



**The  
Strategy of  
Global Branding  
and Brand  
Equity**

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Alvin Lee,  
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and Claire Lambert

# THE STRATEGY OF GLOBAL BRANDING AND BRAND EQUITY

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and Claire Lambert*



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# THE STRATEGY OF GLOBAL BRANDING AND BRAND EQUITY

Why does a customer choose one brand over another? What are the factors which would make an individual more inclined to choose your brand?

This book offers a way to predict which brand a buyer will purchase. It looks at brand performance within a product category and tests it in different countries with very different cultures. Following the Predictive Brand Choice (PBC) model, this book seeks to predict a consumer's loyalty and choice. Results have shown that PBC can achieve a high level of predictive accuracy, in excess of 70% in mature markets. This accuracy holds even in the face of price competition from a less preferred brand.

PBC uses a prospective predicting method which does not have to rely on a brand's past performance or a customer's purchase history for prediction. Choice data is gathered in the retail setting – at the point of sale. *The Strategy of Global Branding and Brand Equity* presents survey data and quantitative analyses that prove the method described to be practical, useful and implementable for both researchers and practitioners of commercial brand strategies.

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# FIGURES

2.1	Continuum of increasing levels of preference for a brand	30
2.2	Points of parity for beers in different market segments in China	32
2.3	Perceptual map of market positions for beer brands in China	33
2.4	Rating tags from Allison and Uhl (1964)	35
3.1	Brand Equity research literature	46
3.2	Adapted from Taylor, Celuch and Goodwin's (2004) B2B Brand Equity model	47
3.3	Adapted from Taylor, Hunter and Linberg's (2007) B2B Brand Equity model	48
3.4	Adapted from Erdem and Swait's (1998) Brand Equity model	50
3.5	Adapted from Wang et al.'s (2008) Brand Equity model	50
3.6	Adapted from Keller's model of Brand Knowledge (2003)	52
3.7	Adapted from Yoo et al.'s (2000) structural model of marketing mix elements and Brand Equity	53
3.8	Adapted from Netemeyer et al.'s (2004) core/primary CBBE facets and brand purchase model	55
3.9	Adapted from Punj and Hillyer's (2004) cognitive model of Brand Equity "components"	56
3.10	Adapted from Esch, Langner, Schmitt and Geus's (2006, p. 53) CBBE model	58
3.11	Adapted from Kayaman and Arasli's (2007) Brand Equity model	59
3.12	Adapted from Wang et al.'s (2008) CBBE model	60
3.13	Adapted from Broyles, Schumann and Leingpibul's (2009) initial brand equity antecedent/consequence model	61
4.1	Adapted from Yoo and Donthu's (2002) CBBE model	66

x Figures

4.2 Adapted from Souiden, Kassim and Hong's (2006) CBBE model	67
4.3 Adapted from Chen and He's (2003) model to interpret consumers' intentions to choose from an online retailer	68
4.4 Adapted from Pappu and Quester's (2006) model for testing the impact of consumer satisfaction on retailer brand equity	69
4.5 Adapted from Martenson's (2007) model for the role of store image for satisfaction and loyalty	70
4.6 Adapted from Aydin and Ozer's (2005) customer loyalty model	71
4.7 Adapted from Johnson Herrmann and Huber's (2006) loyalty intentions model	72
4.8 Adapted from Capraro et al.'s (2003) relationship between consumer knowledge, satisfaction level and likelihood-of-defection	74
4.9 Adapted from Lambert (2008) CBBE model	78
6.1 Australia sample NBD expected and reported tavern visits in last seven days	103
6.2 China sample NBD expected and reported restaurant visits in last seven days	104
6.3 Australia sample NBD expected and reported amounts of beer consumed in last seven days	104
6.4 China sample NBD expected and reported beer consumed in last seven days	105
10.1 Formation of memory nodes through mere exposure	145
10.2 Dynamic learning about brand through MARCOMS	146
10.3 Formation of a positive image about beer	147
10.4 Formation of a preference for brands	149
10.5 Formation of most preferred brand and brand field	150
10.6 Strategic group analysis of beer brands in China	153
10.7 Positioning – perceptual map (price vs. quality)	155
10.8 Different types of competition	156
10.9 Adapted from Lambert BK-BE Model (2008)	159
10.10 Adapted from Yang's BK-BE Model (2010)	159
10.11 Formalized model for Yang's BK-BE model	159
10.12 Evaluative dimensions for Yang's BK-BE model	160
10.13 List of descriptive statistics used to profile sample	163
10.14 Depiction of factorial loadings	168
10.15 Sample classification against significance criteria	172
10.16 Standardized canonical discriminate function coefficients	174

# TABLES

6.1 Demographic and product use comparison of the Australia and China samples	101
6.2 Australia and China samples' stated preferred brands	106
6.3 Australia and China samples of current beer drinkers' stay or switch behavior (brand loyalty) when a price incentive was offered	107
6.4 Australia sample results of factor analysis of beer Brand Knowledge	109
6.5 China sample results of factor analysis of buyers' beer Brand Knowledge components	111
6.6 Brand Knowledge factors in two samples of beer drinkers	113
7.1 Australia MDA structure matrix	117
7.2 MDA classification of Australia sample's first preferred brands	117
7.3 Australia sample classification against significance criteria	118
7.4 Rank of factors for standardized canonical discriminate function	119
7.5 MDA classification of China sample's first preferred brands	120
7.6 China sample's classification against significance criteria	121
7.7 Standardized canonical discriminate function coefficients	121
7.8 Significant factors associated with brand preferences	122
8.1 Australia sample's MLR classification results	125
8.2 Australia sample's MLR classification against significance criteria	125
8.3 China sample's MLR classification results	126
8.4 China sample's MLR identification, actual shares by brand	126
8.5 Australia sample's BLR classification of loyalty	128
8.6 Australia sample's BLR classification vs. actual choice	128
8.7 BLR China sample's stay or switch classification	129
8.8 China sample's BLR identification vs. actual shares by brand	129
8.9 Classification comparisons preferences and loyalty	131

**xii** Tables

8.10	Components of each sample's beer brand images	132
8.11	Components of each sample's factor of Affect	132
8.12	Statements in the factor of attributes related to first brand preference	133
8.13	Rank and statements in Benefits related to first brand preference	134
10.1	MDA classification of first preferred brands	172



# WORKSHEETS

10.1	Brand positioning	153
10.2	Product positioning process	157
10.3	Positioning statements	157
10.4	Descriptive statistics used to profile sample	163
10.5	NBD fit values	164
10.6	Stated brand preferences	165
10.7	Comparison of those who remained loyal to brand and those who chose to switch brands	166
10.8	Factor structure for Brand Knowledge	170
10.9	Classification vs. significance criteria	173
10.10	Ranking standardized canonical discriminate function coefficients	175

# PREFACE

Thank you for choosing this book. Thank you for your interest in brands and branding. In these pages, we explain and test a way to measure and predict how customers choose between brands in a product category. The method is called the Predictive Brand Choice Model (PBC).

Marketers have long tried to accurately measure and predict how customers choose between brands. This measurement helps marketers improve the chances of their brand being chosen by customers.

One of the reasons for developing and testing the PBC model are the limitations in the models traditionally used to understand and predict how buyers choose brands, especially at “the moment of truth”. This is when they are faced with a limited set of brands, and are deciding between their regularly bought brand and their less-preferred brand that is on sale. There appears to be no model that can reliably provide a test that predicts how the buyer will discriminate between these two choices at the point of sale. As such, we set out to develop a model that is:

- Easy to implement at the local level – i.e., in the store at the point of sale,
- Cheap to implement,
- Quick to implement,
- Highly predictive,
- A test that gives discrimination between brands based on Brand Knowledge,
- Reliable and has external validity in markets under different conditions (e.g., mature vs. growing markets, and in markets where Brand Knowledge for a category is different), and
- Predicts actual brand choice based buying behavior, not buying intentions for a brand.

A good way to introduce these improvements over previous methods to measure and predict buyer brand choice is to first discuss the constraints of traditional

methods. One of the main limitations is that most models that use Brand Knowledge for prediction limit the prediction to intended purchase, not actual purchase. This severely limits the practical use of these models.

## Limitations of previous methods

The traditional way to estimate and predict which brand a customer will choose uses measurements from consumer panels. This is where groups of consumers' purchases are tracked over time. These longitudinal data are used for prediction through regression based models. This method has many limitations. It is expensive. It takes a lot of time to build a good data set.

More importantly, this method is not typically accessible to smaller retailers – the cost and knowledge required to use these data are prohibitive. Traditional methods also cannot account for the limited choice of brands in typical purchase situations; not all brands are likely to be available. There is also the issue of price, where product prices may differ in different locations and some brands may be on sale. Traditional methods of predicting using panel data are also unable to easily predict and rank brand preference for groups of customers at the local (outlet) level – this is where there may be marked differences in Brand Knowledge and preferences – for example, for the same product category in different regions or countries.

A major limitation is that the methods used to measure Brand Knowledge are very poorly linked to actual purchase. As such, very few models are able to offer ways to predict purchase using a customer's brand knowledge. We are unaware of any method that offers a test that predicts a customer's discrimination between brands using their Brand Knowledge. What is more, there appears to be no model that can account for a customer's choice of brand when one of the brands they use in the category, but is their less preferred brand, is offering a discount. Based on their brand knowledge, how would we predict whether that customer will select the discounted brand?

## The Predictive Brand Choice model (PBC)

This book presents the PBC. The model is presented as a brand measurement and prediction system. This system seeks to overcome many of the problems researchers face when using traditional methods to predict which brands a buyer will choose.

PBC offers a way to predict the performance of the top (or other ranked) brands. We tested the model in two countries, Australia and China, which have very different cultures. The market for the product used in the test is also in a different stage of maturity in each country (growing market vs. mature-declining market). In the mature-declining market, PBC can predict a buyer's choice in excess of 90% accuracy. This test is done in a field experiment that incorporates a price discount from the buyer's less preferred brand. This tests for the effect of brand equity, will the buyer continue to choose their preferred brand if the value of their less preferred brand increases with the price discount.

The field test to collect data for use by PBC is practical and easy to implement at the point of sale. It constitutes two interviews while the buyer is purchasing and consuming the product. The interview collects data about the buyer's brand knowledge and a list of their most often bought brands in the category. This is then used to predict the way a buyer chooses (discriminates) between the brands that are available.

This ability to collect data from a local venue and to use it to predict choices between the brands that are available is a step forward in the ability to predict buyer brand choice. This can help researchers and managers chart local brand knowledge. This understanding can help brand managers in their plans to enter new markets, or to improve their standing in current markets.

With PBC, researchers and practitioners now have a reliable method to predict a brand's sales performance, especially when the brand's buyers encounter competitive price discounting from competing brands.

PBC uses individual buyers' brand knowledge at the local level (outlet level) to predict brand choice. Most other methods have not successfully integrated buyer knowledge to predict actual purchase.

These other models, especially those using econometric analysis methods, are unable to predict at the local disaggregated level (e.g., at the outlet level). Rather, they predict at the aggregated level of "markets". These grouped industry comparisons are of limited use for brands that operate in localized markets – for example, in a pub/tavern/bar where only selected brands are available. As such, PBC gives brand managers and researchers a tool to help them manage brands better at the grassroots "outlet" level to measure localized "baskets" of brands.

The aggregation methods favored by many other brand measurement and prediction models cannot predict an individual buyer's "brand choice" – this is their choice of a brand at the point of purchase. Because of this, many practitioners have difficulty predicting in locales where some of the large international brands are unavailable, or where there is a local preference for a different "flavor" or a different set of brands. For example, in ethnic neighborhoods (Chinese, Latino, East European, South East Asian, South Asian, North Asian), or where customers cannot afford or avoid certain brands (e.g., because of boycott action). PBC does not face this constraint. In fact, it is designed to capture preferences and buyer choice behavior at the local level. This means that PBC can also work in markets where there are likely to be different cultures; where these cultural norms affect brand knowledge.

PBC can be used in markets at different stages of market maturity. PBC is tested on the same product category (beer) in countries where the beer category is in different stages of market maturity. PBC gives adequate to superior predictions in each market.

## **Aims of this book**

The PBC model presents another method to predict brands' performance in different country markets. PBC is positioned as a systems and process innovation to enhance the practitioner's brand management processes. PBC also offers a springboard to

conduct more brand-based research in markets where culture and life-cycle elements are different. At this point, it is unclear how these affect consumers' brand choice.

PBC helps clarify:

- How do buyers in each market view the top brands in the category?
- How does this view affect their choices when buying in the product category?
- How will buyers react if a brand discounts to gain market share or product trial?

## **Audience**

This research monograph is written for:

- Academics, researchers and practitioners seeking easy access to a new way to predict brand performance across different countries, cultures, markets and geographic locales.
- Established researchers seeking a new system to predict brand performance across countries.
- Researchers and practitioners that require a system to compare the performance of different brands in different markets for the same product category.
- Practitioners seeking to predict the performance of their brands at the point of sale.
- Postgraduate and research students studying marketing, international marketing, cross cultural studies, branding, brewing, hospitality, retailing and predictive methods.
- Researchers and research students interested in international branding, international marketing and international business studies.
- Institutions and libraries that catalogue research monographs.

## **The way this book is organized**

This book is organized as a linear series of chapters. These chapters review and use the extant knowledge surrounding international branding, brand performance, stochastic predictive methods and cultural studies. We aim for this monograph to serve as a practical guide to our system for measuring brand performance – the PBC model. As such, we have included worksheets in the final chapter to help readers work on some of the crucial stages for PBC. As far as possible, we have kept to the familiar structure of a research dissertation to aid readers familiar with the way research monographs are structured. Keep in mind as you are reading that each chapter builds on the last chapter, and that each chapter has a specific purpose. We will sometimes revisit material, tying different arguments together into the common themes of the book.

## **Finally**

Previous publications tend to compare a single brand's performance (e.g., Budweiser beer in China and Australia). In reality, most markets do not operate in this way. The top brands for most countries differ. PBC gives researchers the ability to compare the mind-maps of buyers for the top brands in a category. This comparison can also be done between countries/markets without the brands having to be the same. This affords managers and retailers the opportunity to undertake thought exercises on what it will take to have their brand counted as a top brand in the market.

Most importantly, this book offers a prospective and predictive system to measure and predict brand performance. This is a departure from other work in this area that use retrospective systems to predict. These systems tend to have onerous requirements for historical data on brand performance. Further, no previous system (to our knowledge) can so accurately predict buyer choice in different markets. There is also no other model that predicts brand performance at the point of purchase when there is a discount.

We hope that these following chapters will help you research, practice, and teach better.

Happy reading,  
Al Lee, Jinchao Yang,  
Dick Mizerski and Claire Lambert

# CONTENTS

<i>List of figures</i>	<i>ix</i>
<i>List of tables</i>	<i>xi</i>
<i>List of worksheets</i>	<i>xiii</i>
<i>Preface</i>	<i>xiv</i>
<b>1 Brands – origins, heritage and importance</b>	<b>1</b>
What is a product?	2
What is a brand?	3
Product versus a brand	4
Early references to brand	6
The uses of brand	7
Marketing and brands	11
Increasing importance of brands	12
What this book adds to the science of brand measurement	14
Summary	15
Bibliography	17
<b>2 The art of branding</b>	<b>19</b>
Customer emotions and brand	20
Elements of a brand that influence consumer decision-making	23
Benefits of a strong brand	24
Brand utility and identity	26
Why are some brands more successful?	30
Brands help consumers choose when products are very similar	34
The importance of branding for the international market	36

## **vi Contents**

Summary	37
Bibliography	37
<b>3 The science of measuring brand performance</b>	<b>40</b>
Brand value	40
Brand Equity and Brand Knowledge	41
Empirical support for Brand Knowledge and Brand Equity	42
Testing Brand Knowledge and Equity for two very different markets	42
Effects of Brand Knowledge	44
Brand Equity and Brand Knowledge	45
Signaling Theory and Information Economics	49
Psychological paradigm	52
Summary	62
Bibliography	62
<b>4 Cross-cultural studies, loyalty, choice, experiments and hypotheses</b>	<b>65</b>
Retailer brands	68
Subscription market	70
Sports	75
Experimental studies in Brand Knowledge/Brand Equity	75
Beer brands	76
Lambert's Brand Equity/Brand Knowledge model	77
Hypotheses	78
Summary	80
Bibliography	80
<b>5 Research method</b>	<b>83</b>
Product	83
Samples	84
Research objectives and overall procedure	87
Measures of the Brand Knowledge construct	90
The brand preference measure	95
The brand loyalty measure	95
Data-collection procedure	96
Summary	97
Bibliography	97
<b>6 Results: sample comparability and Brand Knowledge constructs</b>	<b>100</b>
Samples	100
Differences between the two samples	102
Australia and China samples' brand preferences	105



Australia and China current beer drinkers' revealed Brand Loyalty	106
Factor analysis on Brand Knowledge items	107
Summary	113
Bibliography	114
<b>7 Results: predicting brand choice using multiple discriminant analysis</b>	<b>115</b>
Multiple discriminant analysis (MDA)	115
Summary	123
Bibliography	123
<b>8 Results: predicting brand choice using multinomial logistic regression analysis and binary logistic regression analysis</b>	<b>124</b>
MLR analyses identifying the Australia sample's brand preference	124
MLR analyses identifying factors in the China sample's brand preference	126
Binary logistic regression test	127
BLR of the Australia sample's loyalty to the first preferred brand	127
BLR of China sample's stay or switch decision	129
BLR model of loyalty for Australia vs. China samples	130
Formal testing of the hypotheses	131
Summary	134
Bibliography	135
<b>9 Discussion of results and summary</b>	<b>136</b>
Predictive Brand Choice model specification, testing and refinement	136
Summary of findings from the PBC model development and testing process	138
Limitations	138
Comparison to previous research	139
Conclusion	140
Bibliography	142
<b>10 Workshop: predictive Brand Choice (PBC) work process</b>	<b>143</b>
Creating and measuring brand equity	143
The way Brand Knowledge is created	144
Brand-building process for a beer	144
Building BK and BE	151
Experiment and stimuli	161
Data	162
Summary	175
Bibliography	176