Brand equity and the value of marketing assets

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1. Introduction

2. Equity concept and branding

3. Equity concept and other marketing assets

4. Integrating with financial thinking

5. Towards a theory of brand equity and the value of marketing assets

Overview

In the last two decades the term ‘equity’ has been used in marketing to describe the value of brands, customers, channels, and other marketing relationships. We examine the alternative uses of the equity concept and how it links with financial thinking. The chapter then explores issues involved in developing a theory of marketing assets and value that integrates branding, relationship and network thinking with financial thinking.

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1 This chapter is based on the authors’ article “Towards a Theory of Marketplace Equity: Integrating Branding and relationship Thinking with Financial Thinking”, Marketing Theory, 2 (1), 5-28, 2002.
1. Introduction

There is a paradox in how senior management views marketing. While a market-focused strategy may be regarded as an essential component in driving strategic success, at the senior management level marketing executives are often not as strongly represented as executives with a financial background. One reason for this is that marketing’s traditional assumptions such as ‘creating value for the customer’ and ‘winning in the product marketplace’ do not clearly link with the financial and strategic issues of business. Hence there is the need for new marketing thinking that links marketing activity more directly with the creation of financial value. This led Srivastava, Shervani and Fahey (1998) to suggest the purpose of marketing is to “create and manage market-based assets in order to deliver financial value” page 3. This implies the marketing –finance interface needs to be better coordinated and one of the central tasks of marketing is resource integration. Doyle (2000) refers to this new approach to marketing as “value-based marketing”. More recently Vargo and Lusch (2004) develop a new service logic that focuses on resource integration and value creation within networks which provides a broader theoretical foundation for this new approach to marketing.

If ideas about financial value are to be integrated into marketing practice there is a need for greater linkages between financial terms and marketing concepts to develop a common lexicon. Such a linkage has occurred in the last decade, where marketing academics and practitioners have used the term ‘equity’ to describe the financial value of brands and other marketing assets. This term is used in accounting and finance to express the combined value of an organization’s financial assets and liabilities. While some marketing academics have used equity in a broader legal and ethical context to indicate fairness, it is the financial use of the term that has been largely adopted.

The concept of brand equity emerged in marketing in the 1980s. Advertising practitioners in the USA used the idea to counter stock market emphasis on short-term results and consequent cuts to brand advertising budgets. In order to convince senior managers of the long-term value of brand advertising and other marketing investments, it was argued that marketing needed financial measures of brand value. Thus the term ‘brand equity’ was coined to refer to the brand’s long-term customer franchise and its financial value.
In measuring that customer franchise, what became apparent was the lack of a clear and consistent conceptual framework for brand equity. While marketing academics had devoted considerable attention to understanding the nature of brand loyalty, little attention had been given to the financial consequences of activities designed to increase brand loyalty. Thus, in the 1990s, the Marketing Science Institute listed brand equity as a priority area for research, which has resulted in an extensive number of brand related publications in leading international journals.

Aaker (1996) defines brand equity as ‘the assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers’ page 7. This asset/liability perspective leads to a broad view about the role of the brand. Aaker groups the brand’s assets and liabilities into five categories. The first four are more traditional (i.e. brand loyalty, awareness, perceived quality and brand associations), while the last catch all category of ‘other proprietary assets’ can be interpreted to include patents, trademarks, channel relationships, and other stakeholder relationships.

The marketing community has also recently used the term equity to refer to the asset value of other marketing investments. Rust, Zeithaml, and Lemon (2000) and Blattberg Getz and Thomas (2001) use the term ‘customer equity’ to focus on the financial value of customers to an organization, while Anderson and Narus (1999) use the term ‘marketplace equity’ to represent the joint result of investments in brand equity, channel equity, and reseller equity.

The chapter proceeds as follows. First the use of the term equity in branding is considered. The next section examines how equity has been used to relation to other marketing assets such as customers, channels, and relationships. We then examine how marketing thinking integrates with financial thinking. Finally the issue of developing a theory of brand equity and the value of marketing assets is considered.

2. Equity concept and branding
Although the exact origins of the term brand equity are unclear, it has been traced back to the mid-1980s. Since then definitions of brand equity abound as has research on this subject. This research has been based on four different perspectives that are: entity-based, financially-based, process-based and network-based. Finally we integrate these four different perspectives by suggesting a service-based perspective of brand equity.

**Entity-based brand equity**

Much of the initial research on brand equity was in response to the advertising industry’s need to understand the effects of advertising on building brand image and consumer loyalty. Thus the focus was on mass marketing and the one-way impact of marketing activity (especially advertising) on consumers. This initial research on brand equity was based on concepts from consumer behaviour and marketing communications. It follows the traditional view of marketing where the brand is seen as functioning as an entity and is consistent with the AMA (2004) definition of the brand (i.e. a name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers).

Keller (1993) broadens this perspective to include customer behaviour in response to this differentiation. Keller (1993) defines customer-based equity as: “the differential effect of brand knowledge on consumer response to the marketing of the brand” (page 2) and describes equity in terms of the strength of consumers’ attachments to the brand and their associations and beliefs about the brand. A variety of concepts have been used to develop consumer-based measures of brand equity. These include consumer preferences, price premiums, consumer perceptions, price trade-offs, residual intangible value, loyalty, awareness, perceived quality, brand knowledge, and consumer learning.

**Financially-based brand equity**

This stream of research uses a more direct financial approach, where the emphasis is less on individual consumers and more on the overall financial value of the brand to the organization. A variety of methods have also been used to develop measures of the financial value of brands to an organization. These methods identify the total asset value of the organisation and subtract the tangible assets. The residual value is then used to arrive at a measure of brand equity.
One approach is to take the organisations share market price and subtract the tangible asset value. Another approach is to work directly with the organisation. For example the consulting organisation Interbrand undertakes a direct analysis of the organisation’s financial performance to identify the residual intangible value. An index of brand strength based on based on seven performance dimensions (leadership, stability of the brand, geographic spread trend, support, protection, and market stability) is then developed and used to project future intangible value and to arrive a measure of the organisation’s brand equity.

Process-based brand equity

This third emerging stream of research focuses on the value of relational and experiential aspects of branding. Research in this area was the result of increased interest about the role of branding in other areas such as services, business-to-business, and electronic marketing. In these situations customers’ interactions and relationships with the organization providing the goods and services play a more important role than simply brand differentiation or identity. In the relational context the organization is the primary determinant of brand equity in contrast to consumer-packaged goods marketing where the product is the determinant of brand equity. The broader perspective goes beyond brand identity focussing on the brand as a process. Thus the customers’ relationships and experience with the organization are important determinants of brand meaning and brand equity. What is also important is how the reputation and identity of the organization (the corporate brand) are associated with the brand.

Relational and experiential branding can also be important for consumer-packaged goods when the product category is complex and provides considerable choice, and where this choice involves perceived risk and high switching costs between brands.

In contrast to the entity-based branding research, empirical research about brand equity for services, business-to-business, and electronic marketing is more limited and only recently has a process approach been adopted. The implications for building brand equity by taking this process-based perspective is that interactive communications between buyers and sellers and other stakeholders need to be managed. With the development of the electronic commerce environment Interactive Communication Technology (ICT) plays a central role in facilitating
interactivity and in these situations the brand becomes a surrogate for trust about the service provision.

**Network-based brand equity**

This stream of research builds on the process based approach and includes co-branding, brand alliances, and networks. The network perspective of branding recognises that the equity of the brand comes not only from the end-customer, but also from a range of relationships within the marketing system. Thus the equity is intrinsically linked with a network of associations with other brands. Some of these associations are based on alliance activities between brands (and the brands’ organizations), while other associations are based on less formal arrangements. Formal arrangements include joint promotions, co-branding, alliances, and joint ventures. In addition sponsorship is playing an increasingly important role in co-branding.

The additional value or co-brand equity comes also from the network of other stakeholder relationships. Using more than one brand symbolically builds consumer trust and commitment in these relationships. Thus the corporate reputation and identity of the marketing organization play an important role. This brand strategy is referred to as ‘umbrella branding’ where the umbrella brand augments the equity of the individual brand offerings.

**Service-based brand equity**

Recently Brodie, Glynn and Little (2006) drew on the service dominant logic articulated by Vargo and Lusch (2004) to develop a broader perspective of how the brand functions. Attention is given to the integrating the role of the brand in the value-adding processes that create customer experience, dialogue and learning. In this broader theoretical framework the brand is conceptualized as a set of promises. This framework is developed by adapting the framework by Bitner (1995) and Grönroos (1996) about the way service value is delivered. The framework, which is outlined in Figure 1, allows for a customer, employee and organisational perceptions of the service brand. The three types of marketing that influence these perceptions are:

1. **External marketing** (communication between the organization and its customers and stakeholders *making promises* about the service offer).
2. Interactive marketing (interactions between people working within the organization/network and end customers that create the service experience associated with delivering promises about the service offer).

3. Internal marketing (the resources and processes enabling and facilitating promises about the service offer involving the organization and people working in the organization).

**Figure 1 about here**

The promises framework extends to a network to explicitly take into account the perceptions of other stakeholders (e.g. retailers, media, government regulators, etc). The promises framework suggests a broader context to examine the impact of brand, because the brand is seen to have meaning not only for end-customers but also for the brand-owning company and its responsibilities to employees and a broader network of stakeholders. The implications for conventional brand management in this wider, more community-orientated conception of brands and socially-constructed notions of meaning are far-reaching.

Within the promises framework Brodie et al. (2006 p. 373) provides a definition of the service brand where it functions as both an entity and a process:

“Service brands facilitate and mediate the marketing processes used to realize the experiences that drive co-creation of value. They provide sign systems that symbolize meaning in the marketing network, and hence are a fundamental asset or resource that a marketing organisation uses in developing service-based competency and hence competitive advantage.”

Thus the service brand equity can be defined as ‘the differential effect of brand in the co-creation of value between the organisation, its customers and network of stakeholders.”

Recent research by Brodie, Whittome and Brush (2009) provides empirical support for the service brand theoretical framework showing the importance of both the “making of
promises” (brand image with company image) with the “delivery of promises” (employee trust and company trust) in creating customer value and customer loyalty. However further theory development and empirical research is needed to further refine the theory of the service brand.

3. Equity concept and other marketing assets

In the last decade, the term equity has been used to express the value of other marketing assets, such as channels, resellers, and customers.

Channel and reseller equity

While it is recognized that channel members as well as the end-customers have a role in creating equity, there has been a lack of research about how this occurs (Glynn, Motion and Brodie, 2007). However, more general research about channels provides sound foundations to develop research in this area.

Anderson and Narus (1999) introduce the concept of marketplace equity as the joint result of brand equity, channel equity, and reseller equity, but provide little further conceptual development. Also, Srivastava et al. (1998) describe channel equity as the outcome of partner relationships between the firm and the members of the channel. This recognizes that channel equity is based on different attributes than those for brand equity. While brand equity is associated directly with consumer demand, channel equity is associated with derived demand and the processes that supply goods in response to consumer demand. Thus aspects of inter-organizational relationships such as experience and knowledge play a central role in conceptualizing channel equity.

Channel relationships have strategic value because strong channel relationships can reduce financial commitment and this relationship dependence has benefits that enhance performance. These long-term inter-firm relationships can increase return on investment so these relationships are often the firm’s most important assets.

Influence of brands on channel equity
Building strong manufacturer’s brands has become more difficult due to increased brand competition and the emphasis on retail price promotions. There has also been an increase in the concentration of ownership of retail outlets that has resulted in shifts in power and control within the channels of distribution. Thus the ‘trade leverage’ provided by manufacturers’ brands have been eroded and manufacturers have become more dependent on retailers. Understanding how to influence power and control within channels is thus an important issue.

The equity of the manufacturer’s brand can be thought of as a source of non-coercive power within the channel relationship. This power occurs because brands provide channel members’ several benefits such as pre-established demand, lower selling costs, image and relationship enhancement of retailers with consumers, higher margins, and better inventory management. However, retailers are also powerful within the channel and retailer costs such as cooperative advertising and slotting allowances can reduce the marketing funds available for manufacturers to build the brand–consumer relationship.

To ensure that the influence of the brand is maximized, manufacturers’ brands have focused on the inter-organizational requirements within the channels of distribution. Aspects of this relationship management approach with resellers include: category management, efficient consumer response, promotions and pricing management. Conversely, manufacturer actions such as developing other channels and reducing supply chain costs can increase costs for the retailer. Thus the individual actions of both manufacturers and retailers can impact on the supply chain, leading to worsened channel relations and weakened channel equity.

Manufacturers’ marketing strategies for a brand usually involve both activities with channel members and direct interactions with the end-customer. Thus implementing both these strategies means that channel and brand equity are interrelated. Examples of this interrelationship include the negative effect on brand equity of price reductions, and the favourable effect of store image and distribution intensity on brand equity.

Customer equity

The customer-oriented view has been central in the managerial approach to marketing for a long time. However in the 1980s there was a shift from more general thinking about customer
orientation to a focus on the nature and profitability of specific customers. This means issues about relationship building and customer retention have become more important. As a result there has been the development of metrics about the asset value of customers to the organization. The overall asset value of customers has been referred to as ‘customer equity’.

Rust et al. (2000) define customer equity as ‘the total of the discounted lifetime values over all of the firm’s customers’ page 4 and identify three components:

1. **Value equity** (the end-customer’s perception of value);
2. **Brand equity** (the end-customer’s emotional and subjective assessment above the perception of value); and
3. **Retention equity** (the end-customer’s repeat purchase intention and loyalty).

Blattberg et al. (2001) provide a similar framework of customer equity that focuses on the associations between customer preference, image and customer retention and affinity for the brand. These models differ from the process and network models of brand equity because they are restricted to end-customers. Thus they do not explicitly focus on the interactions and relationships between buyers and sellers or the network of interactions between brands.

4. **Integrating with financial thinking**

In this section we examine how these perspectives about brands can be integrated with financial concepts. The financial perspective is introduced and then ideas about relationships and governance mechanisms are examined.

*An financial asset perspective*

The approaches to conceptualising brand equity reviewed in this chapter provide initial thinking about brands as assets. Srivastava et al. (1998) have advanced this thinking by providing a more comprehensive theoretical framework. At a general level the framework views market-based assets as consisting of external relationships such as customer relationships (brands and the installed customer base) and partner relationships (channels, co-branding, and the network). To understand how these marketing assets create value the first step is to examine how they influence market performance. Indicators of market performance include faster market penetration, price premiums, share premiums, extensions, reducing
sales service costs, and increased loyalty and retention.

The next step is to link market performance with financial value. This is achieved by using Rappaport’s (1986) financial value planning approach. The approach uses four measures of cash flow that are assumed to determine financial value. These are increasing cash flows, enhancing cash flows, reducing volatility and vulnerability of cash flows, and enhancing the residual value of cash flows. It is recognized that there is considerable debate about which are the most appropriate financial valuation methods. Other valuation methods include; price/earnings multiples, market-to-book value ratio, economic value added (EVA), or cash flow return.

The specific types of market activities and types of market performance that influence the first three cash flow measures are summarized in Table 1. A fourth measure, ‘enhancing the residual value of cash flows’ is defined as ‘the residual value of a business attributable to a business beyond a reasonable forecast period’. This measure is based on expectations about the ability of the organization to increase the size, the loyalty, and quality of the customer base.

Table 1 about here

Srivastava, Shervani and Fahey (1999) extend their framework to include what they consider are the three core business processes that create financial value. These processes are the product development management, supply chain management, and customer relationship management. They then explore how marketing activities are embedded in the three processes. In the case of brands, the dominant interactions and relationships are between the organization that supplies the goods and services and the end-customers. However there are also relationships between the organization and other internal and external stakeholders that need to be considered. These include employees, distributors, retailers, other strategic partners, community groups, and even government agencies.

Srivastava et al.’s framework provides a useful starting point to conceptualise nature of the relational and network activities that are associated with the core business processes. To extend the framework it is useful to draw on other literatures to help develop a more
comprehensive description. These include the IMP\textsuperscript{2} research, relationship marketing research, and more general research on marketing strategy and strategic management relating to governance.

*Integrating relationship and network thinking*

The IMP research focuses on the nature of the relationships between buyers and sellers. These are built from interaction processes in which technical, social, and economic issues are dealt with. Relationships are developed to cope with increasing heterogeneity in supply and demand, coordinate sophisticated delivery mechanisms and provide innovation. The economic, social, and technical inter-actions between buyers and sellers require trust and mutual commitment beyond legal control mechanisms. Thus markets are seen as institutions for co-ordination, cooperation, and governance. Within these markets the economic content of the relationships are seen as an asset or market investment in a similar way to that by Srivastava et al. (1998). Thus the IMP research provides a richer contextual understanding about the nature of relational assets (Håkansson and Snehota, 2000).

The historical review of the value literature by Payne and Holt (2001) describes how the value chain, customer value, relationship value have been linked to financial value. They conclude the relationship marketing perspective provides a more comprehensive long-term view of how financial value is created. This is because relationship marketing integrates other aspects of management. However, the division between what is ‘relationship marketing’ and what is ‘relationship management’ is somewhat arbitrary. For example Morgan and Hunt (1994) define relationship marketing as: ‘all marketing activities directed towards establishing and maintaining successful relational exchanges’ page 11. Morgan and Hunt’s perspective is also important because it integrates the resource-based theory of the firm thus providing a strong theoretical foundation moves across functional boundaries. As with the IMP perspective it is recognized that it is not only the relationships between sellers and buyers that are important but also a network of other relationships and interactions both within the organization and external to the organization.

\textsuperscript{2}IMP stands for International/Industrial Marketing and Purchasing project and involves a group of international researchers who have undertaken collaborative research into business organizations since the mid-1970s. Håkansson and Snehota (2000) provide a good overview of the nature of its research and its history.
Gummesson (2008) develops a more elaborate classification of relationship types. After two decades of studying marketing organizations, he identifies 30 generic types of relationships that he categorizes into five groups. These are: mega relationships (relationships on levels above the market proper, e.g. political and economic alliances between countries), inter-organizational relationships (such as alliances between companies), mass relationships (such as communications with different segments of a market), individual relationships, and nano (‘dwarf’) relationships (such as relationships within an organization). In order to understand and manage these relationships, it is important to not focus on simple dyads alone (e.g. buyer and seller interactions), but to understand and manage all the networks of relationships and interactions around the dyad. This classification provides a framework to understand how networks of relationships create value for an organization. Similarly Grönroos (2007) provides detail about how relationship value is created and managed by incorporating the service processes associated with relationships including brand relationships.

*Integrating governance thinking*

The notion of governance extends the understanding about coordination and cooperation in relationships. Governance refers to the formal and informal rules of exchange and the initiation, maintenance, and termination of relationship between two parties. Heide (1994) outlines a typology of governance forms consisting of market, hierarchical, and relational approaches. Market governance is associated with discrete types of exchange. Hierarchical or unilateral governance gives the right of one party to impose conditions on another. Relational or bilateral governance means a more open-ended relationship.

Ghosh and John (1999) extend the traditional transaction cost analysis framework using Heide’s (1994) typology of governance mechanisms in channels. Their framework addresses marketing strategy decisions, especially with regard to strategies grounded in cooperative relationships and investments with supply chain partners. End-customers can also make specific investments in the relationship. The investment by the end-customer is important in determining whether an organization decides to adopt an open or closed (proprietary) standard. They suggest that partners in a relationship devise governance forms to safeguard the value of their assets in order to maximize joint value creation. Thus stronger brands are in
a better position to use market governance forms to build customer demand for the brand. However relational governance is better for weaker brands that benefit more from closer relationship with resellers. Many brands, but especially high-priced brands, have product attributes that are not easy to assess, so brand expenditures as well as price premiums act as market governance forms and offer the buyer a safeguard against any potential quality problems.

5. Towards a theory of brand equity and the value of marketing assets

This chapter has examined the terms equity and value have been used in the various marketing discourses and to examine the extent to which these terms have integrated financial thinking with marketing thinking. It has been shown that the term equity has been used extensively in the marketing literature. The initial focus was on entity-based brand equity for packaged consumer goods and the long-term financial value of advertising expenditure. More recently the focus on brand equity has been extended to include all consumer goods, services, and business-to-business brands where the brand functions as a process as well as an entity. The term has also been used to express the asset value of investments in channel relationships and other business relationships. In these situations the equity that is generated by marketing activity is much more than the customer’s awareness and image of the brand and includes the value generated from customer and organizational relationships. This leads to the concept of the service brand where the brand functions as both as an entity and a process. Service brand equity can be defined as the differential effect of brand in the co-creation of value between the organisation, its customers and network of stakeholders.

Value has been used and defined in multiple ways in marketing so it has taken on a number of meanings. In contrast equity is a more neutral term than value and one that naturally integrates financial thinking with marketing thinking. Equity is a financial term that can be easily understood and is meaningful across organizations and at all levels of management. It is also superior to the term ‘goodwill’ that has traditionally been used to describe the value of intangible assets and liabilities of a business. Thus it is suggested a theory of marketing assets should be centred on the term equity rather than value.
It is tempting to use brand equity as a vehicle to represent the value of everything associated with marketing but the review in this chapter suggests its use needs to be restricted. Building on the ideas of Anderson and Narus (1999), it is suggested that the term marketplace equity is a more useful concept that represents the value of all market-based assets. The marketplace equity for an organization comes from the broader network of relationships with channels, brands, and other marketing entities and can be linked to the core business processes that create financial value. Thus brand equity is a subset of marketplace equity.

When defining marketplace equity it is important to distinguish between the roles that marketing and other organizational activities play in the creation of value for an organization. Complications occur when distinguishing between what is relationship marketing and what is relationship management. A further problem occurs in defining market-based assets. For example, Srivastava et al. (1998) distinguish between relational and intellectual market-based assets. They define relational market-based assets as the outcomes of the relationships between the firm and its stakeholders, while intellectual market-based assets are defined as the types of knowledge and intelligence the organization has about its environment. However the development and evolution of relational and intellectual market-based assets are highly interrelated to the point that they become difficult to separate.

It is suggested that Srivastava et al.’s (1998) market-based assets framework provides a useful starting point to develop a theory of marketplace equity. However the framework needs to be extended to link relational marketing and network thinking with the three core business processes that Srivastava et al. (1999) suggest are the drivers of financial value. In this framework, networks, relationships, and interactions are the building blocks. Hence the IMP, relationship marketing and network literatures provide the necessary background. In addition, the ideas associated with inter-organizational governance provide a useful way to understand how coordination and co-operation occurs within networks and relationships.

Perhaps one of the biggest benefits in developing a theory of marketplace equity is that it focuses on the core business processes that deliver financial value in a way that incorporates the intellectual or knowledge aspects of marketing with other aspects of business. It also leads to the integration of the traditional entity-based consumer-based branding literature with the more recent process-based branding literature.
Another important consideration is to identify the underlying theories that a theory of marketplace equity should be based on. As shown by Hunt and Morgan (1995) relationship marketing theory is to a large extent derived from the resource-advantage-based view of the firm. Thus it is suggested that the resource-advantage-based view of the firm provides a natural starting point to develop this middle range theory. However as discussed in the previous section, there are important links between governance thinking, transaction cost analysis theory, and relationship thinking. In addition, consumer-based branding modelling that has closer links to traditional microeconomic and psychological theories needs to be integrated. Thus further research is needed to resolve exactly where the foundations of a theory of marketplace equity lie, and how these theories contribute to this more applied or middle range theory.

Of particular importance is how a theory of marketplace equity relates what is an emerging general theory of markets and marketing based on the service logic. Vargo and Lusch’s (2004) initial eight fundamental premises have now been modified and extended to ten (Vargo and Lusch 2008). Of these, they suggest four premises are core to developing a general theory of markets. They are:

FP1: Service is the fundamental basis of exchange.
FP6: The customer is always a co-creator of value.
FP9: All economic and social actors are resource integrators.
FP10: Value is always uniquely determined by the beneficiary.

FP1 highlights the need to focus on the application of knowledge and skills, FP6 emphasizes the interactional nature of value creation, FP9 emphasizes the context of value creation are within networks, and FP10 recognizes that value is idiosyncratic. These and the other six fundamental premises provide a foundation to inform a middle range theory of marketplace equity.

Further consideration also needs to be given to how a theory of marketplace equity links with more general financial theory about assets and market equity. Srivastava et al.’s (1998) framework uses a planning approach and focuses on cash flow as the determinant of
shareholder value. However there is a choice of other valuation methods including price/earnings multiples, market-to-book value ratios, economic value added (EVA), cash flow return on investment (CFROI), and market value added (MVA) that could be used. Thus the choice of valuation method and the more general issue of how a theory of marketplace equity links with general financial theory require further consideration.

Finally, the development of a theory of marketplace equity provides a number of important managerial implications. As Doyle (2000) has emphasized, this ‘new’ marketing thinking leads to a better understanding about the role marketing plays in value creation in an organization. Rather than just focusing on brand or customer equity, the theory leads to a more comprehensive framework about the core business processes that create financial value. This framework can be used to explore trade-offs in the way marketing resources can be allocated within a marketing system. The theory provides a better way to understand the extent an organization’s marketing strategy should focus on end-customers versus investments in channels and other business processes. It also leads to better understanding about how to manage alliance activities with other organizations and relationships with key stakeholders within the organization’s network.
References


American Marketing Association


Figure 1: The Service Brand-Relationship-Value Triangle

CONSUMERS, CUSTOMERS & STAKEHOLDERS

INTERACTION
Delivering exchange & co-creating meaning & experience

BRANDS (& COMPANY)
Facilitating & mediating relationships

EXTERNAL
Making promises about exchange, meaning & experience

COMPANY

EMPLEYEOES

INTERNAL
Enabling exchange, meaning & experience

Source: Brodie et al. (2006)
Table 1 Linking marketing activity and performance with cash flow and financial value

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<tr>
<th>Accelerating cash flow</th>
<th>Enhancing cash flow</th>
<th>Reducing volatility and vulnerability of cash flows</th>
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<td>Achieving faster response to marketing efforts</td>
<td>Differentiation that leads to price/market share premiums</td>
<td>Enhancing loyalty and raising switching costs</td>
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<td>Achieving earlier brand trials</td>
<td>Cross-selling products/services</td>
<td>Differentiation from shifting to services and consumables</td>
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<td>Faster time to market acceptance</td>
<td>Developing new uses</td>
<td>Integrating operations to reduce capital requirements</td>
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<tr>
<td>Developing strategic alliances and cross-promotions</td>
<td>Reducing sales service costs Reducing working capital Developing brand extensions Developing co-branding and co-marketing</td>
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*Source: Adapted from Srivastava et al. (1998)*