial perspective Bick (2009) explains that Customer Equity will have a higher value compared to Brand Equity as Brand Equity is calculated on portions of profit streams of individual brands, whereas Customer Equity is calculated as "the sum of the lifetime value of all customers". Table 13 in Appendix E displays the similarities and differences between Brand Equity and Customer Equity.

5.7.2 Brand and Customer Equity trade-offs

Bick (2009) presents two diagrams that depict the trade-off positions between Brand Equity and Customer Equity. The first is the marketing equity spectrum which has at one end of the continuum Brand Equity dominance, and at the other end Customer Equity dominance. The spectrum has limitations as it does not allow for organisations to have both a high Brand Equity focus and a Customer Equity focus. The second diagram (Figure 7), the 2x2 Brand Equity and Customer Equity trade-off matrix can satisfy this position.

Interviewees were asked to rate the importance of building Brand Equity and Customer Equity in their organisations on a 10-point Likert scale. Overall 74% of organisations rated Customer Equity as very important compared to 64% for Brand Equity (see Figure 8). A large proportion of the respondents fall into the tertiary sector which is predominantly services-based and hence organisations tend to focus more on building Customer Equity component. With the growth in the service sectors, organisations are aware that they have to develop strong customer bonds to increase their customer lifetime value with a view to ensuring long-term profitability and sustainability. Several interviewees have realised that investing in most customer related programmes (CRM databases and initiatives, customer acquisition and retention programmes, customer surveys, customer loyalty programmes) can build Customer Equity and can create stronger bonds with clients. These quantifiable effects contribute to the organisation's bottom line and so for many organisations their intention to shift more focus to building Customer Equity exists, but there is a delay or hesitation in realising these objectives.

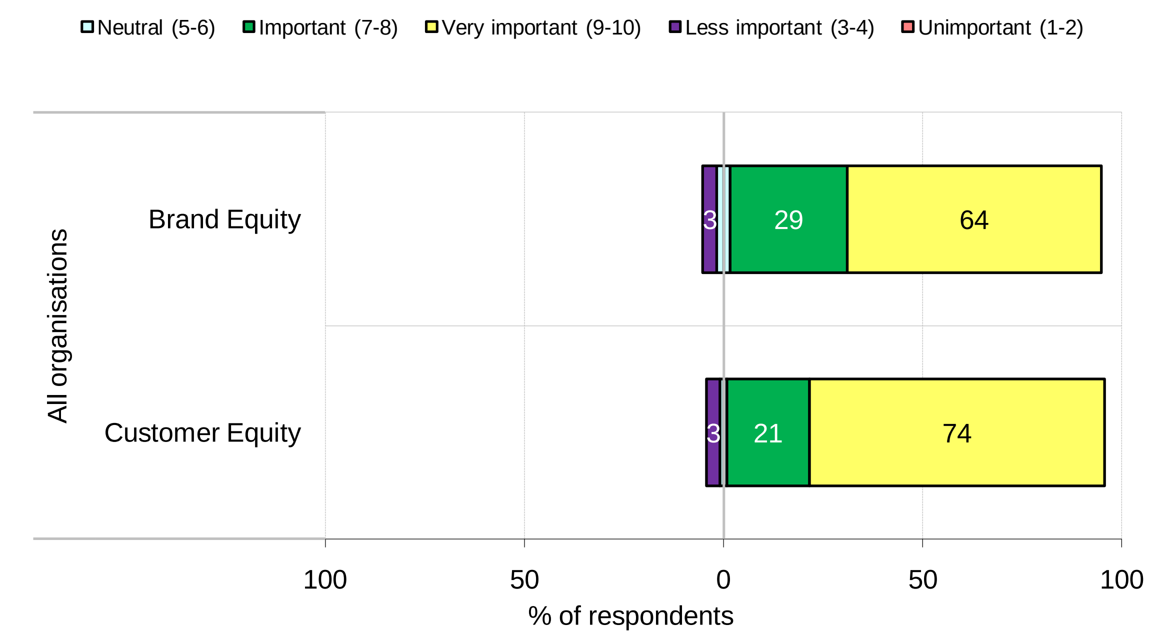

Figure 8 Level of importance of building Brand Equity and Customer Equity for all organisations

Analysing the importance of focus by organisation type (see Figure 9), 91% of the business to business (B2B) organisations interviewed rated Customer Equity as very important compared to only 64% for Brand Equity. Similarly, there is also a higher rating for Customer Equity in technology, media and telecoms (TMT) and financial services. This is not the case in retailing where more interviewees rate Brand Equity as very important. In the case of B2B, financial services and TMT organisations, they have a significant amount of customer information and details on purchasing behaviour. Most of these organisations have customer databases that track the direct interaction that they have with their customers. Marketing practitioners utilise information on the current customer base and implement marketing strategies e.g. customer retention, loyalty programmes to expand the business, increase revenues and build Shareholder Value. Brand building activities also take place in these organisations and, according to Bick (2009), are critical to attracting new customers.

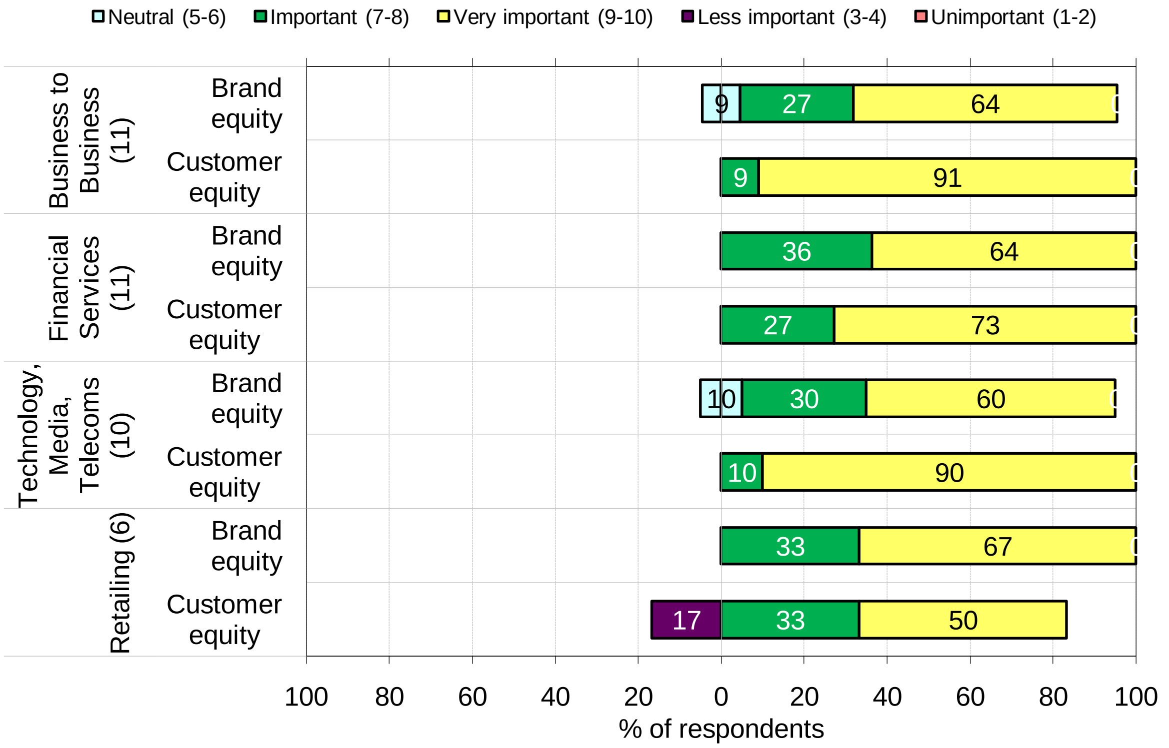

Figure 9 Level of importance of building Brand Equity and Customer Equity according to organisation type

Quantitative responses from the perceptions of marketing practitioners on the importance of building Brand Equity and Customer Equity are graphically shown in Figure 10 and Figure 11. These are illustrative examples that show the organisation's positioning on the marketing investment matrix. The matrices have been divided into the four quadrants and can be categorised in the way shown below.

Table 14 Breakdown of the number of respondents in each quadrant of the matrix

Quadrant	Level of importance	Trade-off position	Sample size
I	Low Brand Equity Low Customer Equity	No	1

Quadrant	Level of importance	Trade-off position	Sample size
II **(trade-off)**	High Brand Equity Low Customer Equity	Yes	1
III	High Brand Equity High Customer Equity	No	55
IV **(trade-off)**	Low Brand Equity High Customer Equity	Yes	1

The majority of interviewees were positioned in quadrant III which suggests that organisations are required to build both high Brand Equity and high Customer Equity in their organisations. A large number of the respondents (83%) rated both Brand Equity and Customer Equity as 8 or higher. From this illustrative example, it suggests that the two concepts are important marketing investments which are closely interrelated. Furthermore, from the positioning matrix it suggests that a trade-off relationship does not exist between these two concepts as only two out of 58 firms are positioned in quadrant II and IV, the trade-off quadrants.

Three of the 58 respondents were positioned outside quadrant III. The outliers were positioned in quadrants I, II and IV and they are based in the following sectors: mining, retailing and construction and materials sectors respectively. The mining organisation result supports Bick's (2009) positioning of the commodities sector where organisations rarely focus on building Brand Equity and Customer Equity. This quadrant is characterised by high price elasticities that limit the amount of marketing investments made in the industry. Similarly, the result for construction & materials positioned in quadrant IV also supports Bick's (2009) positioning of business to business organisations who focus more attention on Customer Equity and less so on Brand Equity.

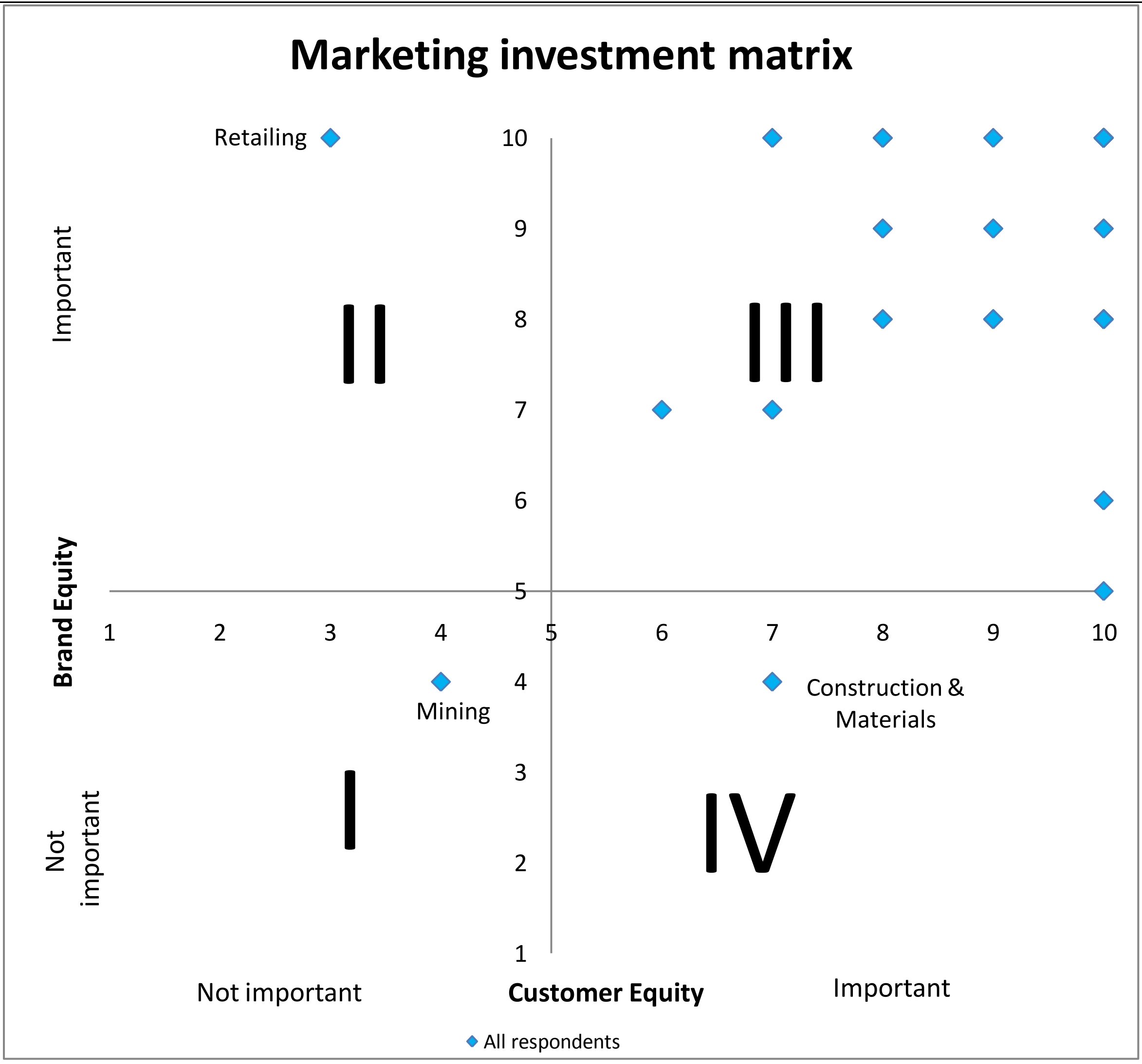

Figure 10 Positioning of all respondents

The Retailer in quadrant II does not support Bick's (2009) model as retailing is positioned in Quadrant III of the model. This retailer's strategy has a high Brand Equity focus with very little focus on Customer Equity. This is because the current strategy for this retailer is to focus on exclusive brands; in the future, it may be advisable for the Retailer to shift to quadrant III by offering customers loyalty programmes or introducing CRM into the business practice.

In Bick's (2009) model Retailers build both the retailer brand (such as Pick n Pay, Stuttafords) through elements such as store image, décor, packaging etc., as well as build the Customer Equity component through various CRM (Customer Relationship Management) initiatives. For example, Pick 'n Pay has recently launched their smart shopper card to mine purchasing data from their millions of customers to develop new insights into segmentation and 1-to-1 direct marketing initiatives (Bick, 2009).

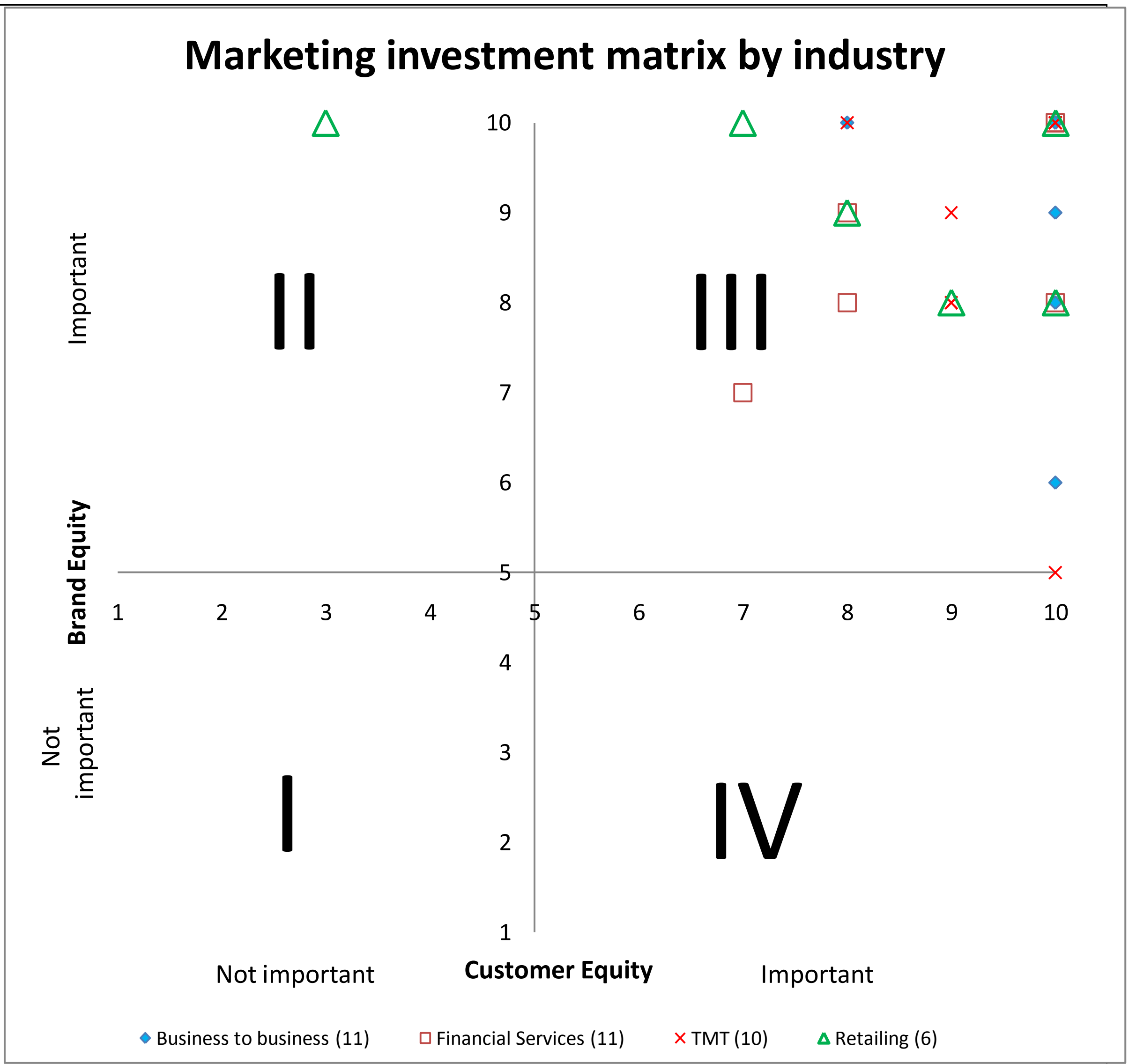

Figure 11 Marketing equity positioning by industry

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter concludes the research report and is based on the discussion in the previous chapters. There is a summary of the responses to the research propositions which appear earlier in the report. Recommendations of responses to interviewees seeking the knowledge gained from the research may prove to be useful in their organisations. The last section also provides a list of ideas for further research on this topic.

6.2 Summary of responses to research propositions

<u>The first sub-problem</u> was to establish the extent to which organisations focus on building Brand Equity.

Research Proposition 1: The rationale for building Brand Equity in South African organisations is because strong brands show certain characteristics.

Proposition criteria	Research finding	Conclusion
Attracts and retains top employees	Limited importance	Partially accept
Establish a unique positioning and brand image.	Very important	✓ Accept
Able to charge a price premium which contributes to larger margins	Least important	Inconclusive
Make consumers less price sensitive	Least important	Inconclusive
Create an emotional response to purchasing.	Least important	Inconclusive
Provide an opportunity for growth by introducing new line and category extensions	Limited importance	Partially accept

Proposition criteria	Research finding	Conclusion
Increase Shareholder Value	Very important	✓ Accept
Place organisations in less vulnerable positions making it easier to respond to competitive marketing actions	Limited importance	Partially accept
Develop the market by creating new geographic segments and channels.	Least important	Inconclusive
Simplify the consumer's purchase decision between brands.	Very important	✓ Accept
	Corporate reputation	New finding

Marketing practitioners therefore build brands as these play an important role in establishing a unique positioning and brand image by simplifying the consumer's purchase decision between competing brands. The research suggests that South African marketing practitioners rate this as an important driver of increased Shareholder Value.

Brands play a less significant role in the following:

- creating an emotional response to purchasing;
- developing markets by creating new geographic segments and channels;
- allowing organisations to charge a price premium for products; and
- consumers are less price sensitive.

Furthermore, interviewees provided new insights that were not covered in the literature review why organisations build strong brands.

- Strong brands evoke strong brand responses in the mind of the consumer and the positive quality perceptions lead to their brand being considered.
- They possess brand credibility is important in terms of three dimensions; perceived expertise, trustworthiness and likability.
- Having a good corporate reputation is linked to the corporate brand image. This relates to the way the company conducts its business.

Therefore, the Research Proposition 1 is **partially accepted**.

The <u>second sub-problem</u> was to establish the extent to which organisations focus on building Customer Equity.

Notable investments made on the Customer Equity side include various forms of personal communications such as online marketing, mobile marketing, direct marketing, customer acquisition and retention programmes, customer relationship management and customer segmentation. With the proliferation of social media platforms via the internet, these investments are beneficial routes for marketers who want to get closer to consumers to build stronger relationships with customers. These platforms allow for a more efficient measurement of marketing metrics e.g. click through rates.

Research Proposition 2: The rationale for building Customer Equity in South African organisations is because high Customer Equity:

Proposition criteria	Research finding	Conclusion
Is a determinant of long term profitability and sustainability	Very important	✓ Accept
Has clear quantifiable financial effects and emphasises the bottom line financial value created from customer retention, acquisition and cross-selling programmes	Very important	✓ Accept
Focuses on sharply segmenting the client base by client profitability	Limited importance	Partially accept
Increases Shareholder Value	Limited importance	Partially accept
Offers opportunities to cross-sell	Limited importance	Partially accept
Fosters customer loyalty through customer loyalty programmes	Least important	Inconclusive
Is beneficial to customer relationship management	Very important	✓ Accept

Proposition criteria	Research finding	Conclusion
Customer profiling and customer research	Limited importance	Partially accept
Consumer perception of high switching costs	Least important	Inconclusive

On the Customer Equity side, marketing practitioners focus on the type of investments that create long-term profitability and sustainability through more personal forms of communication. Hence there is an increasing trend to invest in collecting information on the organisation's "touch points" with customers. Housing this information in interactive online systems and customer databases and effectively using this information to provide CRM services to valued customers.

Another important role in building Customer Equity is that it places more focus on the bottom line financial value created by customers and the benefits of clear quantifiable measures of financial performance. Again, this provides a strong link to increased Shareholder Value, although the research suggests South African marketing practitioners consider the link less strong than that of Brand Equity.

Customer Equity plays a less significant role in customer loyalty programmes. Certain interviewees stated that customers are not loyal in their particular industries as they may seek variety in the product offering, or consumers are extremely price sensitive, hence consumer's purchase decisions will be based on the cheapest offering available.

Therefore, the Research Proposition 2 is **partially accepted**.

<u>The third sub-problem</u> was to analyse how organisations trade off the one concept against the other.

Research Proposition 3: The following marketing factors influence the marketers' decisions as to whether to focus their marketing investments on Brand Equity or Customer Equity or both.

The table below outlines each of the factors that determine whether to focus on Brand Equity or Customer Equity or both, based on the respondents' statements found in Appendix D. indicates where the respondents accepted Bick's (2009) propositions; the seven key determinants whether to focus on Brand Equity, Customer Equity or Both. Respondents experienced difficulty in answering Question 6.

Factors that determine Brand Equity or Customer Equity focus:

Research proposition	Research finding	Research conclusion
Interactivity with end customers	Identified	Focus on Customer Equity
No interactivity with end customers	Identified	Focus on Brand Equity
High marketing costs allocated to serving the customer	Partially supported	Focus on both
Organisation has relational client databases	Identified	Focus on Customer Equity
Start-up phase of the business	Identified	Focus on Brand Equity
Mature market phase	Partially supported	Focus on both
Organisation offers a highly innovative product	Identified	Focus on Brand Equity
The brand is a differentiating factor	Identified	Focus on Brand Equity
Customer relationships are a differentiating factor	Identified	Focus on Customer Equity
Marketing programme is at the front end/early stage	Identified	Focus on Brand Equity
Marketing programme is at the back end/later stage	Identified	Focus on Customer Equity
Transactional, product focussed marketing approach	Partially support	Focus on both

Research proposition	Research finding	Research conclusion
Relationship, customer focussed marketing approach	Partially support	Focus on both

Accessibility to information has empowered today's consumer. Through search engines, corporate websites, customer websites, social media websites and blog sites; information about an organisation's brand is readily available at the press of a button. These transparent platforms have extensive reach and have the ability to influence large groups of people. Technology has made interactivity with the end customer uncomplicated, and organisations view this as a cost effective method of communicating with the end customer.

Whilst the majority of respondents who have interactions with the end customer choose to focus on building Customer Equity, those who do not have direct interaction with the end customer choose to focus more on Brand Equity. It is common for those consumers who do not have access to the end customer to adopt a pull strategy, where marketers use various forms of communication to persuade customers to demand their brand from the intermediary. Examples of the types of businesses that were interviewed that adopt pull strategies include manufacturers, holding companies to a house of brands, and intermediated businesses in the financial services sector.

For these businesses, adopting a myopic approach by defining their centres of influence as only intermediaries or channel members may be too narrow and their view should be expanded to include the end customers as there may be a risk of intermediaries or channel members harming an organisation's Brand and Customer Equity. Examples of such risks include price wars amongst competitors in the market which erode profitability. Brokers are another example, based in an intermediated business model, who tends to be driven by commissions. The brokers focus on earning the highest commission and in some cases the brokers may not necessarily sell their clients products that meet their needs. This inevitably results in high churn rates and destroys Customer Equity. The solution to this problem may be for members in the supply chain to take careful note of all the members' interests in the supply chain in order to achieve a win-win outcome for all parties.

There were very few comments on how high marketing costs allocated to serving the customer influence the focus on Brand Equity or Customer Equity. A few respondents felt that both concepts would be important, whilst others understood that focussing only on Customer Equity would be important. Bick (2009) explains that organisations that have low fixed costs and high marketing costs allocated to serving the customer need to focus on Customer Equity. In addition, organisations that segment their customers according to profitability improve the organisation's long-term profitability and sustainability.

As mentioned earlier, technology plays an important role in how organisations interact with the customers from both an external and internal perspective. Through the use of CRM tools and databases, organisations track and manage customer "touch points" or interactions with customers, to ensure their prospective customers are converted into advocates or partners. Some of the respondents were at the initial stage of investing in a CRM system whilst other organisations depended on these systems to run their businesses and invested heavily in these systems to improve their Customer Relationship Management function.

This social media revolution has shifted marketing practitioners' focus from mass marketing communications to a more personalised form of communication, thus adopting a more relationship and customer focussed marketing approach. With the proliferation of social media websites, such as Facebook and Twitter, the consumer engages with organisations on the various online platforms and blog sites, engaging in a two way dialogue. Therefore, marketing practitioners have to listen to what consumers are saying about their brands and ensure their products or services meet the needs of their consumers. Respondents have stated that adopting a more relationship and customer focussed marketing approach gives rise to the importance of customer retention and repeat purchases which focusses on Customer Equity.

Therefore, the Research Proposition 3 is **partially accepted**.

Research Proposition 4: Marketing practitioners based in different South African industries trade off Brand Equity for Customer Equity when making marketing investments.

The research showed that the majority of marketing practitioners in South African organisations focus on both concepts. Using a 10-point Likert scale to indicate the level of importance, 64% of interviewees rated building Brand Equity as very important (a score of 9-10), and 74% rated the same for building Customer Equity. Only 3% of interviewees rated building either/both concepts as less important (a score of 3-4). The small proportion of these interviewees belongs to one the following sub-sectors:

- Mining (less important Brand Equity, less important Customer Equity);
- Construction & Materials (less importance Brand Equity, important Customer Equity); and
- Retailing (very important Brand Equity, less important Customer Equity).

A large proportion of the marketing investment in organisations, garnered from online and personal interviews, is made in mass communications, in particular experiential marketing through events and sponsorships. Following on from this is investment in advertising and promotions in traditional platforms of communication namely print media, radio, public relations and outdoor advertising.

The literature review section revealed that marketing practitioners should consider focussing on building both Brand Equity and Customer Equity when designing marketing programmes. Building both types of marketing intangible assets provides several benefits for the organisation and the customer. According to Bick (2009) the two concepts are not mutually exclusive and they do overlap in the following four areas:

- acquiring new customers for current offerings;
- ability to encourage cross buying from current customers;
- ability to charge a price premium for its products and services; and
- reduced marketing costs.

Results from the marketing equity matrix discussed earlier highlight that only a very small percentage of interviewees (two out of 58 responses) rated either Brand Equity as important or Customer Equity as important, which suggests that a very small number of organisations trade off one concept against the other as follows:

- Brand Equity as important and Customer Equity as low importance (retailing); and
- Brand Equity as low importance and Customer Equity as important (construction and building materials).

There was only one interviewee who rated Brand Equity and Customer Equity as less important, in other words on a scale of one to 10, where 1 is unimportant and 10 is very important the interview gave a rating of 4 for both concepts, this organisation belongs to the mining industry. This finding supports Bick's (2009) statement that commodity type sectors are low on Brand Equity and low on Customer Equity, and these commodity markets are characterised by high price elasticities as consumers decisions are driven by getting the best price. There is very little differentiation for being brand focussed or customer-centric. These organisations that market commodities and end-of-life products have limited marketing investments and tend to focus on neither Brand Equity nor Customer Equity. Bick (2009) suggests these organisations rely on short-term promotions and best price offerings to move their products.

For those industries that were closely analysed, namely business to business, financial services, TMT and retailing, there is no apparent clustering of particular industries on the matrix. Over 80% of the interviewees are positioned in the top right-hand area of quadrant II where they have given Brand Equity and Customer Equity a rating of 8 or above. This finding suggests that both these concepts are interdependent and do not have a mutually exclusive relationship. In other words, the one concept cannot exist in a vacuum and needs the other to form a holistic marketing strategy.

To conclude, this clearly highlights the fact that South African organisations appreciate the interdependence of these concepts and have tailored their marketing campaigns accordingly.

Therefore, the Research Proposition 4 is **rejected**.

6.3 Research observations for organisations

The observations, although limited to findings from South African organisations in certain industries, may be applicable to other markets.

From the findings, it is clear that Brand Equity and Customer Equity are interrelated and are not mutually exclusive, and hence work in tandem in some instances but they do have their differences. Ambler et al. (2002) recommend that focussing on both would lead to more marketing success than focussing on one, as the two concepts are complementary in certain aspects. Table 146 in Appendix E provides different indicators for determining whether to focus on building Brand Equity or Customer Equity:

The role that marketing activities play in building Brand Equity and Customer Equity shows statistical significance in creating financial value for the firm and its stakeholders, in other words increasing Shareholder Value.

The findings reveal that marketing practitioners rate increasing Shareholder Value as an important objective for building Brand Equity. Similarly, having clear quantifiable financial effects, contributing to the bottom line and driving long-term profitability and sustainability are important objectives for building Customer Equity and these strongly link into increasing Shareholder Value. The research findings that show that increasing Shareholder Value is an important objective in the role of building marketing equity are in line with the final and fourth stage of the Brand Value Chain model, discussed earlier in the literature review. This stage is reflective of the value created in the marketplace where the investment community considers the brand's market performance and arrives at an assessment of Shareholder Value. Market indicators to consider that contribute to the organisation's Shareholder Value are: the stock price, the price/earnings multiple and the market capitalisation of the firm.

From the findings in the research, focussing on both building Brand Equity and Customer Equity can arrive at a favourable assessment of Shareholder Value by carrying out the actions listed below.

- *Brand Equity:* this requires establishing and nurturing a unique positioning and brand image with stakeholders on the whole and not focussing all marketing efforts on customers. The result of this would be to build Brand Equity to assist customers in simplifying their purchase decisions, but also to assist the investor community with the purchase decision when making the decision to invest in the organisation's stock. In other words, marketers have a role to play in unlocking latent value in a "house of brands" by focussing on building Brand Equity in the name of the listed entity and leveraging off this equity with both the consumers and the investment community.
- *Customer Equity:* earnings represent a key determinant of Shareholder Value and building Customer Equity provides clear quantifiable financial effects to the bottom line and, through customer lifetime value, drives long-term profitability and sustainability. Hence earnings and Customer Equity are closely linked.

In conclusion, the majority of marketing practitioners in South African organisations chose to focus on both concepts simultaneously, and therefore the Brand and Customer Equity matrix proposed by Bick (2009) is the correct diagrammatic representation to use. Both Brand Equity and Customer Equity provide a strong link to Shareholder Value although the research suggests that South African marketing practitioners consider the link less strong than that of Brand Equity.

6.4 Suggestions for further research

Given the various elements and situational factors that marketing practitioners have to consider when building Brand and Customer Equity, certain areas of future research are suggested that may complement or add value to the findings.

- Further research is required to prove the positioning of different industries and which determinants are important in influencing marketing practitioners' decisions on Brand Equity focus and/or Customer Equity focus.

- Evaluate the importance in rationale for building brands in relation to quality, exclusivity, reputation and trust, and credibility.

- Determine what creates more value in the hierarchical branding structure. Does building a "house of brands" create more value or is it worthwhile building the "parent company's" brand and leveraging off this relationship. By focussing on building the brand in the listed entity's name, usually the name of the "parent brand", does this create higher Shareholder Value?

- Brands play a significant role in establishing a unique positioning and brand image in the minds of consumers. Establish to what extent new forms of non-traditional advertising, media and promotional platforms help create a unique brand image.

- Establish the extent to which marketing practitioners focus on building brand and Customer Equity in the commodity sectors and compare their positioning to manufacturing, retail and service sectors.

- Determine the value of Human Equity in organisations and its contribution to Shareholder Value.

- Are consumers becoming apathetic towards loyalty programmes? Measure the effectiveness of customer loyalty programmes, in particular industries, and evaluate whether there is any intrinsic value in loyalty campaigns or whether they are only effective in particular types of organisations.

- The rising importance in the role of digital media in South Africa has seen year-on-year increases in digital media spending. The United States has experienced an increases in digital advertising spend. Will this be the trend in South Africa or is mobile marketing dominant?

REFERENCES

AAKER, D. A. (1995) Building strong brands. *Brandweek,* Vol. 36**,** 28.

AMBLER, T., BHATTACHARYA, C. B., EDELL, J., KELLER, K. L., LEMON, K. N. & MITTAL, V. (2002) Relating Brand and Customer Perspectives on Marketing Management. *Journal of Service Research,* Vol. 5**,** 13-25.

ANON. Harris Annual Reputation Quotient Survey, last accessed March, 2011, from http://www.harrisinteractive.com

BAUER, H. H. & HAMMERSCHMIDT, M. (2005) Customer-based corporate valuation: Integrating the concepts of customer equity and shareholder value. *Management Decision,* Vol. 43**,** p331-348.

BERGER, P. D. & NASR, N. I. (1998) Customer Lifetime Value: Marketing models and applications. *Journal of Interactive Marketing* Vol. 12**,** 17-30.

BICK, G. N. C. (2009) Increasing shareholder value through building Customer and Brand Equity. *Journal of Marketing Management,* Vol. 25**,** 117-141.

BLATTBERG, R. C. & DEIGHTON, J. (1996) Manage Marketing by the Customer Equity Test. *Harvard Business Review,* Vol. 74 (July - August)**,** 136-144.

BLATTBERG, R. C., GETZ, G. & THOMAS, J. S. (2001) *Customer Equity: Building and managing relationships as valuable assets,* Boston, MA, Harvard Business School Press.

CRESSWELL, J. (2003) *Research Design Qualitative, Quantitative and Mixed Method Approaches,* Thousand Oaks, Sage Publications.

DOYLE, P. (2000) *Value based marketing,* Chichester, UK, John Wiley and Sons.

GUPTA, S. & LEHMANN, D. R. (2003) Customers as assets. *Journal of Interactive Marketing,* Vol. 17**,** 9-24.

GUPTA, S., LEHMANN, D. R. & STUART, J. A. (2004) Valuing Customers. *Journal of Marketing Research,* Vol. 41**,** 7-18.

HUBERMAN, A. M. & MILES, M. B. (1983) Drawing Valid Meaning from Qualitative Data: Some Techniques of Data Reduction and Display. *Quality & Quantity,* Vol. 17**,** 281-339.

KALOF, K., DAN, A. AND DIETZ, T. (Ed.) (2008) *Essentials of Social Research,* Maidenhead, Open University Press.

KELLER, K. L. (2001) Building Customer-Based Brand Equity. *Marketing Management.* American Marketing Association.

KELLER, K. L. (2008) *Strategic Brand Management - building, measuring and managing brand equity,* 3rd Ed., New Jersey, Pearson Prentice Hall.

KELLER, K. L. & LEHMANN, D. R. (2009) Assessing long-term brand potential. *Journal of Brand Management,* Vol. 17**,** 6-17.

KELLER, K. L., LEHMANN, D.R. (2006) Brands and Branding: Research Findings and Future Priorities. *Marketing Science,* Vol. 25**,** 740-759.

KERIN, R. A. & SETHURAMAN, R. (1998) Exploring the Brand Value-Shareholder Value Nexus for Consumer Goods Companies. *Journal of the Academy of Marketing Science,* Vol. 26**,** 260-273.

KIM, H., KIM, W. & AN, J. (2003) The effect of consumer-based brand equity on firms' financial performance. *The Journal of Consumer Marketing,* Vol. 20**,** 335-351.

KNOWLES, J. & ETTENSON, R. (2007) Reconcilable Differences. *Harvard Business Review,* Vol. 85**,** 24-26.

KOTLER, P. & KELLER, K. (2009) *Marketing Management,* London, Pearson International Edition.

KUMAR, V. & GEORGE, M. (2007) Measuring and maximizing customer equity: a critical analysis. *Journal of the Academy of Marketing Science,* Vol. 35**,** 157-171.

KUMAR, V., KATHERINE, N. L. & PARASURAMAN, A. (2006) Managing Customers for Value: An Overview and Research Agenda. *Journal of Service Research,* Vol. 9**,** 87-94.

LEMON, K. N., RUST, R. T. & ZEITHAML, V. A. (2001) "What Drives Customer Equity?". *Marketing Management,* Vol. 10**,** 20-25.

LEONE, R. P., RAO, V. R., KELLER, K., LUO, A. M., MCALISTER, L. & SRIVASTAVA, R. (2006) Linking Brand Equity to Customer Equity. *Journal of Service Research,* Vol. 9**,** 125-138.

MIZIK, N. & JACOBSON, R. (2007) Myopic Marketing Management: Evidence of the Phenomenon and Its Long-Term Performance Consequences in the SEO Context. *Marketing Science,* Vol. 26**,** 361-379.

PAHUD DE MORTANGES, C. & VAN RIEL, A. (2003) Brand Equity and Shareholder Value. *European Management Journal,* Vol. 21**,** 521-527.

RUST, R. T., LEMON, K. N. & ZEITHAML, V. A. (2004a) Return on Marketing: Using Customer Equity to Focus Marketing Strategy. *Journal of Marketing,* Vol. 68**,** 109-127.

RUST, R. T., ZEITHAML, V. A. & LEMON, K. N. (2004b) Customer-Centered Brand Management. *Harvard Business Review,* Vol. 82**,** 110-118.

STACEY, A. G. (2005) The reliability and validity of the item means and standard deviations of ordinal level response data**.** *Management Dynamics,* Vol. 14**,** 2-25.

VENKATESAN, R. & KUMAR, V. (2004) A Customer Lifetime Value Framework for Customer Selection and Resource Allocation Strategy. *Journal of Marketing,* Vol. 68**,** 106-125.

APPENDIX

Appendix A: Letter to Respondents

Dear Respondent,

I am completing an MBA at the WITS Business School, Johannesburg. With the growing importance of intangible assets and the demand for management to become more accountable to maximising Shareholder Value, my MBA thesis will evaluate marketing practitioners' opinions on how they decide where to focus efforts in their marketing programmes with a view to increasing Shareholder Value.

During recessionary times such as these it is common for marketing budgets to be scaled back with a view to boosting the short term bottom line of the organisation. Research shows that these decisions are however totally contradictory to increasing Shareholder Value which is a long term concept that relates to building sustainable businesses.

My research will discuss and will set out to explore and explain some of the following questions:

- *Determine what marketing investments are taking place in organisations to build Brand Equity and Customer Equity*
- *Evaluate the rationale for building Brand and Customer Equity*
- *Prove the positioning of different industries on the marketing equity trade-off matrix*

Respondents will include marketing practitioners from various industries in South Africa.

I would like to invite you to participate in the survey and would be grateful if I could arrange an interview with you to hear your views on the topic. I understand that you are extremely busy and any time you could spare to contribute to my research would be greatly appreciated.

The interview will not involve detailed questions related to future marketing strategy plans but will be focussed on general questions on marketing programmes and strategic considerations that are carried out in your organisation. Confidentiality will be observed throughout the thesis process and the final report will be used for academic purposes only. An electronic copy of the final research report and results will be shared with all respondents.

Thank you for your kind assistance.

Yours sincerely

Natalie Frank
SA Mobile: +27 (0)76 455 4076

Appendix B: Actual Research Instrument

Questionnaire		
Title in the organisation:		
Department:		
Company name:		
Inception date:		
Industry:	❑ Airlines ❑ Automobiles and parts ❑ Banking ❑ Business to business ❑ Construction & Materials ❑ Electronic & Electrical ❑ Food & Beverage Producers ❑ Food & Drug Retailers ❑ Forestry & Paper	❑ General Retailers ❑ Insurance - Life Insurance ❑ Media & Broadcasting ❑ Mining ❑ Mobile Telecom & internet ❑ Pharmaceuticals & Biotech ❑ Software & Computer Services ❑ Transportation ❑ Travel & Leisure
Company size and please state turnover (ZAR) in the previous financial year	❑ Small Cap ❑ Medium Cap ❑ Large Cap	Turnover (previous FY): ______________________________
Number of marketing employees in the organisation	❑ 0 – 20 ❑ 21 – 40 ❑ 41 - 60	❑ 61 - 80 ❑ 81 - 100 ❑ 100+
Indicate the presence of marketing or marketing-related functions in your organisation **✓ if applicable to your organisation**	❑ Business Development ❑ Business To Business ❑ Call Centres ❑ Central Marketing ❑ Communications and Marketing ❑ Corporate Social Investment ❑ New Product and Innovation ❑ Public Relations	❑ Product Marketing ❑ Roadshow Marketing ❑ Relationship Management ❑ Sales Department ❑ Strategic Research and Planning ❑ Other Please comment if other:

1. Select the best option that describes the sales function in your organisation:

❑ Direct to the customer ❑ Distribution channels ❑ Both

The following questions relate to building Brand Equity and Customer Equity through your organisation's marketing programmes.

- **Brand Equity** is the inherent value of the brand asset. Brand Equity is represented by what customers think, feel and act with respect to the brand. Brand Equity consists of the marketing effects uniquely attributable to the brand. Organisations that focus on Brand Equity invest in the following types of marketing activity: advertising and promotions, brand name, logos, slogans, packaging, spokespeople and store image
- **Customer Equity** is the sum of the lifetime values of all customers, which is calculated as the net present value of the stream of future profits expected over the customer's lifetime value (CLTV). Customer Equity focusses on customer relationship management (CRM) practices that follow one-to-one marketing activities with a strategic focus on customer acquisition and retention. Organisations that focus on Customer Equity invest in the following types of Customer Equity: customer relationship management, customer loyalty programmes, customer segmentation by profitability, one to one marketing and acquisition and retention strategies.

2. On a scale of 1-10 (1 is unimportant, 10 is very important), how would you rate the importance of building the following in your industry?

Role of building Brand Equity	Unimportant								Very Important
Brand Equity	1	2	3	4	5	6	7	8	9	10
Customer Equity	1	2	3	4	5	6	7	8	9	10

3. Following from question 2, describe the types of marketing investments made in a particular industry and why you rate each accordingly?

Industry	Type of marketing investments (if any)	Why do you rate Brand Equity this way in your industry?

Industry	Type of marketing investments (if any)	Why do you rate Customer Equity this way in your industry?

4. On a scale of 1-5 (1 is unimportant, 5 is very important), indicate the role of each of the following activities play in building Brand Equity

Strong, favourable and unique brand associations provide benefits:	Unimportant	Of Little Importance	Moderately Important	Important	Very Important
A strong brand perception attracts and retains top employees	1	2	3	4	5
Establishes a unique positioning and brand image	1	2	3	4	5
Charge a price premium for products or services	1	2	3	4	5
Consumers are less price sensitive	1	2	3	4	5
Creates an emotional response to purchasing	1	2	3	4	5
Creates opportunities to extend into new product lines or categories	1	2	3	4	5
Increase Shareholder Value	1	2	3	4	5
Insulates your products or services from the competition	1	2	3	4	5
Develops the market by creating new geographic segments and channels	1	2	3	4	5
Simplifies the consumer's purchase decision amongst brands	1	2	3	4	5

5. On a scale of 1-5 (1 is unimportant, 5 is very important), indicate the role each of the following activities play in building Customer Equity

Strong, favourable Customer Equity provides benefits:	Unimportant	Of Little Importance	Moderately Important	Important	Very Important
Clear quantifiable financial effects and contribution to the bottom line	1	2	3	4	5
Client segmentation by profitability	1	2	3	4	5
Cross selling opportunities	1	2	3	4	5
Customer loyalty programmes	1	2	3	4	5
Customer relationship management	1	2	3	4	5
Customer profiling and customer research	1	2	3	4	5
Increases Shareholder Value	1	2	3	4	5
Long term profitability and sustainability	1	2	3	4	5
Perception of high switching costs	1	2	3	4	5

6. On a scale of 1-5 (1 is unimportant, 5 is very important), how important are the following issues when determining whether to focus on Brand Equity or Customer Equity?

Marketing issues to focus on	Unimportant	Of Little Importance	Moderately Important	Important	Very Important
Organisation interacts directly with the end customer	1	2	3	4	5
High marketing costs allocated to serving the customer	1	2	3	4	5
Organisation has relational client databases	1	2	3	4	5
Organisation is in its start up phase	1	2	3	4	5
Organisation operates in a mature market phase	1	2	3	4	5
Organisation offers a highly innovative product	1	2	3	4	5
The brand is a differentiating factor	1	2	3	4	5
Customer relationships are a differentiating factor	1	2	3	4	5
Marketing programme is at the front end/early stage	1	2	3	4	5
Marketing programme is at the back end/later stage	1	2	3	4	5
Transactional, product focussed marketing approach	1	2	3	4	5
Relationship, customer focussed marketing approach	1	2	3	4	5

7. Estimate the percentage of marketing investment that is allocated to various items of marketing activity as a percentage of the total marketing budget.

Industry	Brand Equity building programmes: • Advertising and promotions • Affinity initiatives • Branding • Corporate identity • Corporate social initiatives • Press & media • Sponsorships	Customer Equity building programmes: • Call centre initiatives • Customer database management • Customer loyalty initiatives • Customer relationship management • Customer retention initiatives • Direct marketing, direct mail • One on one marketing	
	_____%	_____%	**100%**

8. Would you like a summary of the key findings? ❑ Yes ❑ No If yes, please fill in your details below. This will be treated confidentially for report feedback purposes only.

Full name: _______________________email address: _____________________

Thank you for your participation

Appendix C: List of South African based organisations

Primary Sector (3)

Company name:	Organisation's inception date (YYYY)	No of years in business (2011)
York Holdings (Pty) Ltd	1916	95
Sappi	1936	75
Impala Platinum Ltd	1969	42

Secondary Sector (15)

Company name:	Organisation's inception date (YYYY)	No of years in business (2011)
SAB	1895	116
Nestle	1908	103
PPC Cement	1910	101
Tiger Brands - Snacks and Treats	1925	86
AFCOM	1930	81
Copalcor	1948	63
Allweld Marine & Industrial (Pty) Ltd	1962	49
Lithotech Labels (Lufil Packaging)	1971	40
Rocla (Pty) Ltd	1973	38
Buffalo Executape	1975	36
Seating PAGO	1979	32
Arch Wood Protection (SA) (Pty) Ltd	1999	12
Denel	2000	11
Coca Cola Fortune	2005	6

Company name:	Organisation's inception date (YYYY)	No of years in business (2011)
Active Lifestyle Solutions	2009	2

Tertiary Sector (48)

Company name:	Organisation's inception date (YYYY)	No of years in business (2011)
Stuttafords	1858	153
Siemens	1860	151
Standard Bank	1862	149
Nedbank	1880	131
Liberty Life	1960	51
Altech	1965	46
Pick n Pay	1967	44
Southern Sun	1969	42
Mass Stores Pty LTD	1970	41
Carlson Wagonlit Travel	1973	38
Adcorp	1978	33
Europcar	1979	32
Hollard	1980	31
Dimension Data	1983	28
SAP	1983	28
Protea Hotels	1984	27
City Lodge Hotels	1985	26
DELL	1985	26
ABSA	1991	20

Company name:	**Organisation's inception date (YYYY)**	**No of years in business (2011)**
Debonairs	1991	20
Just On Cosmetics	1991	20
Shoprite Checkers	1991	20
Discovery	1993	18
Vodacom	1994	17
East Coast Radio	1996	15
Metropolitan Health Group	1996	15
Vega	1997	14
Waltons	1997	14
TMS (Vericon) - Bidvest	1999	12
Media24	2000	11
kulula.com	2001	10
Fishaways	2002	9
Oce South Africa	2003	8
1time	2004	7
Nedbank Capital	2004	7
Bid Air Group	2006	5
ABSA Capital	2007	4
FNB	2008	3
Tushiyah	2009	2
On Digital Media	2010	1

Appendix D: Examples of respondents' statements

For the proceeding section, please note that all qualitative opinions provided by the interviewees have been altered for confidentiality reasons and the comments have been strictly used for academic purposes only. The comments are categorised into key themes that relate to the questions outlined in the research questionnaire.

Research proposition 3: Factors influencing the focus of building Brand Equity and/or Customer Equity

*These are the examples of respondent's statements on the **interactivity with end customers** and how this influences the focus of marketing investment*
Important to focus on Brand Equity: "As a marketer you want customers to go into the store and ask for your product." *(Comments from a manufacturer who sells through distribution channels)* "I would love for people to walk into a retail space and say do you keep our products here and they say no and the consumer leaves the store. Yes but it's a very small percentage of the market that knows where this stuff comes from. So we rely totally on our dealer and distribution network to distribute our product and market it." "I have got it as very important even though we don't interact directly with majority of our customers as I was saying the direct customer segment is about 20% of our business, but one would like to do that because then the member in our distribution channel becomes a gatekeeper and you don't want that for them to say I want to order more of one product and less of another product. As a marketer you want customers to go into the store and request your brand." **Important to focus on Customer Equity:** "We obviously want to move more and more in that direction dealing directly with

*These are the examples of respondent's statements on the **interactivity with end customers** and how this influences the focus of marketing investment*
the client base you have less risk than dealing through a middleman so I would say that is high. That is the whole reason why I am here or else I would not be here, I might as well sell to the group" "On the Customer Equity side, is the end customer is defined as the man on the street? For our corporate head office, I would define this as anybody that my survival is dependent on as my customer but basically the definition that you mentioned it would be high but if it is the man on the street - it's no. You cannot divorce the holding company from any of the other companies. All of our other (operating) companies have very high Customer Equity but they are dependent on how I manage the family brand. In other words, who is the customer, who is the customer facing and how do they engage with the customer and the loyalty that they build and the support that they build. So sitting here at the holding company level I would not aim to build Customer Equity for the man on the street but I cannot disregard the man on the street because of how my family brand affects all of my operating companies. But the operating companies for example affect the man on the street. So they would have Customer Equity as very important to them as it would be for the majority of our other operating companies. It is difficult for me to rate Customer Equity very low because of the impact it has on all the other companies and because of the fact that we are a branded house. I cannot ignore the importance of Customer Equity put it that way. So that is where the two are highly interrelated because of the operating companies." "The organisation interacts directly with the end customer; bearing in mind our operating companies then this is very important. As we are a human capital management company one would need that level of high expectation at the customer level because it definitely does set a trend and if they get a bad experience they are likely to tell all their friends and the word-of-mouth has a huge negative effect on the family brand so you will find a lot of our recruitment agents

*These are the examples of respondent's statements on the **interactivity with end customers** and how this influences the focus of marketing investment*
are very well polished on the client side" "So there is that internal process and yes, as you say, so we have actually two sets of customers, our franchisees are our customers and they in turn have customers who is the general public and we obviously need to take into account the franchisees needs as well as the end customer or call it the consumer to separate the two…So whenever we do something we have got to consider cost of the product and profit of the product, that affects our customer i.e. the franchisee and ultimately affects the consumer because if we make the product to expensive the end consumer won't even buy it. The franchisee is not going to make any money so there is always a balance that we've got to make to ensure that both those parties are happy. We've got make decisions that will enable the franchisee to run a profitable business because if he folds then the franchisee folds, so we've got to make sure that our franchisees are profitable and then obviously the end customer or the consumer needs to be happy with the product and needs to be happy with the franchise and that includes everything from store, to point-of-sale, to the messages we put out all the niche marketing stuff and what the brand stands for" "If I was interacting directly with the end customer; Customer Equity is critical but in order to attract the person Brand Equity is important." "Our customers were our intermediaries and not the end customer so the model has changed slightly I think it will take time to build so hence customer retention is key. It's very big in this environment it's very important… We have a different model, we looking at having a direct model. We can talk to customers but have never spoken to them before so we will still have intermediaries, but we will actively target the end customer and we will understand where they are. It is like saying you don't care who the people are who buy your products; you just market to the advisors, so those become your customers. So you do not know how many

*These are the examples of respondent's statements on the **interactivity with end customers** and how this influences the focus of marketing investment*
customers you have, where they are in their lives, what do they actually want, what lifestage are they in, we didn't any of that in the industry, it was just the intermediaries and it was purely sales driven. How many intermediaries do we have, how much commission they are making which is unsustainable because what happens in the model is you constantly churning and regaining new customers. So you are paying your intermediaries to actually churn…In the past the organisation interacting directly with the end customer was low, it is 2 of little importance however it is very important for us now but it is going to take time for us to grow."

*These are the examples of respondent's statements on **high marketing costs allocated to serving the customer** and how this influences the focus of marketing investment*
Important to focus on both Brand and Customer Equity: "High marketing costs to serving the customer. Well you need both (Brand Equity and Customer Equity)." "High marketing costs allocated to serving the customer, you see it is both you need to get the balance right, too much of the one…that is my problem there." **Important to focus on Customer Equity**: "If there are high marketing costs allocated to serving the customer then Customer Equity would be important." "Customer Equity is the number one focus and Brand Equity would sit as a 7 or an 8...I think just to sum it up, the customer relationships are first and then the

*These are the examples of respondent's statements on **high marketing costs allocated to serving the customer** and how this influences the focus of marketing investment*
product branding comes in after that..So an actual Brand Equity: Customer Equity investment allocation of 70:30 would be a return of 30:70. But they do work together. The two are highly interrelated but as I said to you earlier the one is a very tangible and recognisable spend. So if you really wanted to get analytical it would be like 99: 1 because our investment and our reps and myself is a big expense"

*These are the examples of respondent's statements on organisation has **relational client databases** and how this influences the focus of marketing investment*
"Not really, we have a database but it does not have the right information. I can go into a debtor and it will show you who the financial manager is or who the debtor clerk. I do not need to know that. I need to know who the buyer is, who the sales and marketing guys is, who the CEO is, we have not got that information." "I think this is very important actually before you came somebody came to present a solution but it was more theoretical in terms of how you do it. I'm waiting for the case studies" "The company has huge relational client databases and that is what our business is run on" "The organisation has relational client databases; I think it is important and it would be nice to have a tool like that and it is not in place but it would have a lot of potential. It is important but it doesn't mean we are doing it."

*These are the examples of respondent's statements on organisation has **relational client databases** and how this influences the focus of marketing investment*
Important to focus on Customer Equity: "Organisation has relational client databases, this is definitely a five, you would focus on the customer" "Organisation has relational client databases – well I would focus on Customer Equity. " "If your organisation has relational client database then Customer Equity is hugely important."

*These are the examples of respondent's statements on **phase of the business (start up or mature)** and how this influences the focus of marketing investment*
Important to focus on Brand Equity: "If you are in your start up phase then Brand Equity is important, if you're not in your start-up phase then Customer Equity is important. If you have a strong brand already, our strategy is not to build Brand Equity because it is there but we need to build Customer Equity." "Organisation is in its start-up phase, you would focus on the brand we trying to get out there and create awareness so that would be for organisation. Operates in a mature market phase is definitely CRM, the customer that would influence the strategies" "Organisation is in its start up phase. Yes in this case a merger has taken place so in essence the company is going through a rebranding exercise. In essence

These are the examples of respondent's statements on ***phase of the business (start up or mature)*** *and how this influences the focus of marketing investment*
yes we are going through a rebranding, our services have not changed but we are definitely going through a rebranding process and a huge restructuring. It is very important at this stage. Organisation is in a mature market phase. We have never had a sales department, so there was never anyone looking for opportunities in sales so we never were at a mature market phase at all but I would say it is very important." "I cannot do Customer Equity if I do not have Brand Equity in my view because if you come to me with a new product that no one knows anything about you can SMS me 550 times and I am going to say I do not want your product because I do not even know what your product is. I would say, again this is my opinion, without Brand Equity you cannot engage Customer Equity but you can certainly improve Brand Equity by engaging Customer Equity. So I do not think you can do Customer Equity without Brand Equity but you can do Brand Equity without Customer Equity. Organization operates in a mature market phase; you see there you need both" "So in a start up phase you would tend to focus more on brand but then for example of the health and life businesses there is a very heavy focus on Customer Equity focus. But you do not neglect brand. So for the start ups brand is incredibly important because that is what people are going to buy into because there is very little experience of the product for them to refer to so they are trusting brand. So we drive a lot of brand stuff and track record in other sectors which means the brand has delivered on its promise previously we can do it again. In our established businesses we are very careful to do lots of quality brand work but there is a massive focus on Customer Equity from a sustainability of the business, long term profitability and sustainability point of view." "Organization is in its start up phase; I do not know how to answer this one. We have launched a new division two weeks ago where we invited our top clients to

These are the examples of respondent's statements on ***phase of the business (start up or mature)*** *and how this influences the focus of marketing investment*
attend, it created a lot of interest and it's important that you create the awareness. You cannot sell something without launching or promoting it. This is very important."   **Important to focus on Brand and Customer Equity**:   "Let me explain why I would rate everything as important for question 6. So let me explain how I am interpreting the question. If those questions are asked and those elements are put to me and I need to make the decision between customer and Brand Equity, I would look at both because in a start-up phase you would have a very particular customer base that you would need to focus on but your brand is also very important. In a mature phase you would have a different set of customers who are key, but again your brand is very important in terms of how your brand is perceived and how your brand needs to be built perhaps in a different space. From what I'm seeing it would depend on your approach, what you lead with, because with the introduction of a new brand whether it's a start-up or whether its maturity, whatever the case may be depending on circumstances or depending on whether there is a dominant player in the market or whether it's a green fields or whatever the case may be. Yes you would invest heavily in your brand to raise awareness about your brand but the trust that you need to gain in your customer I won't achieve by brand building and spending R250 million on getting my brand everywhere, I would do that by very targeted public relations or media relations activity in support of my brand campaign to build the trust to raise the credibility to show that I am able to deliver on my brand promise. So I would not go and spend billions on building the brand and then six months later focus on my customer. I would do the two in tandem regardless of whether I'm start-up or mature because just based on those words that would be my answer but it would depend on the circumstances in the market whether its green fields or whether it's a monopoly or duopoly or what is going on the market and whether it's a complex product or service or someone has already paved the way and it is a matter of just

*These are the examples of respondent's statements on **phase of the business (start up or mature)** and how this influences the focus of marketing investment*
bringing something at a better price whatever the case may be so there are a lot of things one needs to consider." "And the organisation is not in its start-up phase we are a little beyond that we have been going for two and half years now. So for both the brand and the client equity, those two are very important because both our competitors are international players."

*These are the examples of respondent's statements on **organisation offers a highly innovative product** and how this influences the focus of marketing investment*
Important to focus on Brand Equity: "Organisation offers a highly innovative product that helps brand building I would rate this 4" "The prestige of an investment bank and the expertise that that carries, the very kind of innovative products etc. is hugely important and part of that is the brand of your investment bank." "The organisation offers a highly innovative product. If it is not innovative then we'd battle. We are challenged to get the deal… so it is those kinds of innovative products that we need to put in place to build our brand." "we have always been known as innovative brand or the innovator in the airline industry"

*These are the examples of respondent's statements on **organisation offers a highly innovative product** and how this influences the focus of marketing investment*
"The organisation offers a highly innovative product that's very important."

*These are the examples of respondent's statements **on brand or customer relationships are a differentiating factor** and how this influences the focus of marketing investment*
Important to focus on Brand Equity: "Brand is a differentiating factor; if you have strong Brand Equity then the brand is a differentiating factor. So it is important." "The brand is a differentiating factor. I would rate is very important." "The differentiating factor for us in the market is that is we have the affiliation with an overseas bank. No other investment bank in South Africa has got that. For us it means we can bring non-vanilla products to the market quicker and faster. No other investment bank can do that. It also means we can fly expertise over at the drop of a hat. So for the retail bank it means one thing but for us it's absolutely our bread-and-butter and it is what distinguishes us streaks ahead of everybody." "In terms of the brand is a differentiating factor the answer is yes to some customers and no to others. Because our association to our parent brand, it is quite a strong branding issue for some people and for many of the foreign companies who are not familiar with our parent brand then it's not a strong. So it varies. We leverage off it in every discussion we have and some people a light bulb goes on and others just go okay." "The brand is a differentiating factor, I think we would like to think that but I do not

*These are the examples of respondent’s statements **on brand or customer relationships are a differentiating factor** and how this influences the focus of marketing investment*
think the consumer does and that is the aim as the marketing manager to change that perception.” **Important to focus on Customer Equity**: “The brand is a differentiating factor; no I would say the services are a differentiating factor because we do offer an excellent service” “The brand is a differentiating factor I would say no. Like I said we do not do brands. We do brands for other people. Customer relationships are a differentiating factor. That is high I would say important” (the respondent is from a business to business organisation) “Customer relationships are a differentiating factor. We don't supply everybody on every street corner. We are very selective who we supply. The business is very product focussed and we're also very relationship and customer focussed.”

*These are the examples of respondent’s statements on **stage of marketing programmes (front end/early stage or back end/later stage)** and how this influences the focus of marketing investment*
“You see if you are at the front end you focus more on brand and if you are at the back end then you focus more on Customer Equity” “You see if you are at the front end you focus more on brand and if you are at the back end then you focus more on Customer Equity. For this question, brand and Customer Equity are all important and in some cases I would focus more on Customer Equity and others on Brand Equity. But to me they are all pretty

These are the examples of respondent's statements on ***stage of marketing programmes (front end/early stage or back end/later stage)*** *and how this influences the focus of marketing investment*
important." "Marketing programs at the front end//back end or early-stage/later-stage, you see for me these are the same it is just that one would at an early stage would support the Brand Equity at a later stage will support Customer Equity. But in terms of importance they are the same. Generally depending on how progressive the company is and also they just appreciate that the several "touch points" and the consumer experience has to be consistent across all of these." "Marketing programme is at the front end or early stage. As a professional department it is probably early but with respect it is growing all the time, it is something we working on all the time through our websites, through new catalogues, through national uniformity in marketing, so I would say is moderately important. If we were going to launch a new product, the marketing of the brand is important. We would create the brand, once it is in the market and it has settled down then just get the repeat business and the focus on the Brand Equity and Customer Equity." "So for the front end I think it's very important and back end I have got moderately important" "Marketing is at the front end or early stage, yes it is at a very early stage so I would say important"

These are the examples of respondent's statements on an organisation's ***marketing approach (transactional, product focus or relationship, customer focus)*** *and how this influences the focus of marketing investment*

*These are the examples of respondent’s statements on an organisation’s **marketing approach (transactional, product focus or relationship, customer focus)** and how this influences the focus of marketing investment*
Important to focus on Brand Equity and Customer Equity: “We have not been customer focussed up to now. We've always been brand focussed but we realising that there needs to be a change we realising the customer base out there want to be spoken to as individuals and not as the bigger picture and hence how do we do that we continuously trying to find innovative ways to talk to the consumer” “Transactional product focussed and relationship customer focussed marketing approach. I think both are important, because if you think that if you dealing with an organisation customers want to know that this product can perform. So you need to be functional, this product can perform but again you need to give something in terms of building a relationship and try to make switching difficult and impossible.” “Transactional product marketing approach is important in the business to business environment. Relationship or customer focussed marketing approach - that to me is very important, it is just something that I do, I sell, all day I sell our brand and our brand is us and what we offer within their obviously as you say sits the product brands.” “Relationship customer focussed marketing approach. Well it is relationship to the intermediary not to the end customer so that would be a very important” “The business is very product focussed and we're also very relationship and customer focussed. The business is very product focussed and we're also very relationship and customer focussed.”

Research proposition 4: Relationship between the two concepts

*These are the examples of respondent's statements on the **relationship between Brand Equity and Customer Equity***
"So it is cyclic, so for now we would say that Brand Equity is incredibly important but it is equally important so I would probably say a 9 on both to keep that product within the expectation of the actual consumer so I am going to give them each a 9. It's quite a difficult dynamic to keep balanced - the brand as well as the customer."
"In the service industry you can't, you have to do both and you have to do both at the same time but in the clothing where you have got tangible stuff to hold on to, it is easier to actually do mostly brand building and get the Customer Equity to lag behind but still you have to do both."
"I'll put forward an argument for you that the two have to coexist with each other and the two cannot be separated as to Brand Equity and Customer Equity. You cannot have Customer Equity without Brand Equity and vice versa...I do not believe as a marketer that you can actually separate the two entities because one thrives off the other. If you look at the multitude of brands around the world and any brand positioning they've done exactly that...So if you look at the Brand Equity and look at the Customer Equity process the two are actually interlinked. Very closely interlinked because of the association between the two components in how you position that process will affect the other. But the one can't exist without the other....Brands now are almost microcosms of society at large and as you progress through age you will move from one brand to another because of an age function and a social function more than anything else...So if you then start to look at which is more important or how do the two co-exist, they actually exist together. You see that is the argument that I'm putting forward and you can't divorce the two. I think the two concepts are so interlinked that they are so close I think that marketers came up with this idea of dividing consumer equity and Brand Equity. I do not know where this came from because they've always been interlinked your

*These are the examples of respondent's statements on the **relationship between Brand Equity and Customer Equity***
customers and the product itself have to go hand-in-hand....So this whole issue between Customer Equity and Brand Equity as I say they are so intrinsically interlinked as components that that it is incredibly difficult to separate the two and one has to seriously think about those processes and marketers that put forward the debate that Customer Equity and Brand Equity are two separate issues I think is fundamentally wrong. I think the thinking is fundamentally wrong. But that might be quite controversial to say that....I would not be able to separate the two concepts (Brand Equity and Customer Equity) they would be equally important and both are very high on our agenda that we look after our customers as well as the brands we are putting into those organizations. It's absolutely critical." "I think that we could possibly tip on both. I don't tip on the customer side (*respondent is based at the holding company and not at the operating company level)* but definitely the brand side..So definitely I would say Brand Equity. I would rate Brand Equity as 10 and Customer Equity for me personally it is important because without our customers being a service company, we are nothing. So they both rate very highly but the one I concentrate on and the one I don't, because that's left to the operational side. So for me sitting at group marketing of the holding company I would give that possibly a 5 or 6 rating. But if I have to include the subsidiary companies then I would rate Customer Equity a 10, very high." "On the Customer Equity side the end customer is defined as the man on the street. For corporate head office, I wouldn't define anybody that my survival is dependent on as my customer but basically the definition that you mentioned it would be high but if it is the man on the street - it's no. I cannot put it at a 1 because of the fact that we are a branded house. You cannot divorce the holding company's brand from any of the other operating companies. All of our operating companies have very high Customer Equity but they are dependent on how I manage the organisation brand. In other words, who is the customer, who is customer facing and how do they engage with their customers and the loyalty that

These are the examples of respondent's statements on the ***relationship between Brand Equity and Customer Equity***
they build and the support that they build. It is difficult for me to rate Customer Equity very low because of the impact it has on all the other companies and because of the fact that we are a branded house. I cannot ignore the importance of Customer Equity put it that way. So that is where the two are highly interrelated because of the operating companies they are highly interrelated...I won't achieve by brand building and spending R250 million on getting my brand everywhere, I would do that by very targeted public relations or media relations activity in support of my brand campaign to build the trust to raise the credibility to show that I am able to deliver on my brand promise. So I would not go and spend billions on building the brand and then six months later go ok fine now I can focus on my customer. I would do the two in tandem regardless of whether I'm start-up or mature because just based on those words that would be my answer but it would depend on the circumstances in the market whether its green fields or whether it's a monopoly or duopoly or what is going on the market and whether it's a complex product or service or someone has already paved the way and it is a matter of just bringing something at a better price whatever the case may be so there are a lot of things one needs to consider" "It is important to focus on Brand Equity and Customer Equity. In other words not distinguishing between the two; you need both in my view...This question to me without Brand Equity there is no point in Customer Equity. I cannot do Customer Equity if I do not have Brand Equity in my view because if you come to me with a product that no one knows anything about, you can SMS me 550 times and I am going to say I do not want your product because I do not even know what your product is. I would say, again this is my opinion, without Brand Equity you cannot engage Customer Equity but you can certainly improve Brand Equity by engaging Customer Equity. So I do not think Customer Equity you can do without Brand Equity but you can do Brand Equity without Customer Equity" "Brand Equity is very important, I would rate as a 10. We all use that brand and it's

*These are the examples of respondent's statements on the **relationship between Brand Equity and Customer Equity***
a great brand. It is very hard to rate Customer Equity and distinguish between them but I see what you mean. For us customer service is building the brand it is definitely much more important in our kind of environment so should I give it a 10 as well. So the marketing people are not directly involved in building Customer Equity that it is more like the actual experience, which I suppose if you like it is more around the operations..I think that soccer sponsorship could have even got into the billions, so I think getting our name out there is huge for us but at the same time we have to focus on customer service because our product is the service actually it is different to FMCG. In terms of intangibility it is difficult to control due to a lot of human interaction." "When deciding whether to focus and invest on building Brand Equity or Customer Equity, we would never have that discussion together so at the moment we certainly make branding decisions based on building our reputation. On the customer side we are right now investing in a very cohesive look at being a very customer centric organisation. The evidence of both of those, is very strongly held up in our vision and our medium-term aim is both been customer centric and a reputable organisation. So they are both there they are at different stages of measurement and maturity and focus, but they are both seen as important but I would never do a trade-off. We've never been in this situation, the budgets are not seen together, they are separate budgets. There is a far greater acknowledgement of Brand Equity right now, but there is a growing understanding that the customer and focussing on every element of the business been pointed towards building Customer Equity. So Brand Equity is just probably further ahead than building Customer Equity." "Both Brand Equity and Customer Equity a very high. Obviously though just to add some depth to that on the Customer Equity side because our model has been intermediated and we are trying to get to understand the customer the importance of Customer Equity is becoming a lot more important obviously we having issues

*These are the examples of respondent's statements on the **relationship between Brand Equity and Customer Equity***
with persistency and high churn and I think that's also because of the current economic downturn and peoples disposable income shrinks, they don't know why they've got this product and why they need it. So for long term insurance it is one of the first things to go...The growth of the direct channel and the short-term type of insurance is huge. It is commoditised but hence the role of the brand that comes into play so do you actually get paid out." "Well I don't think in a services industry or in a financial services industry very specifically you can have any form of customer value proposition or any form of market positioning without having a brand that encapsulates all of that. The clearer and more powerful that brand is certainly in the eyes, the minds, the heads and hearts of the central consumers, the greater the chance of having some form of interaction with them....I think that they are probably equally important in a people base advice based business I really don't believe you can have one and not the other but because banks are historically poor at it because I think they are perceived by consumers to be bad at it and not caring and funny there is a paradox.....it comes across in the questionnaire and in the way you are having this conversation with me as one or the other or one more important than the other and I see them as such distinct things. They not separate, you can't have one without the other, you do not have a business if you don't have both of them...It just simply cannot be one or the other. At different points in the strategy the emphasis toward one way and maybe more toward the other way but as a generalized approach to a business I would just be weary of allowing that theory to become too simplistic. That is why I was struggling with question 6 because I can't get an answer in the sense that I think will be useful to your research." "Brand Equity and Customer Equity are highly interrelated they almost don't work without each other. So it is a balancing act and I mean at the end of the day no customers no business. That is why in this case both are highly rated brand is customer but you'll see customer is always well ahead in my instance...You

These are the examples of respondent's statements on the ***relationship between Brand Equity and Customer Equity***
cannot separate out the two." "Consumer is the owner of the brand - equity is imperative" "So it is Brand Equity so we pushing our brand but also looking for new business but when we go to an exhibition there is normally two objectives; one is to find new business (customer acquisition) and the other is inviting our own clients to reinforce that commitment (customer retention). So the two are interlinked (Brand Equity and Customer Equity), they each do their own function but it is one thing." "It is still early to tell at this stage whether Customer Equity is more important than Brand Equity. The two concepts are interlinked and interdependent because for Brand Equity, the product is very important, because like I said before in broadcasting content is king. If you have no content you cannot market, no one is going to buy it because there is nothing to watch. You can only get the Customer Equity when you've got the Brand Equity because people will buy into the product because it is something that speaks to them." "I must say this topic has made me think. I haven't actually been thinking Customer Equity but I have thought of activities within that because coming from an FMCG background it is about Brand Equity but now where I am I find myself, yes we building the brand which is very strong as we have been around for the longest. We are the first company in South Africa in our industry but the thing is with the market being competitive now you want to hold on to your customers and this is where you start thinking about relationship management, you start thinking about loyalty programs to try to retain your customers so I would say you would have to have both. Brand Equity is quite high but I would say Customer Equity is important I would say we are not there yet but it is important because we need to retain. Yes we need to make sure the brand is strong but at the same time we actually need to make sure that you manage but in terms of your customers you've got good profitable segments you want to actually retain those customers

These are the examples of respondent’s statements on the ***relationship between Brand Equity and Customer Equity***
so you actually have to look at loyalty programs and other stuff. I would say both are important. 10 and 10. “It is important that the Brand creates top of mind awareness to our clients. One on one customer relations is critical to ensuring we maintain brand loyalty in the industry” Brand Equity does not exist outside of the consumer. We call it Brand Equity because it is how consumers appraise your brand. It is equity for the brand because of the relationship with the brand has with its consumers. So the two are highly interrelated. For me for instance, we run CRM programmes to drive Brand Equity, do you understand what I mean. I see it as one in the same thing. One is a function of the other. that's my take is that the one is a function of the other, because you see it all starts with the consumer, everything that we do is about consumer and at no point should want to measure something that is different to what drives the consumer to make a purchase consideration of a brand. If there was a silver bullet approach to measuring our effectiveness of marketing I would look at Brand Equity because in my view it integrates all aspects that drive you and me to make the decisions that we do on a day to day basis.” “I rate Brand Equity this way because it is our reason for being. You know, unless you know what difference you are making to consumers you would not be able to survive. So that is why for me these things are interlinked…So from that perspective I would say both are important. “ “I would say our Customer Equity investments are at least 95% in this organisation however the investment in Customer Equity also gives you little bit of Brand Equity, if you know what I'm saying, **because if you invest in Customer Equity you also build your brand. If you only invest in Brand Equity it does not necessarily give you Customer Equity.** Because especially in a B2B environment we don't need everybody…so it's targeting key decision makers and I

*These are the examples of respondent's statements on the **relationship between Brand Equity and Customer Equity***
think it's you want more focus on Customer Equity and not Brand Equity amongst the mass and the more targeted you can be in applying your marketing tools the better." I would think our first direction would be Customer Equity; it is the numero uno and Brand Equity would sit as a 7 or an 8...I think just to sum it up, the customer relationship branding is first and then the product branding comes in after that..So an actual Brand Equity: Customer Equity investment allocation of 70: 30 would be a return of 30: 70. But they do work together. The two are **highly interrelated** but as I said to you earlier the one is a very tangible and recognisable spend."

These are the examples of respondent's statements ***on Brand and Customer Equity trade-offs***
"Building Brand Equity and Customer Equity are very important in our industry. So if I look at the way this is done, I would say in terms of focussing the business overall as a company you would have to rate the Customer Equity stuff much higher than any of the brand stuff." "I think there needs almost needs to be a distinction between luxury like in a retailer if it is luxury or not because in luxury let's take a Louis Vitton for example your Brand Equity and customer need to be extremely high. You need to constantly communicate with your customer and you have to have a one-to-one relationship with your customer but your brand can't lose its value either or else people are not going to buy your brand. It is the combined equity for both. I understand that there is a trade off and there has to be a trade-off but I think some retailers the trade-off is more prevalent than others" "It is interesting because I've never thought of the two as trade-offs and but when you mentioned it realising that I have grown up in FMCG actually we virtually did nothing on the Customer Equity side so it'll be interesting to hear how the discussion develops ..I think if you ask senior management they would say off course these are both very important but if you look at the investment there is significantly more in Brand Equity than Customer Equity."

Appendix E: Tables

Table 3 Describing the computation for Customer Equity

Customer Equity components	Description
**Returns on acquisition = ** profit from first-time consumers *minus* the cost of acquiring the customers	$=[Number\ of\ prospects\ contacted\ \times\ acquisition\ probability \times the\ margin] - [Number\ of\ prospects\ \times\ acquisition\ cost\ per\ prospect]$
+ Returns on retention and add-on selling = expected profits from future sales to these newly acquired customers	$=\ [Retention\ rate\ in\ each\ future\ period \times profit\ obtained\ from\ the\ customer\ in\ that\ period] \div [discount\ rate]$ $(discount\ rate: transforms\ future\ profits\ into\ current\ rands - summed\ across\ all\ future\ periods)$
Across the entire customer portfolio over time	$=\ \left[\begin{matrix}Summed\ across\ all\ customer\ segments\ and\\ cohorts\end{matrix}\right]$

=Firm's Total Customer Equity

Table 4 Methods for measuring Customer Equity (Kumar and George, 2007)

Approach	Data Required	Metric	Level to compute Customer Equity	Assumptions
Disaggregated (Venkatesan and Kumar, 2004)	• Customer transaction data • Data on firm customer transactions	• Purchase frequency • Contribution margin • Marketing cost	***Customer level:*** Sum of individual level CLVs	• The future purchases in a given year are assumed to occur in intervals inversely proportional to the predicted frequency • Finite projection period
Disaggregated (Blattberg et al., 2001)	• Segment level data • Marketing costs • Acquisition rate • Retention rate • Contribution margin	• Return on acquisition • Return on retention • Return on add-on selling	***Segment level:*** Sum of segment level CLVs	• Contribution margin for each segment varies across time • Retention rate and acquisition probability for each segment vary across time • Finite projection period
Aggregated (Berger and Nasr, 1998)	• Firm level data • Promotional expenses • Retention rate • Contribution margin	• Contribution per customer • Retention rate and marketing costs	***Firm level:*** Aggregation by multiplication of average CLV	• Sales takes place once a year • Constant retention spending and retention rate • Constant contribution margin

Approach	Data Required	Metric	Level to compute Customer Equity	Assumptions
	• Rate of growth in profit			• Finite projection period
Aggregated (Rust et al., 2004a)	• Data from sample • Customer ratings on drivers of Customer Equity • Brands purchased recently • Contribution margin • Frequency	• Retention probability • Contribution per purchase	***Firm level:*** Aggregation by multiplication of average CLV	• The customers in the sample represent the customer base of the firm • The purchases in a unit time occur in intervals inversely proportional to the average number of purchases • Finite projection period
Aggregated (Gupta and Lehmann, 2003)	• Publicly available data • Financial statements	• Retention rate • Average contribution	***Firm level:*** Aggregation by multiplication of average CLV	• Constant retention rate • Constant contribution margin / constant growth rate for the contribution margin • Infinite projection period

Table 5 Drivers of Customer Equity (Kumar and George, 2007)

Approach – Level to compute Customer Equity	Drivers of Customer Equity
Disaggregated - Individual CLV (Venkatesan and Kumar, 2004)	**Drivers or components of CLV:** *Purchase Frequency:* •Upgrading •Cross buying •Bidirectional communication •Number of returns •Number of web based contacts •Product category •Level of rich modes of communication •Level of standardised modes •Inter contact time *Contribution Margin:* •Lagged contribution margin •Establishment size (B to B) •Industry category •Total Quantity purchased •Total Marketing communication *Marketing Costs:* •Level of rich modes of communication •Level of standardised modes •Inter contact time
Disaggregated - CLV for a segment (Blattberg et al., 2001)	**Strategy to improve Customer Equity:** *Return on acquisition:* •Targeting the right customers •Awareness generation •Acquisition pricing •Trial •Usage experience & satisfaction

Approach – Level to compute Customer Equity	Drivers of Customer Equity
	•Post introductory pricing *Return on retention:* •Expectation vs. Experience •Value •Product uniqueness and suitability •Loyalty mechanisms •Ease of purchase o Availability o Convenience •Service •Ease of exit *Return on Add-on-Selling:* •Customer affinity with the firm •Relationship to firms products •Add-on-selling costs
Aggregated - Average CLV (Berger and Nasr, 1998)	**Drivers of Customer Equity:** •Not explicitly mentioned
Aggregated - Average CLV (Rust et al., 2004a)	**Drivers of Customer Equity:** *Value Equity:* •Overall quality •Price competitiveness •Convenience *Brand Equity:* •Brand awareness •Attitude toward the brand •Corporate ethics *Relationship Equity:* •Membership in loyalty programmes •Special treatment and recognition

Approach – Level to compute Customer Equity	Drivers of Customer Equity
	•Affinity programmes •Community building programmes •Knowledge building programs
Aggregated - Average CLV (Gupta and Lehmann, 2003)	**Drivers of Customer Equity:** •Not explicitly mentioned

Table 6 Advantages and disadvantages to approaches (Kumar and George, 2007)

Approach	When and where to use?	Advantages	Disadvantages
Disaggregated method: CLV for every customer is calculated from customers' buying history and firm-customer exchange characteristics. Individual CLVs are then aggregated by summation to get the Customer Equity	When longitudinal data **is available** and the firm's objectives are: • Formulation of customer level strategies • Formulation of firm level strategies • Financial valuation of a firm Specific to industries that have end user transaction data and marketing investments can be customised. e.g. Hotels, airlines, credit card companies, banks and financial service providers, ecommerce companies, B-to-B firms, retailers with loyalty and frequent shopper programmes	This approach offers more benefits and is easier and faster to implement because the results can be implemented on a small group of customers rather than changing the firm level strategy.	Does not incorporate competition into the CLV model Differential treatment to customers on their basis of their CLV may lead to backlash Requires: • A large number of variables required • Higher data requirements and there • More metrics to track

Approach	When and where to use?	Advantages	Disadvantages
Aggregated - Average CLV Customer Equity is computed from firm level measures like acquisition rate, average contribution margin or from average CLV of a sample of customers.	When longitudinal data **is not available** and the firm's objectives are: • Formulation of firm level strategies • Financial valuation of a firm • Comparison of two firms in terms of their Customer Equity share or value to their shareholders Specific to industries where there is no end user transaction data available or it is difficult to customise marketing investments: • Large retailers without loyalty programmes	This approach is based on firm level data and because the data is aggregated the number of metrics that need to be tracked is small.	Performs poorly in terms of time to implement and the expected benefits. In one model, data from a sample on customer ratings on drivers of Customer Equity are required. **Gupta and Lehmann (2003)** model is criticised as the constant average margin and retention is not reflective of real life scenarios and calculating CLV over an infinite time period is over simplified. The components of **Blattberg et al.(2001)** approach cannot be segregated completely and the average acquisition and retention rates for each segment as a surrogate for future retention probabilities ignores the impact of marketing actions. The model by **Rust et al.(2004a)** is criticised as the sample selection can play an important role in the accuracy of the metric, sampling costs are higher if you achieve reasonable accuracy and the subjective opinions of customer ratings can affect the accuracy of the metric

Table 7 Costs and ease of implementation (Kumar and George, 2007)

Approach	Costs involved	Ease of implementation	Time to implement
Disaggregated (Venkatesan and Kumar, 2004)	• Moderate to high • Model estimation cost	• Can be implemented in a small group of customer to see impact	Short (implemented in a small group of customers)
Disaggregated (Blattberg et al., 2001)	• Moderate to high • Model estimation cost	• Changes required at firm level. Hence implementation is difficult	Long (measurement of firm level changes in Customer Equity takes longer time
Aggregated (Berger and Nasr, 1998)	• Moderate • Model estimation costs	• No specific strategy mentioned	N/A
Aggregated (Rust et al., 2004a)	• Moderate to high • Cost of survey • Model estimation cost	• Changes required at firm level. Hence implementation is difficult	Long
Aggregated (Gupta and Lehmann, 2003)	• Low to moderate • Model estimation cost (because of the simple model)	• No specific strategy mentioned	N/A

Table 8 Breakdown of sampling method

Method of sampling	No. of respondents (60)	Percentage of total (100%)
Direct calling[1]	33	55%
Leveraging off databases[2]	13	22%
Leveraging off friends, family and business school networks[3]	14	23%

Table 9 Breakdown of method of responses

Method of response	No. of respondents (60)	Percentage of total (100%)
Personal interviews	33	55%
Online response	25	42%
Telephone	2	3%

1 Direct calling method to South African based organisations in very many industries

2 Leveraging off the following databases; the Chartered Marketers Association and the WBS Alumni database contact with Debbie Sachs

3 Leveraging off established business school networks: WBS MBA FT programme

Table 10 Breakdown of respondent's title in the organisation

Title in the organisation	Number of respondents
Marketing Manager	17
Group Marketing Executive	8
Director - Marketing, Sale & Communications	7
General Manager - Marketing, Sales, Brands	6
Head of Strategy	4
Executive Head Brand Management	3
Brand Manager	2
Head of Marketing and Communications	2
Chief Executive Officer (CEO)	1
Chief Marketing Officer (CMO)	1
Global Business Development Senior Manager	1
Managing Director	1
Marketing Coordinator	1
National Contracts Manager	1
Regional Marketing Specialist	1
Sales Manager	1
Co-founder	1
Exco marketing	1
Key Account Representative	1

Table 11 Breakdown of respondents by sector and industry

Sector of the economy	Industry classification	Respondents	% of total
Primary	Forestry & Paper	2	3%
	Mining	1	2%
Primary Total		**3**	5%
Secondary	Business to business - manufacturing	5	8%
	Food & Beverage Producers	5	8%
	Construction & Materials	4	7%
	Aerospace and Defence	1	2%
	Electronic & Electrical	1	2%
Secondary Total		**16**	27%
Tertiary	Financial Services	11	18%
	Technology, Media, Telecommunications	10	17%
	Business to business services	6	10%
	Retailing	6	10%
	Travel & Leisure	4	7%
	Education	2	3%
	Airlines	2	3%
Tertiary Total		**41**	68%

Table 12 Type of marketing investments by sector

Types of marketing investment	Primary (3)	Secondary (15)	Tertiary (39)	%
Mass communications	**5**	**34**	**112**	**44%**
Event marketing and sponsorships	0	11	31	12%
Print media	2	3	15	6%
Advertising & promotions	0	5	12	5%
Outdoor advertising	0	1	11	4%
Radio	1	1	10	4%
Public relations	0	1	9	3%
Brochures or catalogues	1	3	4	2%
Corporate magazines	0	1	7	2%
Transit media	0	5	3	2%
Television	0	1	6	2%
Trade shows or exhibitions	1	2	4	2%
Personal communications	**6**	**21**	**71**	**29%**
Online and mobile marketing	3	7	18	8%
Direct marketing, 1 to 1, direct mail	2	3	14	6%
Customer acquisition and retention	1	4	9	4%
Customer relationship management	0	3	10	4%
Customer segment. by profitability	0	3	9	4%
Call centre initiatives	0	1	9	3%
SMS	0	0	2	1%
Other marketing activities	**3**	**17**	**73**	**27%**
Branding	0	5	23	8%
Marketing research	2	3	16	6%
Internal branding	0	4	15	6%
Store image and in-store promotions	1	5	7	4%
Corporate social initiatives	0	0	12	4%

Table 13 similarities and differences between Brand Equity and Customer Equity

Category	Brand Equity	Customer Equity
Focus (Bick, 2009)	Product oriented Product performance and associations to product attributes and benefits	Customer oriented Customer acquisition, retention and loyalty
Value (Bick, 2009)	Intangible value created at the front end of the marketing programme	Realised financial value at the back end of marketing programme
Metric (Bick, 2009)	Product based e.g. Brand image	Customer related e.g. retention rate
Segmentation (Bick, 2009)	Benefit based Customer characteristics	Profit based Behavioural
Strategy (Bick, 2009)	Segmentation – Targeting – Positioning (STP)	Acquisition – Retention – Add-on Selling
Communication	Mass communication	Personal communication
Accounting valuation	Include brand value on balance sheet of acquiring company	Not yet included on balance sheet (limited to value on customer lists)
Differences (Ambler et al., 2002)	Extend into new areas and acquire new customers	Continued or increased purchases of current offerings by current customers
Emphasis (Keller, 2008)	Prescriptive marketing guidelines, Growth opportunities	Bottom line financial value, Customer relationship management

Category	Brand Equity	Customer Equity
Missing (Keller, 2008)	Segmentation analysis Quantifiable financial effects	Network effects Competition
Link to Shareholder Value (Bick, 2009)	Positive relationship between Brand Equity and Shareholder Value. (represented in Brand Value Chain model) Accounts for 25% of market value	Initial research supports a link between CLTV and Shareholder Value Comprehensive substitute for market value
Similarities (Ambler et al., 2002)	Acquiring new customers for current offerings Ability to encourage cross buying from current customers Ability to charge a price premium for its products and services Reduced marketing costs	

Table 14 Indicators for focus of marketing equity

Indicator	Focus more attention on building Brand Equity	Focus more attention on building Customer Equity
Type of business	Manufacturing, product orientated business	Service, customer orientated business
Method to build equity	Determine brand identity and achieve brand awareness Product performance and associations to product attributes and benefits	Customer segmentation by profitability, customer relationship management, customer acquisition, retention and loyalty
Marketing approach	Transactional, product focussed	Relationship, customer focussed
Phase of the business	Start-up	Mature
Marketing Frameworks	Customer-Based Brand Equity model (Keller, 2008) Brand Value Chain (Keller, 2008) Brand Asset Perspective (Ambler et al., 2002)	Customer development process (Kotler and Keller, 2009) Brand Value Chain Keller (2008) Customer Asset Perspective (Ambler et al., 2002)
Stage of marketing programme	Front end or early stage	Back end or later stage
Business structure	No interaction with end customer, intermediaries or franchisor	Interaction with the end customer, retailers, business to business partnerships or customer relationship managers or franchisees
Method of Communication	Mass communication	Personal communication

Appendix F: Approach to calculating Customer Equity

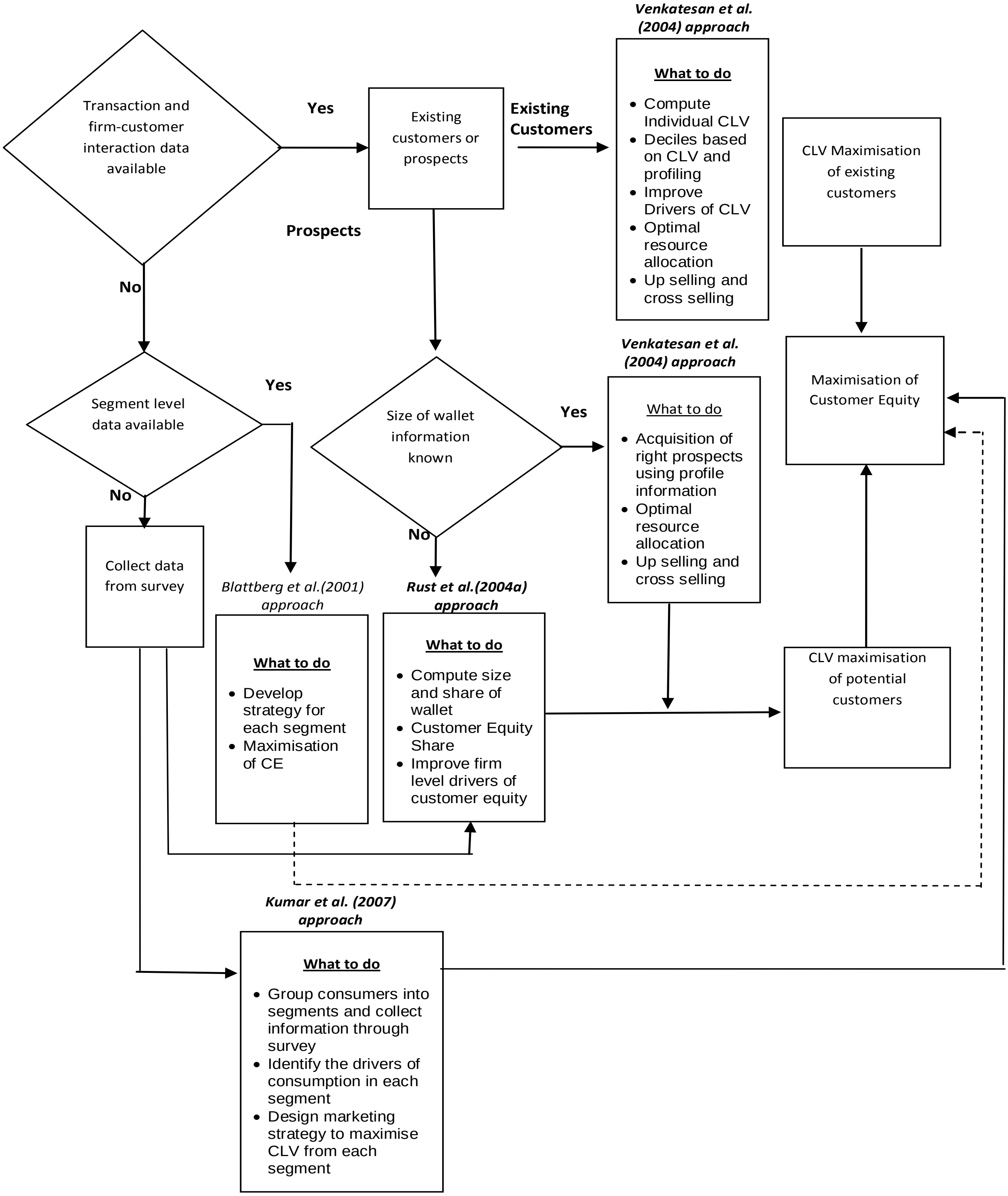

Figure 12 Proposed approach for calculating Customer Equity (Kumar and George, 2007)