Relating Brand and Customer Perspectives on Marketing Management

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What is the difference between brand equity and customer equity? Does the distinction matter? Is there a difference between the firm's brand asset and customer asset? What are the implications of taking a brand perspective versus a customer perspective when designing and implementing marketing programs? The objective of this article is to examine these two perspectives in depth so that researchers and managers can improve their understanding and use of customer and brand perspectives on marketing. The authors seek to determine the relationship between the two assets and perspectives in terms of similarities and differences. They examine the development of customer and brand perspectives and describe how each adds value to the firm and to the customer. Subsequently, they delineate possible approaches for measuring marketing assets. They discuss key issues researchers and practitioners should consider in managing marketing assets, particularly for multibrand companies. They conclude by suggesting future research directions.

Recent years have seen an increased emphasis on customer-focused marketing approaches, especially in terms of maximizing brand equity and customer equity. The business press now proclaims that the customer asset

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can be a company's most valuable asset and that firms should do everything in their power to create and sustain customer-based equity. Similarly, the business press has also proclaimed that "the brand is the thing" and that firms must properly build and leverage their brand equity. There remains much confusion, however, regarding the definitions of brand equity and customer equity and the extent to which the two are related or distinct (for brand equity, see Aaker 1991, Keller 1998, Ambler 2000; for customer equity, see Blattberg and Deighton 1996; Blattberg, Getz, and Thomas 2001; Rust, Zeithaml and Lemon 2000).

During the past two decades, the global economy has transitioned from being a product-based manufacturing economy to a service-based economy (Shugan 1993). The evolution of brand and customer equity has followed suit. The initial notion of brand equity was consistent with a product focus where the physical product and its associated deliverables become the brand. The focus was on creating a superior, differentiated product that meets or exceeds the desires and needs of a specific target segment (Urban and Hauser 1993). Thus, initially, the brand equity perspective rose to prominence concomitantly with the consumer durables and nondurables sectors of the economy.

The spread of pure service-based industries—insurance, credit card, telecommunication, cable, banking, hospitality—has led to the development of the customer equity concept. Firms began to recognize that developing relationships with current customers was more valuable than pursuing acquisitions. Segmenting existing customers by their profitability could be a major source of differentiation and, subsequently, customer retention (Reichheld 1996). An increased focus on customer retention (in addition to customer acquisition) eventually evolved into the customer equity perspective, which was promoted as taking more of a customer rather than a brand (production) point of view (Rust, Zeithaml, and Lemon 2000).

Perhaps a good starting point for reconciling these two seemingly disparate perspectives is to examine some common definitions of brand equity and customer equity. For example, brand equity has been defined as "the differential effect of brand knowledge on consumer response to the marketing of the brand" (Keller 1998). Previously, Aaker (1991) defined brand equity as "a set of 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 that firm's customers" (p. 15). His five components of brand equity were brand loyalty; name awareness; perceived quality; brand associations in addition to perceived quality; and a bundle of intellectual properties such as patents, trademarks, and channel relationships. Finally, Ambler (2000) put it more succinctly by suggesting that brand equity is "what we carry around in our heads about the brand."

In contrast, customer equity has been defined as the total of the discounted lifetime values of the firm's current and potential customers (Blattberg and Deighton 1996; Blattberg, Getz, and Thomas 2001; Rust, Zeithaml, and Lemon 2000). These definitions suggest that brand equity focuses on how the customer sees the characteristics of the firm's offering, recognizing that these characteristics only assume meaning when the brand interacts with the consumer. On the other hand, a customer equity perspective focuses on the customer's profitability, but the profitability is often driven by what the consumer thinks of the brand. This brief examination suggests that although the two constructs are different in some regards, consumer knowledge in the form of perceptions, beliefs, feelings, attitudes, and so on appears to be the springboard for both brand and customer equity.

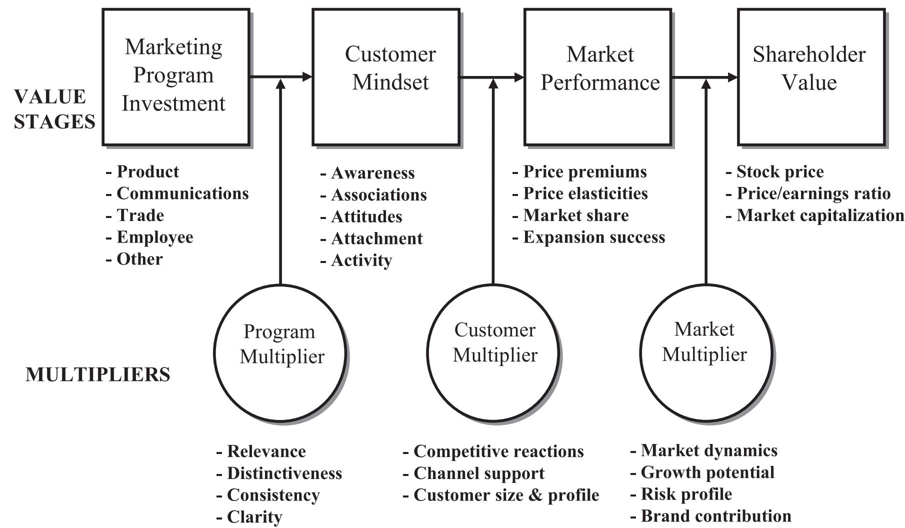
Before proceeding, it should be noted that brand equity is defined above as an asset and customer equity as the financial (dollar) value of an asset. This difference is the source of much confusion because an asset and its value are not the same. As we do not wish to redefine customer equity, we will refer to the two forms, brand and customer as marketing *assets* and financial valuations as *values* hereafter and not use the word *equity* again until we reach our conclusions.

To better understand the relationship between the brand and customer assets, our overall objective in this article is to examine these two perspectives in some depth, so that both researchers and managers can improve their understanding and use of customer and brand perspectives on marketing. Specifically, we seek to determine the relationship between the two perspectives in terms of their similarities and differences. We examine the process by which such perspectives are manifested and describe how each adds value to the firm as well as to the customer. Subsequently, we delineate possible approaches for measuring marketing assets. We then discuss key issues that researchers and practitioners need to consider in managing marketing assets, particularly in the case of multibrand companies. Where a company owns several brands, the management usage of these different (brand and customer) perspectives becomes more important. We conclude by suggesting future directions for research in this area.

How Marketing Creates Value

To understand how marketing perspectives based on brand and customer assets might relate, it is important to take a broad, holistic view of how marketing activity can create value. Several researchers have examined these is-

FIGURE 1
Brand Value Chain



sues recently, including Ambler (2000); Blattberg, Getz, and Thomas (2001); Keller and Lehmann (2001); Rust, Zeithaml, and Lemon (2000); and Srivastava, Shervani, and Fahey (1998). For illustrative purposes, we describe Keller and Lehmann's (2001) Brand Value Chain (BVC) model (summarized in Figure 1).

According to Keller and Lehmann (2001), the BVC is a means to trace the value creation process for brands to better understand the financial impact of brand marketing expenditures and investments. The BVC is based on several basic premises. Fundamentally, it takes the customer's perspective on creating the value of a brand.[1] Based on this premise, the model assumes that the brand value creation process begins when the firm invests in a marketing program targeting actual or potential customers. Any marketing program investment that potentially can be attributed to brand value development falls into this category, for example, product research, development, and design; trade or intermediary support; marketing communications (e.g., advertising, promotion, sponsorship, direct and interactive marketing, personal selling, publicity and public relations, etc.); and so on.

The marketing activity associated with the program then affects the customers' "mind-set" with respect to the brand—what they know and feel about the brand. A judicious marketing program investment could result in a number of different customer-related outcomes. Essentially, the issue is, In what ways have customers been changed as a result of the marketing program? How have those changes manifested themselves in what we call the customer mind-set?

The customer mind-set includes everything that exists in the minds of customers with respect to a brand—thoughts, feelings, experiences, images, perceptions, beliefs, attitudes, and so on, that is, brand equity as defined by Ambler (2000). A host of different approaches and measures are available to assess value at this stage. Nevertheless, there are five key dimensions that have emerged from prior research as particularly important measures of the customer mind-set:

1. *Brand awareness:* the extent and ease to which customers recall and recognize the brand and can identify the products and services with which it is associated.
2. *Brand associations:* the strength, favorability, and uniqueness of perceived attributes and benefits for the brand.
3. *Brand attitudes:* overall evaluations of the brand in terms of its quality and the satisfaction it generates.
4. *Brand attachment:* how loyal the customer feels toward the brand.
5. *Brand activity or experience:* the extent to which customers use the brand; talk to others about the brand; seek out brand information, promotions, and events; and so on.

1. The value of a brand ultimately goes to the owner of the brand, that is, the company.

This mind-set, across a broad group of customers, then results in certain outcomes for the brand in terms of how it performs in the marketplace—the aggregate of individual customer actions regarding their amount of purchase and the price that they pay. The customer mind-set affects how customers react or respond in the marketplace in a variety of ways. Six key outcomes of that response are the following: (a) price premiums (how much extra are customers willing to pay for a comparable product because of its brand), (b) price elasticities (how much does their demand increase or decrease when the price rises or falls), (c) market share (the success of the marketing program to create loyalty and drive brand sales), (d) brand expansion (the success of the brand in supporting line and category extensions and new product launches into related categories), (e) Cost structure (savings in terms of the ability to reduce marketing program expenditures because of the prevailing customer mind-set), and (f) brand profitability.

Although we usually talk of brand equity in the sense of customer-based brand equity (Keller 1998), there are also important components of the total brand asset in the minds of employees, shareholders, and stock analysts. Although we will not give these other stakeholders major attention in this article, they in an important way affect the impact of marketing on shareholder value (Srivastava, Shervani, and Fahey 1998).

Based on all available current and forecasted information about a brand, as well as many other considerations, the financial marketplace then formulates opinions and makes various assessments that have very direct financial implications for the value of the brand. Three particularly important indicators are the stock price, the price/earnings multiple, and overall market capitalization for the firm.

The model also assumes that a number of linking factors intervene between these stages. These linking factors determine the extent to which value created at one stage transfers or "multiplies" to the next stage. Thus, there are three sets of multipliers that moderate the transfer between the marketing program and the subsequent three value stages—the program multiplier, the customer multiplier, and the market multiplier.

We can see the roles of adopting both a brand and a customer perspective in the BVC model. A brand asset perspective primarily involves the differences in consumer response to marketing activity. Thus, it concentrates on the market performance stage but puts much emphasis on the customer mind-set stage in terms of the sources or drivers that actually create brand value in the market place. A customer asset perspective clearly is concerned about the customer factors related to the customer mind-set, especially in terms of loyalty and resonance, but also is concerned with outcomes and thus aspects at the market performance stage.

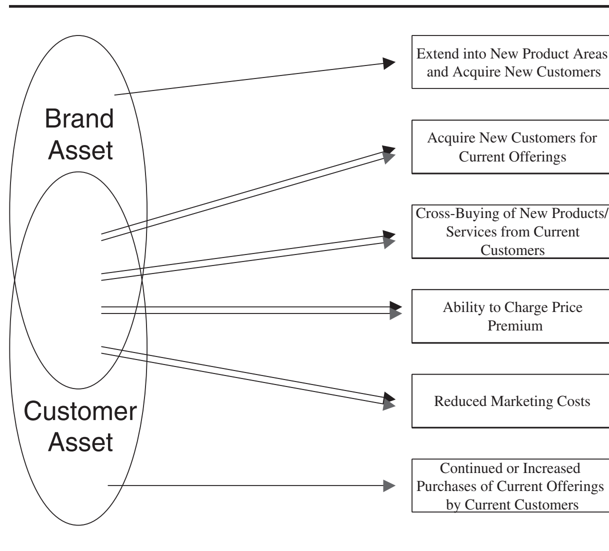
Brand and Customer Asset Perspectives as Sources of Value

As we seek to understand the relationship between the customer asset and the brand asset, it is critical to understand the ways in which each adds value to the firm. How do brands create value for customers and for the firm? How do the relationships firms currently have with customers create value for customers and for the firm itself? We address these questions in this section. Specifically, we examine the distinct and overlapping mechanisms by which brands and customer relationships add value.

As can be seen in Figure 2, customer and brand asset perspectives provide the firm with several mechanisms for growing overall profitability. It is interesting to examine the extent to which brand and customer perspectives interact in growing firm profitability and the specific areas in which they appear to act independently. For example, Figure 2 suggests that both brands and customers influence the firm's ability to grow in four specific areas: (a) its ability to acquire new customers for current offerings, (b) its ability to encourage cross-buying from current customers, (c) its ability to charge a price premium for its products and services, and (d) reduced marketing costs. However, the brand asset perspective appears to place more emphasis on its ability to enable the firm to extend into new product areas and to acquire new customers in these new areas. The customer asset perspective, on the other hand, appears to place more emphasis on its ability to enable the firm to gain increased purchases of current offerings from existing customers. Even in areas in which brand and customer asset perspectives appear to overlap, in most cases, each asset affects customer behavior via different mechanisms. We discuss each of these areas in more depth below.

Extending into new areas with new customers. The brand asset, in particular, gives the firm the ability to extend into new product areas and to acquire new customers in these new product areas. The importance of the brand asset in brand extendibility has been well studied in the literature (Broniarczyk and Alba 1994; Buday 1991). Consider, for example, Nike's successful move into golf products. Long known for their presence in sports such as basketball, running, and football, the strength of Nike's brand provided a successful launch pad for the extension into golfing products. It is important to understand what it is about the brand asset that provides this extendability. Scholars have suggested that several factors influence this ability: customer awareness of, and positive associations about, the parent brand; the similarity or closeness in "fit" to the parent brand; proven quality or capability of the parent brand; and strong market power of parent brand prod-

FIGURE 2
Customer and Brand Asset Perspectives



ucts (Park, Milberg, and Lawson 1991; Rangaswamy, Burke, and Oliva 1993; Reddy, Holak, and Bhat 1994; van Riel, Lemmink, and Ouwersloot 2001). This ability, to extend into new areas and to acquire new customers, is unique to the brand asset.

Acquiring new customers for current offerings. The brand asset also enables the firm to acquire new customers for its current products and services. The firm can use the strength of the brand as a new customer acquisition tool by leveraging it in the marketing mix. In particular, marketing communications (e.g., advertising, consumer promotions, trade promotions) and distribution strategies (e.g., ability to maintain and increase shelf space, penetration of distribution, relationships with key national accounts) encourage new customers to try existing brands. The strength of the brand asset will often determine the extent of the success of these endeavors.

The customer asset also enables the firm to acquire new customers for current offerings. However, in this case, it is often not the marketing strategies of the firm that lead to new customer acquisition. Rather, it is the positive word of mouth spread by the current customers that leads to new customer acquisition. Although firms may be able to encourage customers to spread word of mouth regarding their products or services (Keiningham and Vavra 2001), it is the customer's experience with the product or service, or the customer's relationship with the firm, that leads to positive word of mouth (Anderson 1998; Danaher and Rust 1996; Hogan, Lemon, and Libai 2001).

Cross-buying from current customers. A strong brand that has successfully extended into a variety of products or services can often encourage a customer who has purchased one product from the firm to purchase an additional product. Similarly, a customer who purchases one product from a firm may be willing to extend his or her relationship with the firm to additional products or services. For example, local phone companies and cable companies have been successful recently convincing customers to purchase their long-distance telephone services, in addition to their "traditional" services. Verizon's successful extension into long-distance services, Internet Service Provider (ISP) services, and even Digital Subscriber Line (DSL) services suggests that this can be a successful strategy. It is difficult, in this situation, to disentangle the extent to which the firm's ability to extend the customer (from one product to other products and services) is due to the brand asset or the customer asset. It appears to be a case of both assets and perspectives, working together. In terms of the brand, the customer awareness of, and positive associations about, the parent brand and the proven capability of the parent brand appear to influence the customer's willingness to engage in cross-buying (Branson 1998). In addition, the customer's relationship and history with the firm also influence the cross-buying decision (Verhoef 2001). The extent to which the customer has trust in the firm may also affect the cross-buying decision. Trust has consistently been found to be an antecedent to the strength of both the brand asset and customer asset (Bowen and Shoemaker 1998; Garbarino and Johnson 1999; Morgan and Hunt 1994). In addition, the ability to successfully cross-sell to current customers may be due to the firm offering exactly the right product or services at exactly the right moment because the firm knows that customer so well.

Ability to charge a price premium. Customer and brand assets can also enable the firm to extract higher prices from customers for products that are similar to competitors' offerings. Research suggests that part of the definition of a strong brand is its ability to command a price premium (cf. "The Best Global Brands" 2001). Customers perceive that a strong brand may reduce the risk associated with purchase, especially for credence goods (e.g., Intel Inside) or low-involvement, routine decisions (e.g., frequently packaged consumer goods). Similarly, customers who are loyal to a particular brand or to a particular firm may be willing to pay a higher price. Often, firms are able to create strong relationships with customers over time and are able to learn customer preferences and buying behaviors. This knowledge can allow firms to customize their offerings to current customers in ways that make them more valuable to these customers than competitive offerings, thus allow-

ing the firms to command a higher price. These firms may also create structural bonds (or switching costs) for their customers, which often results in the customers' willingness to pay premium prices for the firms' products and services (Anderson and Mittal 2000; Reichheld 1996).

Reduced marketing costs. In addition to higher prices, brand and customer assets improve profitability by enabling the firm to reduce its marketing costs, relative to a competitor without strong brand or customer assets. For brand assets, the strength of the brand enables the firm to extend the brand (i.e., create a new offering in the category or a different category) at a significant lower cost, due to the high levels of consumer awareness and positive associations of the parent brand (Keller 1998). In addition, the strong brands may not require as much continued investment as competitors (with weaker brands) to maintain the success of the brand. A customer asset perspective can also reduce marketing costs, but in very different ways. Customer profitability and scoring models can enable the firm to reduce the number of unprofitable customers and to serve existing customers at lower cost (Zeithaml, Rust, and Lemon 2001). Current customers in strong relationships may go to use an automatic replenishment system whereby the firm supplies the product or service directly to the consumer without any marketing costs.

Increased purchases of current offerings by existing customers. The customer asset appears distinct from the brand asset in terms of its ability to enable the firm to gain increased revenues on existing products from existing customers. Although the customer's perception of the brand most likely contributes to the customer's decision to continue purchasing a product or service, the customer's decision to increase consumption of the firm's products appears to be more strongly influenced by the customer asset. Specifically, the firm can influence purchase frequency and quantity by getting to know the customer's preferences over time and by using elements of the marketing promotion mix (e.g., communications, sales force, customer-firm interactions). The strength of the customer asset influences the extent to which such strategies will be successful in moving customers up the "customer pyramid" to higher levels of profitability (Zeithaml, Rust, and Lemon 2001).

Understanding Customer-Brand Interactions: The Customer Perspective

From the firm's perspective, it appears that customer and brand perspectives may add value in related, yet sometimes distinct ways. How does this manifest itself from the customer's point of view? We examine the customer perspective of the customer-brand connection in four ways: (a) strength of ties (to the brand, the firm, and other customers), (b) customer-company identification, (c) customer-brand communities, and (d) participation and permission.

Strength of ties. As we consider the customer view, it is important to consider the customer's view of his or her connection to (a) brands, (b) the products or services provided by the firm, (c) the firm itself, and (d) other customers of the firm. Consider the customer-firm relationships depicted in Figures 3a and 3b. In Figure 3a, we see strong ties between customers, but weak ties between each customer and the brand. An example of such relationships might be America Online's (AOL) Instant Messenger (IM) service. Customers of AOL's IM service are more connected or tied to the other members on their "buddy list" than they are to the AOL IM brand. The strength of the relationship (or the asset) lies in the strength of the ties between the customers (similar to network effects as described by Katz and Shapiro [1985] and Shapiro and Varian [1999]).

Alternatively, consider Figure 3b. In this case, we see strong ties between each customer and the brand, but weak ties between customers. Many strong, frequently purchased packaged goods brands can be represented by this figure. Consider the Diet Coke or Coke soft drink brand. Individuals are often fiercely brand loyal to Coke or Diet Coke but do not perceive a strong connection or tie between themselves and other Coke drinkers. In this case, the strength of the relationship lies in the customer's relationship with the brand, not other customers, perhaps in part because the Coke brand is near enough universal.

One can also consider situations in which the customer's strongest tie may be with an employee of the firm. Successful sales representatives or customer service representatives can create strong ties with customers, often stronger than the customer's connection with the firm or with the brand. In such cases, the firm is especially vulnerable should the employee defect to a competitor (Leone and Bendapudi 2001). Understanding the strength of the customer's relationship with the firm, the brand, the firm's employees, or other customers is critical to understanding and managing the interplay between customer and brand perspectives.

Customer-company identification. Not only do customers forge bonds with brands or with other customers, but of late, they have also been forging bonds or "identifying" with companies. Such customer-company relationships have been spurred by many factors such as the decline in meaningful product differentiation (Fox 1998; Peters 1994) and the availability of company information that until recently was meant only for internal consumption.

FIGURE 3a
Strong Customer Ties

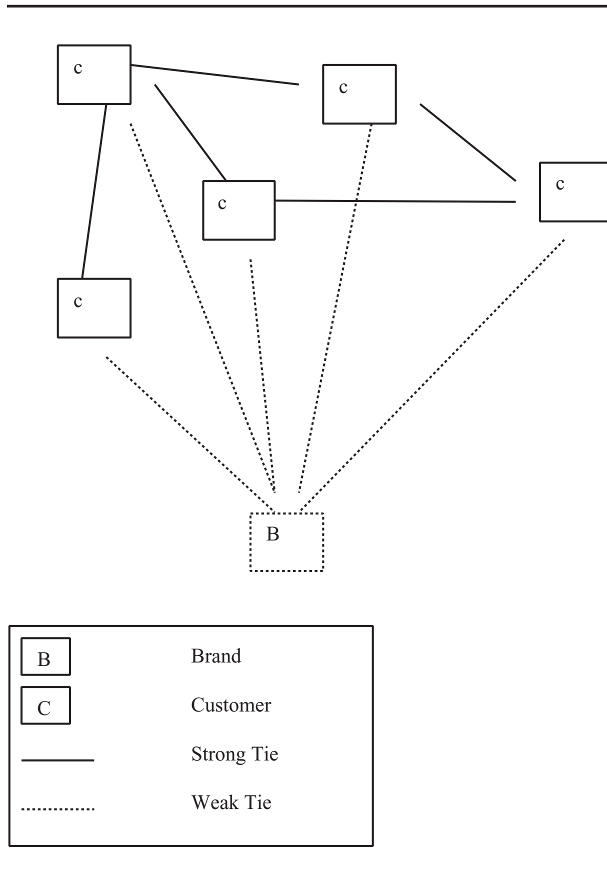
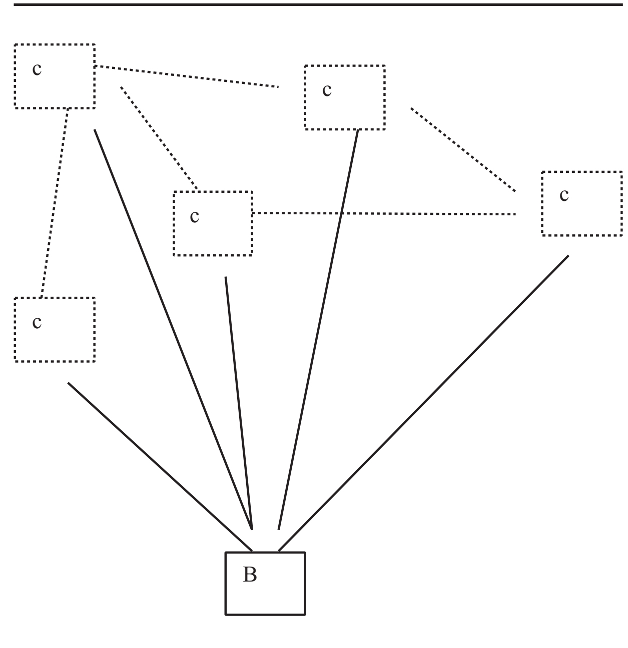


FIGURE 3b
Strong Brand Ties



Bhattacharya and Sen (2001) asked several questions about the origins, nature, and consequences of customer-company identification (i.e., the sense of connection that customers develop with a company based on their beliefs about the company and not just a single product). They suggest that consumers base these beliefs on product/service experiences, corporate social responsibility, company demographics, and awareness of leadership (e.g., Jack Welch). Together, these interrelated beliefs allow customers to judge the degree to which they identify with companies. Organizational identification itself is not a new concept, as organizational psychologists have long recognized this tendency among employees (e.g., Dutton, Dukerich, and Harquail 1994). Yet, more recent research by Bhattacharya, Rao, and Glynn (1995) on art museum membership and by Sen and Bhattacharya (2001) on consumer perceptions of corporate social responsibility suggests similar dynamics among customer groups.

Why do customers identify with companies? At the root of corporate identification is the notion of social learning—that people have a fundamental need to make sense of themselves in relation to the environment around them. Associating themselves with certain companies allows people to maintain "cognitive consistency" and to attain a sense of belonging. Thus, for example, a customer who learns of the Body Shop's social mission (i.e., its opposition to animal testing, commitment to Third World development, etc.) might see making purchases there as a way of associating himself or herself with the corporation's values. Identification has important consequences that clearly relate to customer asset. For instance, identified customers tend to be more loyal and are willing to pay premium prices. They are also resilient to negative information about the company, have an affinity for the company's new products, and advocate on behalf of the company. Thus, creating favorable conditions under which customer identification might occur is a critical aspect of a company's organizational strategy.

Customer-brand communities. Some brands have been very successful in creating customer-brand communities, in which the customer has strong ties to the brand and to other customers of the brand (Muniz and O'Guinn 2001). The most often cited customer-brand community is Harley Davidson. In the case of Harley, the customers created opportunities to get together to share their love of the brand (through Harley Owner Groups, or HOGs). In other cases, the firm has invested significant marketing capital to cre-

ate a sense of customer-brand community. Two car brands, Volkswagen and Saturn, have been moderately successful in creating strong customer and brand ties. In the United Kingdom, Procter and Gamble has been successful creating a teen customer community around its teen brands, as teens have embraced the site as an opportunity to come together to seek advice and information. Virgin has created similar customer communities.

The key difference between these communities and the absence of community in the case of Coke that was noted above may lie in the nature of the segmentation. Where a brand appeals to a particular lifestyle-based niche segment, the brand may become part of the way in which that community differentiates itself from others.

Customer-brand communities have the potential to increase the value of customer and brand assets. By strengthening the customer's ties with the brand, the likelihood of achieving the profit-building outcomes described above increases. By strengthening customer relationships with other customers, the firm can increase customer switching costs, thereby growing the value of the customer asset. Recent research, however, suggests that firms may not always be able to control the growth and development of these customer-brand communities (e.g., McWilliam 2000). As customers begin to participate actively in shaping the brand, the firm's power to influence brand meaning may decrease. To successfully manage the customer and brand asset, it is critical to understand the full spectrum of the short- and long-term influence of customer-brand communities.

Participation and permission. As firms move into more participatory relationships with customers (e.g., customer-brand communities, interactive Web sites, interactive new product design, and learning relationships), permission to engage the customer in dialogue will become critical to the success of these ventures. The success of customer relationship management and customer database marketing strategies depends on securing and maintaining permission and developing trust with the customer (Cespedes and Smith 1993).

Even as it appears that customers have more choices, more power, more options for interactivity than ever before, in most cases, the customer may not know what he or she wants. One might even argue that customers have never really known what they want and that marketing's role is to provide the customer with new wants. Then, as choice increases and customers become sated, they may have fewer wants to satisfy, thus making the marketer's task even more difficult. The interplay of customer relationship management (in which the customer reveals his or her utility function over time through purchases and interactions) and the never ending excitement of marketing with its new products, new offers, and new creative interactions with the customer means that marketers are constantly in a struggle between giving customers what they want (based on what they have revealed to us in the past) and creating new solutions and opportunities for customers that they could not have foreseen. The customer asset provides keen insights into customers' past history and can assist the marketing manager in serving current customer needs. The brand asset gives the customer assurance that the firm has certain capabilities and gives the marketing manager flexibility in meeting new (and future) customer needs in new and creative ways.

MEASURING AND MONITORING BRAND AND CUSTOMER ASSETS

We have seen that brands and customers are clearly valuable "assets" for the firm to cultivate and provide valuable perspectives. As firms seek to grow, it is important to consider how these assets might be measured and monitored. Because of their conceptual underpinnings, however, the two different perspectives can help to identify unique measures in the customer mind-set and market performance stages. For example, the brand perspective puts much emphasis on product performance issues as well as intangible imagery considerations related to user and usage imagery, brand personality, brand heritage, brand feelings, and so on. The customer perspective emphasizes a number of measures related to customer acquisition, retention, and loyalty. Several measurement approaches have recently been developed and implemented by marketing and consulting firms to address this need (e.g., Interbrand, Young and Rubicam, and Copernicus). In addition, several approaches have been put forth by researchers as well (Bhattacharya and Lodish 2001; Keller and Lehman 2001; Rust, Lemon, and Zeithaml 2001). In this section, we focus on one of these approaches (Bhattacharya and Lodish 2001) to illustrate how these important assets to the firm might be monitored.

Monitoring Brand Health

Tracking and responding to changing marketplace needs on an ongoing basis is critical. Because the value of the brand is difficult to measure and track, however, managers tend to rely on readily available information on market share and incremental sales due to short-term promotion. This short-term, market share thinking can harm the value of the brand. A new view of brand health starts with an analogy from the medical world. In the epidemiology literature, one finds two dimensions of health: current well-being and resistance. Current well-being measures how well one can function in everyday life. Re-

sistance measures how able one is to resist an attack from disease agents. Note the use of the human, or animal, metaphor for the brand. Brand health is not the same as brand equity (the asset) or brand value (the financial valuation) but refers to the *condition* of the asset—an important aspect for the marketer to manage.

Brands thus also have two dimensions of health. Current well-being measures the brand's attraction to consumers under typical market conditions. In contrast, resistance measures the brand's attraction to consumers when it is under attack from competition. A number of indicators were considered both for the current well-being and resistance dimensions. For instance, one current well-being indicator is analogous to Keller's (1998) conceptual definition of customer-based brand equity—the incremental share a brand enjoys because of the difference in its marketing mix responsiveness compared with the marketing mix responsiveness of the store brand in the category. Similarly, one of the resistance indicators estimates the share loss a brand suffers when the focal brand is not promoting but competitors are attacking through short-term promotions, compared to a situation where none of the brands are promoting.

These measures are intended to give managers early warning on whether their marketing programs are producing the long-term effects they want. The measures are estimated from readily available data such as share and sales information, can be routinely calculated with minimal analyst intervention, and are available at any desired level of aggregation. More important, the measures are available within a time frame similar to that of other marketing information.

Bhattacharya and Lodish (2001) suggested that store scanner data best suit these managerial objectives but that the basic model is robust enough for other constructs and data. Their empirical analysis shows that brand health is a multidimensional concept, and both dimensions (current well-being and resistance) are reliable, valid, stable over time, and diagnostic. They maintain that (a) monitoring measures of current well-being and resistance in addition to market share will enable managers to react better to market dynamics, and (b) combining behavioral and attitudinal measures can provide powerful insights into underlying causes driving change in brand health.

COMBINING BRAND AND CUSTOMER PERSPECTIVES

In most instances, firms will want to attend to both brand and customer perspectives. For example, consider an automotive manufacturer. The manufacturer may seek to build the brand asset by understanding its customers' needs, developing differentiated brands that fully meet those customers' needs, engaging in activities (advertising, communications) that build a positive attitude in the consumers' mind—all eventually leading to purchase and consumption of the brand. All these brand-building activities are going to affect the firm's bottom line. If the firm also simultaneously takes a customer perspective, it will document and measure the likely effects of customer behavior on the bottom line. Thus, a firm may be keenly interested in understanding the extent to which a customer uses its dealerships for service, the number of other customers to which positive word of mouth is given, and certainly repurchase.

Note that most likely there is an synergistic effect between the brand and customer perspectives, in which strengthening the brand leads to stronger customer relationships and vice versa, feeding a positive, virtuous cycle (Mittal and Sawhney 2001). Thus, if the automotive firm in this example had a clear sense of its customer value (i.e., which customers are most relevant to the bottom line), it would engage in brand-building activities, but among the right set of customers—customers who are most profitable.

As another example, service-oriented firms, such as banks, have typically taken a customer asset perspective, trying to attract high-profit customers with economic rewards and working to retain them with loyalty programs. Again, if a bank also adopted the brand perspective, it would try to understand what the bank—as an institution—means to the customers and how they relate to it. Thus, based on such an understanding, steps could be taken to manage both the brand and customers to enhance both.

These examples suggest that an exclusive focus on brand or customer alone is not as likely to be successful as a focus on *both*. Firms should think of brand and customer assets as two sides of the same coin. One perspective without the other is unlikely to be as effective, and the combination will most often be greater than either alone. Certain market realities may help to explain why firms tend to adopt one perspective more than another. For example, the perspective taken may depend on the availability of information services—firms with an ability to follow many customers more closely (e.g., services) may be more inclined to adopt a customer asset perspective. Consumer goods companies who do not have such abilities may be more inclined to adopt a brand asset perspective.

Expanding a firm's focus to include both brand and customer perspectives will have implications for overall marketing strategy. Specifically, firms must consider (a) the need for managing brand and customer portfolios, (b) the importance of dynamic models, and (c) implications for segmentation. We will discuss each of these in turn.

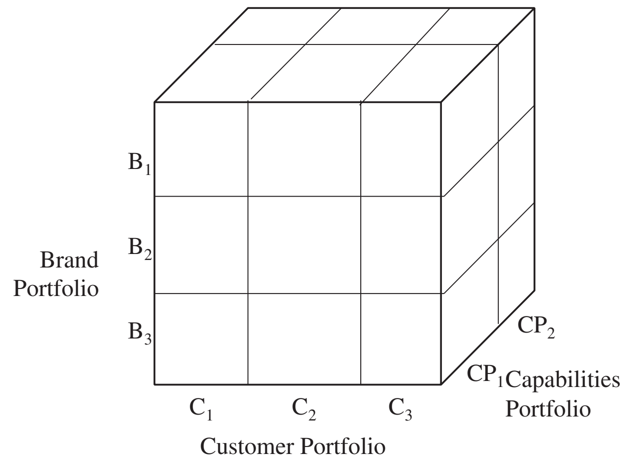
MULTIBRAND COMPANIES

Manage Portfolios

We now move from the situation where the company and its products are covered by the same brand to the situation where the company has a number of brands (brand portfolio) catering to a multitude of customer segments (customer portfolio). These firms can also view themselves in the context of their employees and capabilities (capability portfolio). Most firms manage the three portfolios separately through marketing, sales, and human resources functions without always realizing the synergies of managing them together (Mittal and Sawhney 2001). It helps to visualize them as a three-dimensional cube as shown in Figure 4.

This broader perspective suggests that it is valuable to examine the firm's intangible assets in terms of these three dimensions—brand, customer, and capability. The art of marketing management, given an understanding of the value of these assets, is to focus resources on those segments—defined by customer, brand, and capability—that have the greatest potential for profitable growth while retaining those other segments that contribute most of the current profit.

FIGURE 4
The Brand, Customer, and Capability Portfolio



Firms can now decide where their relative strength lies in terms of the brand portfolio, customer portfolio, or capabilities portfolio. For instance, a firm may discover that although it has built one strong brand, it is only tapping that brand asset into a small group of customers with low value. Thus, the firm may decide to market that brand in additional customer segments. Alternatively, it may decide to leverage the strength of its customer portfolio to leverage its other brands. A firm can also ascertain if there is a misalignment between its capabilities and its strategic objectives regarding brand and customer assets. For instance, consider a dot.com such as Priceline.com. Although the company had built a strong brand and a base of loyal customers, it discovered that it was stretching its capabilities too far into categories such as gasoline and groceries. This led the firm to scale back and focus on the travel industry, an industry where its capabilities were best deployed. Such a comprehensive perspective is vital to firms making decisions about acquisitions or divestitures of subunits, brands, and so forth. More important, such a comprehensive view enables a firm to articulate a strategy that is externally (brand and customer) and internally (capabilities) consistent.

Importance of Timing

Germane to implementing a market asset strategy is also a realization of the evolutionary nature of the different perspectives. That is, brand or customer assets are not static but change over time. In this regard, there are several change cycles that a firm should consider. First is the product life cycle. It has been argued that products go through a growth and maturity stage, and firms should understand how the change in the brand portfolio affects the customer asset. Second is the customer life cycle. During the various life stages of a customer, his or her needs and the brands that can fulfil those needs change (thereby shifting brand assets). Moreover, his or her income and spending patterns are also likely to change, affecting the customer equity for different firms. Third is the consumption life cycle. Upon purchasing a brand (e.g., a particular brand of car), the relationship that a customer has with the brand evolves over time (Mittal, Kumar, and Tsiros 1999), and firms must be cognizant of this change to manage market assets. Fourth, industries and sectors go through systematic changes, and as they change, so must the notion of the market asset and its aspects. The idea is that a firm's understanding of the market asset (and its components) will constantly need updating and adapting. Firms can also gauge which of the aspects of its marketing asset provides a more enduring advantage in the long run. For instance, a national bank with a strong brand name (e.g., Citibank) may find that although a part of its customer base changes frequently, its brand asset stays strong over time due to its national presence. On the other hand, a small bank in a rural area may find that its customer base is constant, even if it changes its offerings and brand positioning. Thus, firms have to understand the relative differences in endurance for their various equities and strategize accordingly.

From an implementation standpoint, this temporal variability necessitates metrics of equity that can be taken with ease and that can be adapted over time. Dynamic models of brand and customer perspectives should be developed to enable firms to understand and manage these changes over time. This also means that longitudinal approaches (e.g., tracking studies) to gathering and analyzing information for the marketplace should be put in place.

Segmentation

Central to the idea of marketing success is segmentation. The basis on which segmentation is conducted also differs in the brand and customer perspectives. With a brand-based perspective, the emphasis is on benefit-based segmentation. That is, firms try to identify homogeneous groups of customers who seek particular benefit from a brand and then try to create brands that best fulfill those needs. With a customer-based perspective, the emphasis is on profit-based segmentation. That is, firms identify the most profitable customers and develop strategies (e.g., loyalty programs, rewards) to retain those customers and to also divest unprofitable customers (or to migrate unprofitable customers to alternative products or services that will make those customers profitable). Firms taking a market asset perspective will have to meld the benefits and profit-based approaches to segmentation (cf. Mittal and Sawhney 2001). This can be done by analyzing the customer and brand portfolio and then by matching brands with customers in a way that is most profitable. Again, firms will need to be mindful of the temporal shifts, shifts that are based on changes in the brand, the customer, the customer-brand relationship, and the industry.

CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH

This article set out to reconcile and integrate the different perceptions of brand equity and customer equity. We have seen that although the word *equity* is used differently, brand equity and customer equity are essentially different perspectives on the marketing asset. In a multibrand company, the term *brand equity* describes the asset built by marketing that can be expected to drive the future cash flows from the sales of that brand. *Customer equity* in total is the present value of the future cash flows from customers for sales of all brands.

Consistency in language and definitions would greatly facilitate communication and research in this area. For example, confusion arises in the case of the definition of *brand*. Most U.S. academics exclude the underlying product(s) (from the definition and discussion of brand), whereas Europeans tend to use the word *brand* to mean "what the customer buys," that is, including the product. Thus, the brand (e.g., a Hershey bar) is sold to the customer, whereas brand equity is retained by, and indeed enhanced for, the brand's owner. Similarly, the term *brand equity* has also been used (Aaker and Jacobson 1994) to denote the brand's financial value; however, to remove confusion, we prefer *brand valuation* for this usage. In this article, we recommend more precise usage of the term *customer equity* to denote the valuation of the customer base (as defined by Blattberg and Deighton 1996) and the term *brand equity* to denote differences in customer response to marketing activity (as defined by Keller 1998) to reduce confusion regarding the two perspectives. Creating precise language with which to communicate about brand and customer perspectives and measurement will be critical to the future of marketing management. The power of these concepts, along with a third perspective of the firm's capabilities, lies in their ability to provide structure for the business so that resources can be best focused on the segments for profitable growth and the most valuable segments for retention.

Although it remains important to understand the brand-customer-capability interactions, the brand and customer perspectives allow improved measurement of the overall marketing asset. As well as the BVC, we showed how the health of the brand asset can be assessed, using well-being and resistance as metrics. With respect to metrics, there are several important areas for future research. First, how many metrics do managers need to monitor brand equity, and what are the key underlying dimensions? Second, what process do managers currently use to select the relevant brand metrics for their business (descriptive research), and what process should they use (normative research)? Third, to what extent should the financial valuation of the brand be part of a firm's measurement systems?

Moving to the customer perspective, we need to understand which additional dimensions, and therefore metrics, are needed to round out management's understanding of the total marketing asset. Further research is needed in several areas. In particular, what additional insights does an understanding of the value of the customer asset provide to the firm (and what are the underlying dimensions)? Blattberg, Getz, and Thomas (2001) suggested that from the valuation perspective, these dimensions are customer acquisition, customer retention, and cross-selling. Rust, Zeithaml, and Lemon (2000) suggested that from the marketing action perspective, these dimensions are investments in brand, value, and relationship. Additional research is necessary to examine these customer equity dimensions in more depth. Second, is it possible to develop a "customer health" measure that is analogous to the "brand health" discussion above? For example, an "unhealthy"

customer franchise may be one whose customers are only buying the brand because no other satisfactory alternative has been yet introduced. Third, additional research should examine the potential synergies between brand and customer assets in more depth. For example, can the extent to which the brand may be suitable for the development of customer communities be ascertained?

Most important, the place of each metric in top management's review should be justified by its power to predict future performance overall. Research is needed to identify the reliability of marketing asset metrics for the purpose of forecasting. Moving forward, it will be critical to understand the extent to which marketing assets (brand, customer, and capability perspectives) are linked to firm growth, profitability, and the overall value of the firm.

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