8

Finding Sources of Brand Value: Developing a Stakeholder Model of Brand Equity

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Introduction

Discussion of brands and brand equity have, up until now, been almost solely concerned with consumer markets.[1,2] A number of recent publications have, however, begun to seriously look at the application of the brand concept and that of brand equity to business-to-business (B2B) markets.[3–6] These works reflect the growing consensus that the branding concept is not only useful, but also powerful, in examining and explaining relationships and value creation in all business relationships.

These developments reflect two important trends in business in general and brand management in particular. First, the importance of relationships, not just relationship between the firm and consumers but also the relationships between businesses in B2B markets[7] and other stakeholders. Secondly, that brand equity in particular, and brand value in general, is not just created through a dyadic relationship, be it between the brand and the consumer or the industrial brand and the customer, but is a multifarious construct that is affected by, or the sum of, a gamut of relationships.[8]

These developments are occurring within the context of a more stringent requirement on managers to document the value of their activities and their contribution to the bottom line. There is a clear indication that financial performance is the key measure of success today. Firms need to be able to justify their activities and investments

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to shareholders in terms of value creation.[9,10] Indeed, industry appears to be moving into an era of economic marketing or value-based marketing.[11]

Brand managers are thus being challenged on two fronts. First, to broaden their view of brand relationships to consider a range of different stakeholders where brand value is created. Secondly, to be able to assess and put a value on the worth of these relationships.

Following the argumentation proposed by Vargo and Lusch[12] that marketing is principally concerned with the co-creation of value and relationships, and linking this to a stakeholder perspective on brand value, this paper develops a model for brand managers that helps them to answer the two fundamental questions asked of all brand managers:

1. Where does our brand value lie?
2. How is this value (co)created?

The paper begins by considering the challenges brands face today. It then looks at the relationship between the concepts of brand value and brand equity, where it is argued that brand value concerns the study of how value is created, whereas equity is concerned with the measurement of this value. The paper argues for a stakeholder approach to the conceptualisation and measurement of total brand equity. The process of identifying stakeholder value relations is presented as a way of understanding and prioritising stakeholders in relation to the development of a model of stakeholder-brand value. This is then used as a basis for suggesting a multiple approach to brand equity. Considerations for managers and implications for future research are presented. The model is holistic and attempts to incorporate a variety of current strains of thought in brand equity literature; the paper is conceptual in its approach, and is intended to stimulate further research into the development of a framework for the assessment of total brand equity.

Some preliminary considerations

Before looking in depth at the questions posed above, it is worth dwelling on some of the challenges that face branding today.

First, while there is some discussion about whether brands are losing their power in the marketplace,[13] and of their relatively poor financial performance,[14] it is clear that established brands are facing great challenges to maintain their dominant position – challenges that come from newly emerging brands, private labels and the increasing eclecticism or fragmentation of the consumer, from more stringent competition and expectations from financial markets for increased brand performance, and finally from consumer backlash against highly visible brand symbols. Brands may never have been stronger (at least in terms of brand equity valuations), but this is also true of the forces that are working against them.

Secondly, one of the responses to these challenges is the increasing focus on corporate brands.[15,16] In a market situation where product differentiation becomes more difficult, many companies are turning to their own identity as a way of building up brand personality – the brand promise becomes the firm promise.[17] In such a situation brand equity becomes more closely aligned with the overall performance of the company. Equally significant is that measures of brand equity must move to encompass considerations and measures of corporate reputation; in such a situation brand equity encompasses more that just consumers or customers, but a wider stakeholder base.

Thirdly, stakeholder theory tells us that the firm is reliant on a network of relations where the firm is obliged to the members of this network (legally, contractually and morally). Why, when talking about brand equity, is only the customer discussed? As Doyle points out, customer satisfaction is a very poor measure of profitability.[18] Surely companies' competitive advantage and profitability are often reliant on the many other relationships that develop inside and outside the firm. One of the current paradoxes in the branding literature has emerged since the co-option of the resource-based approach to understanding and developing brand;[19] this approach moves the firm away from an explicit customer orientation to a more introvert activity of identifying core competencies. Indeed, Porter argued quite cogently that competitive advantage is achieved through quasi- (or real) monopolistic conditions;[20] in other words competitive advantage is achieved through the marginalisation of the customer. While one should perhaps be more circumspect, one can question whether brand equity is only concerned with customer perceptions. Emerging ideas about channel equity shed some light on this area.[21]

Lastly, while one can attempt to identify the main source of brand equity, be it through customer loyalty, market domination or whatever, it soon becomes apparent that this equity is reliant on a range of 'external' factors – external, that is, to the traditional way of conceiving brand equity. Consider for a moment the effect of the news story that Royal Dutch/Shell had been consistently overestimating its oil reserves since at least as far back as 2001 and possibly 1997. Its 'equity' with the media, never being strong, took a nose-dive, as did its credit rating with Standard & Poor's. Another example is the current consumer backlash against Europe's largest dairy concern, Arla. Arla has established a strong market position in the regional markets of Denmark and Sweden, with very strong brand awareness and loyalty (in terms of repeat buying), positive associations with its roots in the co-operative movement and high perceived quality. A consumer backlash, however, against its threatening monopolistic behaviour in relation to dairy farmers, spurred on by media coverage, is threatening the Arla brand name. In these two examples brand equity is directly affected by the actions of two stakeholders that are not usually associated with the calculation of brand equity: in Shell's case the media and credit-rating organisations; in Arla's case, the media and consumers.

These factors point to the need for the branding literature to adopt more holistic ways of approaching brand equity;[22] ways that incorporate an understanding of the relationships in which the firm is involved, and which create value for the brand. In this respect it is necessary to focus on where value is created, but also to incorporate an understanding of the nature of these relationships, ie how value is created. The attempt to develop ways of assessing the sources and outcomes of brand equity is already underway in theory[23,24] and in practice through value-based brand management systems; these represent the vanguard of attempts to better understand how brands create value. The question remains, however, as to what sort of value is being measured and for whom? In order to answer this question it is necessary to understand what is meant by value: how it is created and for whom; and how this value is measured. This prompts a discussion of brand value and brand equity.

Brand value and brand equity

In the following section it is suggested that brand value considers the role of relationships in value creation and brand equity considers the assessment of the value that is created through these relationships. It is generally recognised that brands are important assets for firms.[25,26] In a survey of the top 3,500 companies in the USA, *Fortune* magazine noted that intangible assets accounted for 72 per cent of market value (compared with only 5 per cent in 1978). Ambler presents a similar analysis where he notes that brand value accounts for an average of 50 per cent of market value for major fast-moving consumer goods (FMCG) multibrand companies (and 81 per cent for Nestlé).[27] Indeed the value of the brand (as opposed to tangible assets) has been included in profit and loss statements of UK and Dutch firms since 2001. This fact often takes us away from the real issue around brand managing, however: it is not the present value that is relevant for the manager, but the future value and the securing of that value. As Ambler points out, many 'confuse the asset, brand equity, with what the asset is worth, the brand's valuation' (p. 45).[28] Thus considerations of the current financial value of the brand take us away from the issue of what creates that value.

For Ambler, value creation is a much more diffuse process which is focused particularly on the value that the brand creates for a range of stakeholders. This he calls the 'total equity' of the brand (p. 49).[29] For Ambler, the issue is also the lack of adequate measurement of the brand's equity, but here he clearly distinguishes the brand valuation (in financial terms akin to Interbrand's valuation) and the brand as an asset. Indeed he is adamant that there is too much focus on cash flows and too little on the identification of the source of the brand's value. This is similar to other calls for more holistic approaches to the measurement of brand valuation,[30,31] and also in line with current stakeholder thinking[32,33] where company performance is linked directly to a multiple stakeholder approach. The difficulty of this approach is that it makes the measurement of brand equity uncertain, and takes away from a clearly defined success criterion: the bottom-line. Thus, when considering brand value, it is necessary to focus on long-term brand value and the sources of that value, rather than the here-and-now value of the brand. Doyle[34] (p. 21) is right in stating that 'Top managers nowadays do not hold their jobs long if they do not increase the financial value of the firm. Strong brands, customer awareness, market share and satisfied customers are not goals in their own right, but means to create shareholder value.' The development and survival of the brand (and the creation of shareholder value) is, however, dependent on an understanding of the value the brand creates for its stakeholders and the (often turbulent) context within which the brand exists. Thus brand value must concern itself with looking at the sources of the creation and co-creation of value for both the firm and its stakeholders. Once an understanding of brand value is achieved, then specific measures of this value can be examined.

Brand equity is used to define the value of the brand. Its specific definition, however, varies considerably in the literature. The most common approach to brand equity is as a measure of customer franchise,[35] that is, the value of the brand from the point of view of the customer and the long-term financial consequences of this for the company. Broadly, the existing literature can be divided into three categories:[36] mental brand equity, that is, the impact of the brand on the consumer's consciousness; behavioural brand equity, that is, the consumer's behavioural response to the brand (or that which can be directly attributable to the brand); and, thirdly, financial equity, that is, the financial impact of the brand as expressed through return on investment, profit, turnover, price-to-earnings ratio etc.

Major research streams in relation to brand equity are concerned with: brand recognition and recall;[37] loyalty, perceived quality, perceived quality and associations;[38] brand image;[39,40] and purchase intention/commitment.[41] Brand equity is seen both in business-to-consumer and B2B markets in relation to rational and emotional responses to the brand,[42] that is customers' beliefs about and attitudes to brand attributes. While attributes lie within the brand, the brand equity concept attempts to translate these attributes in terms of the associations of the brand in the minds of the customer. This paper contends, however, that these measures of brand equity do not adequately incorporate new notions of the value of interaction and the co-creation of value. In recent years there have been attempts to examine brand equity across the entire value chain.[43] Brand equity measures, such as those outlined by the authors above, may encourage brand managers to overly concentrate on the surface of the brand, and not look at how the brand creates long-term value for its customers. Approaches to brand equity need to go beyond end customers and their knowledge of the brand. Thus, for example, customer awareness is a prerequisite for brand success, but does it give value in its own right? The online retailer Boo! had a high level of brand awareness, but this apparently did not contribute to brand value, and ultimately was not a source of brand equity. Current brand associations can be positive, but what about next year or even next month? Shell had a triple-A financial credit rating, but the revelation that it had manipulated estimates of its oil reserves sent its credit rating nose-diving. Loyalty, as measured in terms of propensity to re-buy, may on paper look good, but does loyalty measure real commitment to the brand and, again, what will the situation be in a year's time?

Theory and practice present a series of challenges to traditional approaches to brand equity. There is a growing awareness of the need to consider customers' overall experience with the brand.[44,45] This includes not only direct relations with the brand, but also those through other channels such as service experience through retailers, communication experiences through media coverage and market experience through market response to the brand. This has led some scholars to look at other relational aspects of the brand that contribute to brand equity.[46,47] Given the challenges outlined at the beginning of this paper, the prevalent approaches to brand equity need to be re-examined. In particular many of the assumptions behind brand equity need to be re-thought.

First, the assumption that brand managers create responses among consumers is under fire. Interpretative work in this field[48,49] suggests that consumers interpret brands to create their own social identity, far apart from the meaning that the brand manager had intended.[50,51] Additionally, for many brands, consumer involvement is so low that it is difficult to argue for the prevalence of consumer brand equity.

Secondly, therefore, the main sources of brand equity for many FMCG goods often lie outside the brand-consumer relationship. For instance, for FMCGs, channel relations are often the critical factor. While premier brands such as Coca–Cola and Heinz are often categorised as 'essential to have' by supermarkets, most brands are reliant on supermarkets to give them the necessary access and exposure to the market. Indeed, even brands such as Coca–Cola are just as reliant on the 'push' factor of channel equity as on the 'pull' factor of brand equity.

Channel relations, including control in the distribution channel (either through direct ownership, franchise or contractual agreement), but also including social and relational aspects, act to ensure the proper channelling of the brand from the firm to the consumer. The use of the word 'proper' is intentionally vague, as it must encompass characteristics that are peculiar to the brand, such as service quality agreements, in-store placement and displays, knowledgeable sellers, and so on. These ideas have been developed by a number of other writers under the terms customer, channel, reseller and marketplace equity.[52,53]

There are, however, many other relations that are identified as being significant in the creation of brand value. Brodie *et al.*[54] highlighted the increasing interest in relational aspects of brand equity. Much of this research has focused on the marketing of services,[55] but also includes consideration of relationships in consumer packaged goods markets.[56] Newer work looks at the value of corporate brands for both employees, customers and investors,[57,58] and reputation for customers and wider stakeholders.[59,60]

Brodie *et al.*[61] point to three broad areas of research into equities: consumer-based, financially-based and relational equities.

There is clearly an increasing awareness of the importance of different relations in brand equity literature; relations that have previously been overlooked. There is room for the consideration of more relations. When we talk, for instance, of channel equity, ie the role of the brand in influencing the channel and vice versa, we could also look at issues such as reputation: is not reputation a viable equity? Likewise, employees, especially in service companies, have long been recognised as an important corporate asset.[62] Similarly the increasing interest in corporate branding builds much of its argument on a human resource perspective of the firm, where external marketing communication is used to build up and maintain a consistent organisational identity. Is employee equity therefore not a relevant concept?

There is clearly a need to develop a better understanding of brand performance and the factors that affect it. In this respect the developments in improved corporate governance are central. Trends towards openness in decision making, and accountability both internally and to external stakeholders, is creating the climate for stricter administrative and financial control within firms. They are, however, also exacerbating the trend towards greater external interference in the affairs of companies. Stakeholder theory has emerged as a challenge to traditional conceptualisations of the model of the firm,[63] and introduces the idea that the firm exists within a complex network of stakeholders. This challenge also faces brand management literature. Adopting a stakeholder approach to brand equity may allow better understanding and monitoring of brand performance against each stakeholder.

A stakeholder approach

What can stakeholder theory tell us about equity? Stakeholder theory challenges the notion that firms exist only to serve the needs of the shareholders. It ascribes responsibilities to the firm to a range of people and organisations outside the narrow range of institutionalised business relationships that normally define a firm's sphere of interest. These responsibilities are defined in many ways based on legal, fiduciary or moral claims by the stakeholders.[64] Stakeholder theory is often lauded as an important step towards corporate citizenship.[65] Regardless of whatever moral responsibilities may exist between the firm and its stakeholders, however, a clear understanding is emerging that these 'non-fiduciary' relationships can have a profound impact on company performance.[66,67]

In relation to brand equity, the stakeholder concept gives a much richer picture of sources of brand value and equity. It forces us to examine the range of relationships in which the brand is engaged, and to recognise that brand equity is created through multifarious relationships. The stakeholder approach gives an important tool for managing these relationships, but also a tool for providing an overview and prioritising those relationships that are strategically important. In terms of existing branding literature, stakeholder equities allow a move away from an exclusively consumer or customer orientation.

Take, for instance, the performance apparel manufacturer Helly Hansen. The brand, established in 1877, has traditionally been a wholesaler to international and local sports and outdoor clothing retailers, where 90 per cent of its turnover lies. Its market position as premium manufacturer of technologically advanced waterproof clothing and other apparel connected with outdoor sports and activities has established it as a leading, though classic brand in its field. Recent trends in the clothing industry, and the breakdown of traditional boundaries between 'fashion' fields, mean that the brand's position is threatened by brand extensions from brands such as Porsche and Hugo Boss.[68] Its reaction has been a major brand repositioning strategy, launched in 2003, whereby the firm is attempting to broaden its customer base and move into the mass 'lifestyle' category. Part of this strategy has been the relaunching of the brand's homepage and the use of market communication techniques that appeal directly to the fashion-conscious consumer. While this strategy has had a positive effect on the brand and countless positive reviews, the company's business remains within the performance apparel category: it has been unable to effectively reposition itself into the mass markets. Using a stakeholder approach, it is apparent that the main barrier is the attitude of retailers: while consumers and the media are positive about the repositioning, retailers are not. The brand equity, expressed in terms of brand associations, is tied to the brand as a sports brand. While competing mass market brands such as Adidas and Nike have effectively expanded outside this category, Helly Hansen has difficulty in persuading its retailers about its new position. The stakeholder approach gives the manager a tool to assess brand equities across all its stakeholders to identify conflictual brand association and suggest where effort needs to be focused.

More specifically, stakeholder theory encourages the identification of which stakeholders 'can affect or are affected by the achievement of the corporation's purposes'.[69] A cornerstone of the stakeholder literature is that organisational performance is linked to stakeholder relations.[70–72] In brand equity terms this invites consideration of the range of stakeholders who affect the creation (and destruction) of brand value and the nature of these relationships. As the above indicates, the value of a brand can lie in a range of relationships, many of which have a synergistic relation to each other. The challenge for the brand manager is to be able to effectively identify these and to understand and build up an overall picture of the sources of brand value. In their recent work, de Chernatony *et al.*[73] note that a triangulation of methods of measuring brand success provide a more powerful understanding of the sources of brand equity. It is necessary to move away from the dyadic approach to looking at brand equity, ie between brand and consumer, by incorporating multiple stakeholders' orientations in consideration of brand equity.

A stakeholder model of brand equity

The stakeholder model suggests two things. First, that multiple stakeholder relations are important sources of equity for total brand equity. In relation to each stakeholder group a specific measure of equity can be identified. For customers this is how brand equity is traditionally conceived; in relation to public opinion and government it is often referred to as social capital, and so on. The performance of each relation becomes particularly relevant for the firm when it is assessing the value of each of these relations and whether to devote more or fewer resources to them. Secondly, the stakeholder model suggests that there are relations between these stakeholders, and therefore between the individual equity equations. Figure 8.1 presents what has been called the daisy-wheel model of stakeholder equities as it illustrates the interconnectivity between stakeholders and between equities. A daisy wheel – the printing head of the old electronic typewriters – consists of a central hub with each letter, number and symbol on the end of a lever, such that the overall effect is of a daisy. The point here is that while it is possible to look at each relation independently, in reality they are all connected, in terms of brand equity, through the 'hub' of the brand. Thus a brand might build up strong customer equity, but this can be undermined by negative media coverage, as with Arla. Likewise a brand might have poor customer equity, but if it has strong channel relations where it can dominate the distribution chain then who is to say that it has poor total brand equity? If one is to know anything about overall brand equity, then one must be able to make an assessment of these relations in terms of stakeholder equities.

As an example, consider the equity relations that are relevant for a hypothetical electricity-generating company in a newly liberalised market. Traditionally the company has seen its major stakeholders as government and suppliers. In a nationalised market, output was determined by the national energy plan, and thus predictable and secure. The industry was reliant otherwise on suppliers of heavy equipment, for example, generating machinery, cables and transmission equipment.

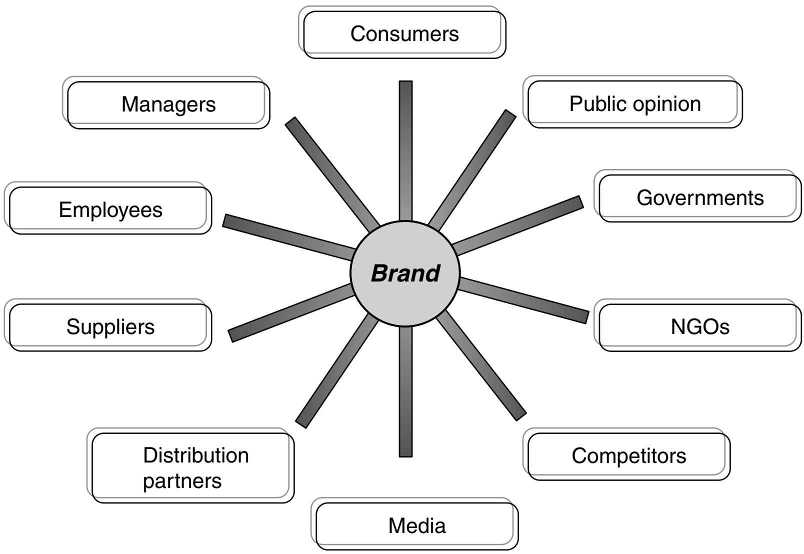

Figure 8.1 Daisy-wheel model of brand equities

Today the situation is radically different. Here there is still a great deal of focus on government, as the industry remains highly regulated. In addition, suppliers remain as stakeholders, but a new strategic focus on competitors and customers has emerged. The company not only competes in a free market for the sale of its product, but it is also threatened by hostile takeovers. Likewise its customers (the distribution companies) are now free to choose their suppliers.

Beyond these primary stakeholders there are a number of important secondary ones.[74] In the newly liberalised market, it is important for the firm to create a strong image, in order to create a market position, to attract and retain employees, to bolster its share price to avoid takeover, and to maintain a good image with government, which can provide protection for the firm (legally or not) in the event of takeover threats and instability. This image is reliant on the maintenance of direct relations with these stakeholders, but is also affected by the image of the firm in broader society – among non-government organisations (NGOs), which might launch attacks on the firm's sourcing policy (eg the use of coal-fired power stations, for their adverse affect on the environment), and among the broader public and the media.

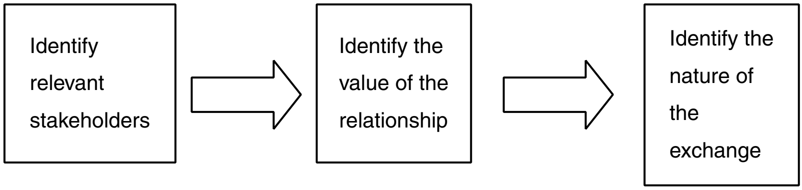

Figure 8.2 The process of identifying stakeholder value relations

Having identified key stakeholders, it is necessary to begin to assess their strategic significance according to their contribution to brand value. This process considers stakeholder value relations and has three stages: stakeholder identification, stakeholder prioritisation and identification of the nature of the exchange (Figure 8.2).

Stakeholder identification

Primary and secondary stakeholders should be identified as outlined above – in other words which stakeholders contribute to brand value generally and which other stakeholders emerge in relation to specific issues.[75]

In the case of the electricity-generating company, brand value is created through a strong customer franchise. Here the newly privatised companies' develop strong brand image: moving from zero-branding budgets to developing highly visible brand identities in order to achieve a strong market-positioning presence. But these strategies are not limited to customers; they are also explicitly directed at the range of stakeholders listed above. To ensure adequate funding for new investment the firm needs to build up equity with its investors: investors need to feel that their investments are worthwhile and will give an adequate long-term return. Here the role of the brand in building up investor trust has been traditionally underestimated in the literature in favour of focus on buyers. Another relationship prioritised by the electricity-generating company is with government. Its continual operation in a regulated market means that it is directly affected by government regulation and legislation. Building up good relationships with government authorities at the national and European level are prioritised.

Beyond these continual efforts to promote the brand to a range of primary stakeholders, the firm may be involved from time to time with other, secondary stakeholders. These will usually emerge around specific issues. In this example, these can be issues regarding competition and competitive practices, proposed and actual changes to legislation, environmental effects, and so on. Around these issues new stakeholders may emerge. For the brand manager, brand equity may be reliant on having effective access to these stakeholders through established relationship channels (eg lobbying channels or stakeholder dialogue forums); often brand equity in these circumstances will be in the form of goodwill or social capital that is specifically linked to the (often corporate) brand and can be used to provide leverage in relation to the specific issue.

Stakeholder prioritisation

Then next step is to prioritise these stakeholders in terms of their contribution to brand value. Mitchell *et al.*[76] suggest that three variables are relevant in relation to the identification of stakeholder salience: power, legitimacy and urgency. Power is defined as the ability of the stakeholder to make the firm carry out an action against its will. Legitimacy is the social construction of a legitimate platform of action in relation to the firm by the stakeholder. Urgency is the degree to which stakeholder claims call for immediate attention. This model can be usefully employed in relation to the present problem. It is suggested that these can be translated into dependency, strategic significance, actuality and a further variable, attractiveness.

– **Dependency:** Rather than considering overt power, it is more useful to identify dependency when considering relationships. This is in line with the resource dependency approach to the firm,[77–79] where the firm is considered as a constellation of resources based on its internal core competencies,[80] but also on external resources upon which it is dependent. While some key resources may be held by external stakeholders (eg suppliers may be in posession of unique technologies, or retailers may have access to a customer base), other internal resources may be dependent on cooperation with external stakeholders (eg suppliers, a well-educated labour force, etc). In relation to the earlier example of Helly Hansen, many retail wholesalers have highly dependent relations with retailers, and are faced with the choice between accepting this dependence or developing their own retail outlets at the risk of alienating their existing retailers. Dependency is highly linked to the second variable, strategic significance.
– **Strategic significance:** Dependency is naturally determined by the strategic thrust of the firm. Here one is concerned with the alignment of strategic stakeholders to the core competencies of the firm,

but also to the wider issues of value creation. This goes beyond a singular focus on core competencies to consider, for example, customer orientation,[81] but goes even further to consider the value generated through a network of stakeholders. Doyle[82] argues, 'sustained success depends upon more than merely identifying market opportunities; more critically it depends upon having the special capabilities to deliver at low cost or higher quality than the competition'. We argue here that success depends on securing key stakeholders as resources for the firm, and aligning them to the strategic thrust of the organisation. For instance, if the strategic thrust of the firm is based on a value strategy (as with IKEA) then the most significant stakeholders will be the suppliers. Thus it is necessary to build and maintain relationships with suppliers. In IKEA's case the novel use of alliances with suppliers helps to maintain these relationship and ensure high quality while reducing costs.

– **Actuality:** The third variable incorporates the fact that, as discussed above, some stakeholders emerge around special issues at specific times. In times when stakeholders are latent, then investment in the relationship will be low. The brand manager needs to assess when a relationship is 'active' and when it requires an active investment. For many firms, relationships are seen as long-term, and investment in the relationship is seldom questioned. The pharmaceutical industry has traditionally invested highly in the relationship between the firm and doctors through powerful sales forces.[83] Changes, however, in the macro environment (legislation, increasing generic competition, slower product innovation) may force the industry to reassess the value relationship in favour of adopting branding strategies that appeal to a broader range of stakeholders, including end users. It is clear that the importance of these relationships varies over time; the model in Figure 8.1 presents a snapshot view at a given point. The importance, or salience, of many stakeholders increases in relation to specific issues: for example, NGOs and government may be especially active around legislative issues, customers may be acquired by competitors offering a better package making competition an issue, or general changes in the brand's macro environment may pose an issue for the maintenance of brand equity. Stakeholders can be categorised as latent, current or critical.[84] On this basis an assessment can be made as to how the relationship should be managed and how acute that relationship is: latent customers should be captured, while relations with potentially disruptive stakeholders need to be managed, perhaps in the hope that they become latent or to prepare for the time they become critical.

– **Attractiveness:** the final variable is specific to brand management (as opposed to stakeholders management) and reflects a more qualitative assessment of the relationship between stakeholders and the brand. Attractiveness seeks to incorporate considerations of brand image as a driving variable in the prioritisation equation, and includes the impact of reputation. A supplier, for instance, may seek to reach preferred supplier status with a highly reputable company in order to improve its own brand image. Likewise the development of relationships with NGOs may achieve significant image benefits that can be passed on to consumers.

On the basis of these variables the brand manager should make an assessment of the salience of each stakeholder group to the creation and maintenance of long-term brand value. Salience can then be used to compare expected band performance with actual performance in relation to each stakeholder group. In Figures 8.1 and 8.3 the arms of stakeholder relations are graduated in order to reflect the need for differential focus on each stakeholder group; prioritisation of stakeholder groups will thus be a reflection of their strategic salience for the total brand equity.

Identification of the nature of the exchange

In the final stage of the process, the brand manager needs to develop an understanding of how brand value is created through the exchange process. It is possible to distinguish between three types of exchange: functional, symbolic and hedonic. Functional exchange refers first and foremost to the transfer of products and services between buyers and sellers, but can also refer to monetary exchange between the firm and investors. Functional exchange refers to the exchange of utilitarian value between the brand and its relationship partners. Functional benefits relate to the price–quality relationship in terms of an (often implicit) cost–benefit calculation on the part of the customer and whether the brand can be used to solve a functional problem for the customer. Symbolic exchanges have been considered primarily in consumer markets,[85] but are equally relevant in business markets where reputational and image concerns are increasingly seen driving these relationships. These concern the transfer of meaning between the brand and the customer.[86] Hedonic aspects of consumer behaviour have been explored in relation to the role of consumption activities and use of brands.[87] Many brands elicit hedonic responses of nostalgia, comfort, pleasure, and so on, which appeal to the consumer's sense of self.

It is possible to look at exchange in terms of relationships between the firm and its stakeholders.[88] Here exchanges can be, for example, product, financial, information, service or, communication exchanges. Exchange is always two-way, so we need to be aware of the nature of the exchange back to the firm. Normann and Ramirez[89] argue that interaction between the firm and the customer is central to value creation, rather than being a one-way process. This type of negotiated exchange demands that the firm be aware of expectations of the stakeholder as to the nature of this exchange. For instance, if services are being exchanged, what are the stakeholder's expectations regarding the level of service? How is the service created? What contextual factors are important? Likewise, in the more diffuse case of reputation, here one is arguably looking at the exchange of image: what factors are important for a good reputation? The CEO?[90] The company name?[91] Or company values?[92] The determination of these aspects is central to creating value for the stakeholder and the firm.

This part of the model considers the concerns of the stakeholders and the communication context. Each stakeholder group will have different primary concerns and objectives in relation to the brand. For example, employees will be concerned with the status of the brand externally (ie is this a respected company to work for?) and consistency of the brand internally (ie do I experience the brand as they tell us it is?). Investors will be looking for a sound financial performance, while suppliers or distributors may be looking for transfer effects of brand reputation. Thus for each stakeholder a list of primary concerns should be made. These will aid the brand manager in sorting the stakeholders, but also in grouping them together. As Doyle points out, in relation to each stakeholder's concerns the firm cannot, and should not, hope to fulfil them all, but seek to reach a compromise in a so-called tolerance zone for each primary stakeholder, or secondary stakeholder in relation to specific issues.[93] Thus the stakeholder model might look like Figure 8.3. Note that the expectations given in this figure are indicative only.

The usefulness of Figure 8.3 lies in the way in which it compares the results of the prioritisation of stakeholders with the types of exchange that the firm would need to enter into in order meet the expectations of each stakeholder, ie the strategic potential of the relationship from the point of view of the firm, with the value potential from the point of view of the stakeholder. This moves the brand manager away from solely focusing on the firm's concerns towards a mutual model. Thus the focus shifts from looking at brand equity in terms of what the brand manager does to the consumer, and to including an understanding

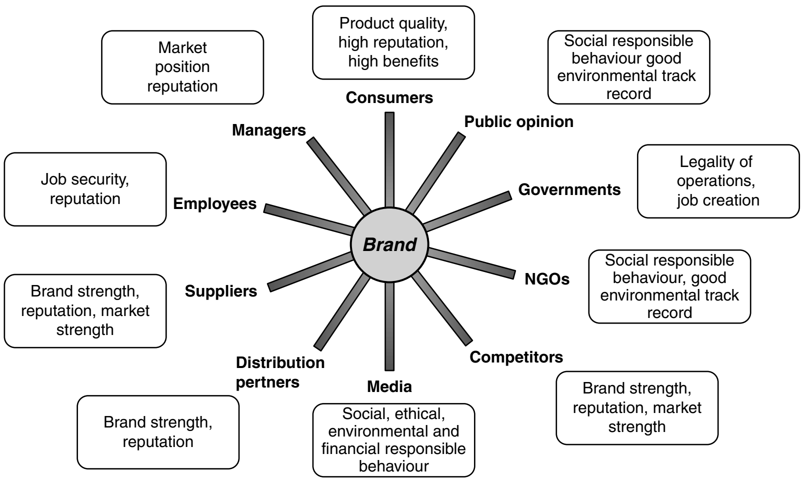

Figure 8.3 Identifying key stakeholder expectations

of how value is created for the stakeholders (consumer, customer, channel representative, suppliers, etc) and how this can be translated into value for the firm. This can be financial value, legitimacy, power, trust, etc. For the investor, it may be financial value in terms of dividends or increased share-price that is being sought. Equally, it might be maintaining a buoyant share price for financial stability or to prevent a hostile takeover.

Value is a multiple construct, in that it can be defined according to many measures. Here this paper moves away from the simple equation:

$$\text{value} = \{\text{costs}\} - \{\text{benefits}\}$$

to one where value is the fulfilment (or partial fulfilment) of expectations of the outcomes of a relation. As value creation is considered as a consequence of a relational interaction (co-creation), so it must be considered for the firm and for the consumer.

Sources of brand value

The final part of this paper considers how relationship performance contributes to brand value. There are two aspects to this. First, that brand value is created through a series of stakeholder relationships, and that this value needs to be assessed on the basis of each individual relationship. Secondly, that value is created together with the stakeholder through a mutual, dialogical relationship. These will be examined in turn.

Stakeholder equities as a basis for brand value creation

Brand value is created through the interface between the brand and multiple stakeholders. There are two points worth stating here. First, that brand value is not just dependent on a single relationship, for example that between the brand and the consumer, but is reliant on a network of relationships that support the value-creation processes for both the firm and the customer. For example, the value created by a consumer brand directly for the consumer (ie in the form of brand awareness, for example. through the firm's own advertising) is also reliant on support from marketing channels (ie retail outlets and distributors). It goes without saying that if the consumer cannot access the brand then brand value is lost. This simple fact is, however, a major concern for brands, particularly in the case of brand extensions where entrenched channel views of the brand's position need to be addressed as much as those of the end users. Channel equity is thus an essential element building brand equity. In B2B situations, the network approach has long been recognised as a significant creator of competitive advantage.[94,95] These relationships can be seen in terms of brand value – for example, major capital investments needed to maintain market advantage and brand value are reliant on sound investor relations; the access to adequate and flexible financial backing can be vital in highly competitive situations.

The second point concerning the creation of brand value through the interface between the brand and multiple stakeholders is that value is created through some form of interaction between the brand and the individual stakeholder. In the case of consumers, this is usually in the form of marketing communication and service experiences as described by traditional brand equity models. Work on corporate branding suggests that brand relationships with employees are a major source of value in that they can improve motivation and productivity.[96] Corporate brands create meaning and identity for employees, which gives a sense of purpose to their work.[97] Channel interactions are typified by promotional relationships that emphasise cost factors. In their famous work, Stern and El-Ansary noted, however, that these relationships contain strongly political features, where power, in particular, is an important variable.[98] One only has to look at the channel relations that Coca–Cola or Carlsberg have to see the value of power in ensuring brand value. The elements of these brand-stakeholder relationships cannot be generalised, but are specific to the relationship.

Each relationship has its own logic, which determines: (a) what is important; (b) how value is measured; and (c) how value is communicated. Thus marketing messages need to be adjusted to suit the particular characteristics of each stakeholder. But this is not just a matter of adjusting communication; different stakeholders have different expectations about the outcome of their relationship with the brand. These, often conflicting, expectations need to be assessed in terms of whether the firm can accommodate them through compromise, or whether the firm must prioritise certain stakeholder relations over others. As Doyle[99] argues, 'Marketers need a more sophisticated understanding of when brand-building investments make sense' (p. 21), but they also need to understand which investments are necessary. This takes us to a consideration of the nature of the relationships between the brand and its stakeholders.

The stakeholder–brand value model

A number of scholars have proposed that more attention should be focused on the role of marketing and branding in value creation.[100–102] Doyle,[103] for instance, argues for a Shareholder Value Assessment model as an alternative to the limitations of conventional accounting, and as a proactive response from marketing's side to more fully document the value-creation activities of marketing for shareholders. Likewise, Keller[104] developed the brand value chain model that highlights the relationship between marketing inputs, consumer reactions (or mindsets), market performance and shareholder value. The model, like many others, is linear in approach, and focuses on the impact of brand management efforts on the customer.

Major drawbacks of these models are that they focus on narrow definitions of stakeholders, normally the customers, and that they are linear (almost cause-and-effect) models. As has been argued here, relations between the brand and its stakeholders are far from one-way, but are typified by interaction and co-creation. Day,[105] for instance, argues for a cyclical model of value creation. He argues that value creation is a self-reinforcing process that cycles through value defining, developing, delivering and maintaining. 'Interactivity represents a sea change in the way companies relate to their markets. The essence of interactive marketing is the use of information from the customer rather than about the customer' (p. 71). This applies equally to all stakeholders, not just customers. While the model presented here reflects this new focus, it goes

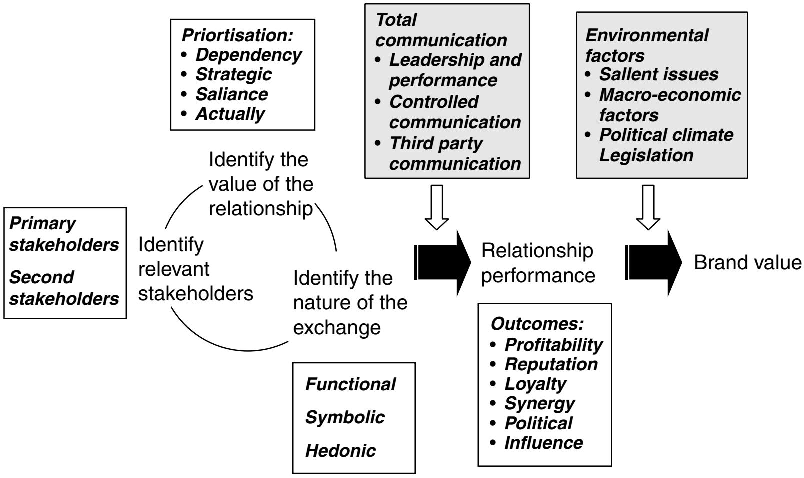

Figure 8.4 The stakeholder – brand value model

a step further by differentiating stakeholders according to their salience. (Figure 8.4) It is based upon the following assumptions:

– Value creation resides in the interaction between the brand and its stakeholders.
– Value is created through the meeting of stakeholders' expectations be they in the form of functional, symbolic or hedonic exchanges and outcomes.
– Managers' actions in relation to the brand affect stakeholders' perceptions of the brand, but that the overall perception of the brand is also affected by the actions of other stakeholders.

The model takes an overtly management focus in that it identifies the processes behind brand-value creation from the manager's point of view. It can be applied to all organisations, but naturally suffers from the limitations of any general model in that it does not describe detailed factors in relation to specific firms and their stakeholders. Its aim is to enable the development of a comprehensive overview of the classes of factors that affect brand-value creation.

The model builds from the stakeholder identification and prioritisation procedure outlined earlier. Rather than being the linear model as presented in Figure 8.2, it is now wrapped around on itself to reflect the continual process in identifying stakeholders and assessing the value that they contribute to brand value. Relationship performance, which is assessed during this process, is influenced by the communication context within which the relationship is developed. Figure 8.4 refers to the total communication of and around the organisation, which consists of leadership behaviour and company performance, controlled forms of communication and PR, and third-party communications, including media coverage.[106] The communication context gives important signals about the overall evaluation and, either explicitly or implicitly, the performance of the organisation as judged by a range of stakeholders. It is communication about the brand that provides the source of goodwill, trust and reputation that is an important source of a brand's value. It is this communication that is influential on other stakeholders' evaluations of the value of the brand.

Perhaps the most significant aspect of the model is the way in which performance outcomes are conceived. The model lists such outcomes as reputation, synergy and political influence, in addition to profitability. This reflects the fact that the model is not focused on a single measure of outcome, but is focused on identifying relevant outcomes (for the brand) in relation to the brand's salient stakeholders. These relationship performance outcomes in turn influence the overall brand value. The effect they have on overall brand value depends on a range of environmental factors, the most obvious being macro-economic factors. A stakeholder-brand relationship may perform highly according to the model, but if the macro-economic environment changes, then the value of the relationship may be adversely affected. For example, a change in the euro/dollar exchange rate, and consequent fall in exports, may negate a highly favourable investor relationship; the stakeholder–brand relationship may be performing well, but overall brand value will fall.

Considerations for brand managers

This model provides an insight into the brand-value management system. It invites the brand manager to take a holistic approach to determining the sources of brand value, and helps identify the main stakeholders in relation to brand value creation. The essence of the model is that it gives the manager a basis for analysing and ultimately measuring where brand value is created (the latter is the subject of future research). This then forms a vital input to the brand management system. The model emphasises the mutuality in the brand–stakeholder relationship and identifies the basis for brand value creation in these relations. More specifically it raises a number of considerations for the brand manager:

- **Who are our brand's stakeholders?**
  Using the daisy-wheel model, the firm is able to identify its salient primary and secondary stakeholders. Primary stakeholders are those with whom there is regular interaction and are stable – they are those who fulfil the requirements for dependency and strategic significance upon which brand value is dependent. Secondary stakeholders are those who become relevant around specific issues; they fulfil the requirements for actuality and attractiveness at a given time.
- **Which relations are significantly contributing to brand-value creation**?
  The brand manager needs to prioritise stakeholder relations according to their possible impact on brand-value creation. Here the manager needs to be aware of all the possible stakeholders and identify those who contribute strategically to the brand's value and strategic position in the market. The brand manager needs to assess each relation in terms of three variables: dependency, strategic significance and actuality. In terms of dependency the relationship can be described as being: dependent (who is dependent on whom?), independent (no dependence) or mutual (a two-way, synergistic relationship). In terms of strategic significance, the manager needs to assess the relationship in terms of the strategic thrust of their own brand, ie which relations are important for the brand (eg reputation alliances)? Lastly, actuality considers the range of stakeholder relations that become activated in relation to specific issues. In the case of the electricity-generating company: is the brand linked in some way to energy issues? What are the relations with energy stakeholders (eg government, NGOs, etc)?
- **How is value created in these relationships?**
  Having identified strategic stakeholder, the brand manager should identify the nature of the value–exchange relationship. Is the exchange based around products, financial flows, information flows, services, or communication? What is the nature of the exchange relationship: is it functional, symbolic and/or hedonic? How involved is the stakeholder and what are their expectations? In answering these questions the manager is then in a position to determine whether and to what extent stakeholders' expectations can be met. Value for the stakeholders is created by the fulfilment of their expectations.

– **How does out total communication support these relationships?** The brand manager needs to be aware of the total communication experience of each strategic stakeholder, including direct, paid for market communication and public relations, the strategic actions of the firm in relation to the brand, as well as indirect communication about the brand via third parties.
– **What are the outcomes of our relations?** The brand manager needs to set up a checklist of successful outcomes in relation to each stakeholder as a way of monitoring relationship performance.

Conclusion and future research

In this paper an outline of a stakeholder–brand value model has been presented. The model reflects an emerging movement in the branding literature away from an overriding consumer focus to more holistic approaches that seek to identify other relationships that provide important sources of brand value. While a number of other equity relations have been explored in the literature, as indicated in this paper, up until now there has been no attempt to provide an overall framework for conceptualising and analysing these multifarious relationships. This paper does this in terms of the concept of brand value. The stakeholder–brand value model offers an attempt to provide an overarching model for assessing brand value and linking the different streams of thought within the literature. A number of important points arise from the model:

– First, that brand value is dependent on a number of stakeholders, and that these function as a network supporting (or working against) brand value. Achieving high brand value normally requires achieving synergy between these different relationships – increasing the value of positive relationships and minimising the impact of negative relationships.
– Secondly, stakeholders other than customers are vital sources of brand value. They perform more than simply a supportive role as suggested by other models.
– Thirdly, brand value does not equal the sum of the value of each relation. In brand equity terms one cannot simply sum the individual positive equities and subtract the negative ones. In this respect, each individual relationship should be considered separately because,

as the model stresses, the basis for value creation is different for each stakeholder in terms of their expectations of process and outcomes.
- Fourthly, each relationship has its own logic, which determines the nature of the interaction and how outcome performance should be measured. The brand manager should identify the variables that are important in this regard: for example, is the stakeholder looking for financial return on investment or are they looking for dialogue and compromise (eg on an environmental issue)?
- Lastly, brand value is co-created through the relationships between the brand and its stakeholders. The brand manager needs to prioritise which relationships are most salient for the success of the brand. While there is no one solution as to which relationships the brand manager should prioritise, this model should act as an aid in determining who and what really matters.

The model presented here opens up the possibility for a good deal of research into the nature and outcomes of brand relations, other than those focused on consumers. There are already many streams of work looking at specific relations; for example, a number of researchers are exploring branding in B2B markets, and there are already established lines of research into customer and channel equities. Additionally, more general work on relational equity and on social capital is promising here. More work needs to be done, however, on identifying the different relations and their contribution to total brand equity.

Research can usefully be developed along two lines: looking in more detail at ways in which the brand creates value for its stakeholders, and translating this into operative measures of brand equity. In relation to the first strand, there needs to be more focus on identifying relevant outcomes of relationship performance for brand value. What types of outcome are desirable and how should they be measured? The great challenge here is to begin to quantify these relationships in relation to multiple stakeholders. There remains to be carried out any research that takes a holistic approach, and brings together these emerging lines of research by defining their relevance for the brand. This might specifically identify synergy effects across stakeholder types, for instance between employees and shareholders, where research into corporate reputation may provide valuable insights[107] or between NGOs and governmental agencies, where research into strategic bridging and alliances may be useful. Research into strategic bridging and alliances may be useful here. Additionally, work needs to be carried out on looking at contextual factors that affect the ability to achieve these outcomes.

For example, under what conditions would it be relevant to develop a corporate branding programme? Once the overall understanding of the role of the brand in value creation is understood, specific measures of brand equities can be developed. This would first examine critically the usefulness of traditional measures such as awareness and loyalty and identify new, complementary measures of equity. Secondly, it would attempt to develop measures of the interrelationship between equities in terms of the critical marketing relations that contribute to the value of the brand. Once developed, this model could offer a powerful tool to marketing managers to argue for the relevance of their long-term relational investments in the light of increasing pressures to demonstrate financial performance.

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