HOW MUCH OF BRAND EQUITY IS EXPLAINED BY TRUST?

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Abstract

Brand equity, key to the evaluation of marketing performance, exists in the minds and, figuratively, hearts of consumers, and other market place players; but is largely assessed on the basis of their observed behaviours. Such indirect measures are typically relative (to other brands), e.g. market share and relative price, whereas direct measures such as awareness and attitudes, are conventionally expressed in absolute terms. The correlation between the two types has been poor. Expressing brand equity in relational terms opens a new line of research which may provide better performance prediction and assessment. Trust is the most popular measure for relationship assessment and may similarly prove to be the leading indicator for brand equity. Some research proposals are made.
How much of Brand Equity is explained by Trust?

Marketers, and their senior and accounting colleagues, need to assess, annually at least, whether the expenditure is meeting the objectives the plan established. Short term profit contribution or other measures are, as will be shown, misleading without adjustment for the asset widely known as brand equity which may be expressed as a function of brand-customer relationships. Relationships are hard to measure and still harder to value financially. They can be expressed in both behavioral and attitudinal components, one of the most important may be “trust”. Definitions of brand equity, trust, neo-classical and relational paradigms are attached as an appendix.

This paper develops theory towards more relevant and predictive measures of brand equity. We may learn from comparing measures from a relational perspective with those from more traditional marketing analysis.

Brand equity is an asset, not the financial, or any other, measure of that asset. Clearly brand equity, like any other asset, will normally have a value which is realised when the brand is sold to a new owner. The asset should, however, be distinguished from its price. With those considerations as background, brand equity is presented as a function, largely, of brand-consumer relationships. Depending on the characteristics of the particular market, other brand relationships may be even more crucial. If so, that customer group should be substituted but the argument, mutatis mutandis,
would be unchanged. Introducing trust as a key relational variable brings together three perhaps
diverse areas of scholarship (brands, relationship marketing and trust) but that synthesis forms the
central thrust of this paper.

Marketing theory is, perhaps, fissioning when it should be fashioning. As Webster (1992), in
particular, has advocated, marketing needs to supply cross-corporate cohesion, difficult if
marketing thinking is itself splitting into separated paradigms. Paradigms determine measures: four
specialists examining the same patient will each measure, and then diagnose, according to their own
specialism. The patient, however, wants a single synthesised report taking the best knowledge from
all quarters. This paper brings two ways of seeing marketing together: the neo-classical and the
relational.

Gronroos (1994) discusses “the nature and sometimes damaging consequences of the dominant
marketing paradigm of today, marketing mix management”. He is referring to what others, e.g.
Arndt (1983) call the “neo-classical paradigm”, namely the micro-economics based, analytic
perspective where sales growth, or share, is seen primarily as a function of product, price, place and
promotion (4 Ps, McCarthy 1960). This school of thinking supplies the basic MBA marketing
course the world over. The underlying assumption is Cartesian: perfect rationality is the ideal
towards which customers and marketers strive, bounded only by limits on information and
computation. Objective information, analysis and calculation can, it is suggested, be combined to
optimise marketing performance, i.e. profits over time. See O'Shaughnessy (1992, pp. 96-100) for a critique of rationality assumptions.

Gronroos suggests (p. 22) that relationship marketing is one of a number of paradigms that will increasingly supplement the marketing mix perspective but the literature (see special issue of The Journal of the Academy of Marketing Science, Fall 1995) is confused by two separate meanings. The narrower one is the sub-branch of marketing dealing with personal business connections, especially in distribution channels. The wider one portrays the marketplace, and perhaps all business, as “a network of value-laden relationships” (Kotler 1991). To distinguish between the two, “relationship marketing” is used here for the former and the “relational paradigm” for the latter. Brands are, in the relational paradigm, anthropomorphised to the extent that people have “relationships” with them.

Thus the underlying discipline of the marketing mix, or neo-classical, paradigm is micro-economics whereas the relational paradigm is about people and draws its substance from political economy (Arndt 1983) and the “ologies” (e.g. psychology, social psychology, sociology, and anthropology). Separating paradigms sacrifices the opportunity from cross-fertilisation. We should compare brand equity measures from both neo-classical and relational paradigms and establish how predictive they are of future profit performance. In particular, how much future profit performance variation can be explained by trust?
What is brand equity?

Marketing performance can only be determined in the light of the objectives the organisation sets itself. In this sense, success is subjective. Nevertheless, for most commercial organisations profit is an important goal and this aspect of performance can be expressed as the combination of:

- Short term financial results, being the excess of profits, or cash flow, over the resources employed; and

- The increase in brand equity, which is an asset equivalent to the store of future profits, or cash flow, represented by customer habits and attitudes towards the brand and those of other influencers in the value-laden network that forms the "market". For convenience, this paper will term all members of the buyers/suppliers network "customers" whether they are distribution channel members, end users or "influencers", i.e. those that do not buy or sell but whose brand attitudes affect those that do.

Thus, symbolically,  
\[
\text{Performance} = \pi + \Delta BE, 
\]

where \( \pi \) is profit and \( BE \) is brand equity.

Until recently, companies were vaguely aware of an intangible asset comprising the uncashed results of their marketing efforts to date but measures were informal. Aaker (1996) proposes
twelve\(^1\) brand equity measures most of which have long been used by marketers but only now being combined as a single vector measurement of the intangible asset which, in accounting terms, is brought forward at the start of the period and carried forward to the next. To assess marketing performance solely on by short-term profit makes as much sense as assessing sales using production volume without allowing for inventories at the start and end of the period.

If the asset, in either case, is high at the start of the period, no marketing/production activity may be needed at all to produce high sales. The business would be living off the past. Conversely, brilliant marketing activity may achieve a poor profit response in the same period but produce a leap in brand equity which will pay back in future periods.

The importance of the concept of brand equity becomes apparent in assessing how (well) advertising works. The world spends US $243Bn on advertising (Zenith 1995), about $130Bn of which is wasted (Abraham and Lodish 1990, Jones 1995). Direct response advertising aside, where does advertising go between the time the consumer sees/hears it and the next purchasing opportunity? Either advertising has some mental effect or it does nothing. This simple storage property of brand equity may be overlooked when managers look for immediate sales response. Sales response may happen *later* than the end of the measurement period. For some categories, the

\(^1\) Numbered 1 - 10: Price premium, user satisfaction/loyalty, perceived quality, leadership/popularity, perceived value, personality, organization (trust/admiration/proud to do business with), awareness, market share and price/distribution indices. Also: esteem and differentiation. (Figure 10-7)
main advertising effect may be price support but this too will be delayed at least until the customer next purchases. Advertising must affect our hearts (figuratively) and minds before it can affect the marketing variables.

Direct response advertising may be effective without permanent memory effects since the consumer response can be almost contemporary with the advertising. Thus, the immediate objective of all other consumer brand advertising is to increase brand equity. Direct response advertising may well have a longer lasting, brand equity, effect as well. Effective advertising does not just grow sales, indeed it may not grow sales at all. It may protect existing sales (maintenance) though reinforcing habits or it may allow the brand to charge more or it may gain the respect of non-users. Advertising, like any other form of communication, can do many different things but all of them, for commercial consumer brands, increase the store of future profits. Measuring brand equity is thus necessary for assessing advertising effectiveness.

Thus, symbolically and where advertising is the only variable being manipulated, AdFX = ΔBE
(AdFX are ad. effects which are the change in brand equity) and therefore

\[
\text{Performance} = \pi + \Delta \text{BE} \quad \text{(1)}
\]

\[
= \text{AdFX} - \text{Cost (AdFX)} \quad \text{(2)}
\]

Clearly there are other ways of increasing brand equity, public relations for example, but for the purposes of this analysis they are being held constant. Since the accounting period end cuts
arbitrarily into the time when advertising is having its effect, we have to distinguish short term gains in profit from residual brand equity carried forward, previously termed “adstock” (Broadbent 1984). In equation (2), the effects of advertising are likely to cross into a new accounting period whereas the costs all fall into the old one. This, and the sheer difficulty of measuring AdFX, or ΔBE, contributes to short-termist cutting of advertising budgets.

Brand equity is made up of memories of different kinds. Procedural, or reflexive, memory (Rose 1993) records how we do things. It includes programmed behaviour patterns (habits) and is largely unconscious leading to the alarms, which proved unfounded, about the possibility of subliminal advertising. Declarative memory takes two forms: semantic, which records meanings and associations, and episodic, which records facts and events. Declarative memory can be cognitive (thinking-related) and affective (feeling-related). Awareness is cognitive as is our knowledge of a brand’s functional performance characteristics and price. Attitudes towards the brand are primarily affective\(^2\). Most importantly, our usage experience frequently purchased brands is likely to be merely reinforced by advertising (Ehrenberg 1974, O’Shaughnessy 1992, p. 217). The perceived quality of the brand will be a mix of actual quality facts we may know, e.g. from consumer reports, image characteristics from advertising, packaging and word of mouth and usage experience. All these, technically, reside in affective and cognitive memory but, figuratively, we can say that brand

\(^2\) “The concept of evaluation in emotion links emotion to ‘attitude’ in that attitude measures reflect an evaluation” (O’Shaughnessy 1992). Cognitive (thinking) attitudes exist but can also be treated as forms of awareness. In this analysis, cognition (thinking and rationality) and affect (feeling and emotion) will interact but are otherwise separate.
equity exists in the hearts and minds of those in the marketplace. Hereafter, I will just consider the end user or consumer. Consumer brand equity is only part of the whole: there are other customers along the chain, the sellers have brand equity and so do outside influencers. As it is cumbersome to use the full term, I will just use “Brand Equity” on the understanding that, in practice, the measures should be applied to all marketplace players.

In summary, brand equity is the intangible asset created by marketing endeavour. The asset is not the same as the financial valuation, or any other measure, of that asset. Performance measurement needs to include the change in brand equity over the period being assessed.

**Brand equity measurement**

Parsimony requires measurers of brand equity to use the fewest necessary constructs. In other words, if brand equity can be measured at all, then most of it should be explained by an n-dimensional vector where n is a small number. For example, some believe that market share is a reasonably good proxy for brand equity (n = 1) (Ehrenberg 1993). Others believe that relative price needs to be taken into account (n = 2). Others again would require that brand penetration, perceived quality/esteem, familiarity/awareness...... (n = 3, 4, 5....) should be included. Marketers, and their market research budgets, would be helped by n being as small as possible. How many constructs do we need?
The neo-classical paradigm sanctions, in principle, the reduction of short term results and brand equity each to a single financial valuation, or number, which may then be added together, e.g. shareholder economic value. That is because the neo-classical paradigm itself is a micro-economics framework. In the relational paradigm, such compression is not possible. The assessment of both short term results and brand equity need multiple measures which cannot yet feasibly, for the purpose of assessing brand performance, be translated into a financial value - see Ambler (1995) for coverage of these issues.

The behavioral aspects of brand equity can be observed as purchasing patterns and, since they are largely habits, the best estimate of tomorrow's behaviour is today's. Whether due to competitive tension and balance, or customer resistance to change, or both, market share has been shown to be remarkably stable. Most US consumer brand leaders in the 1920s were still the leaders 60 years on (Wurster 1987). Market share is also a good indicator of profit or cash flow. Brand leaders generally make more money per unit than the others, as well as selling more units. Market share also correlates closely with awareness, loyalty, penetration, and distribution (Ehrenberg 1993, Stern 1994). Many marketers are content to describe brand equity purely in behavioral terms because:

- they can be objectively observed (EPOS tills, panels etc.),
- they can be accurately measured,
• attitudinal measures have been shown to correlate poorly (0 - 0.3) with behaviour (Vakratsas and Ambler 1996). What people say they will pay, which brands they claim to be loyal to, do not closely match what they actually do.

Wilson et al. (1989) explain why researched attitudes are poor predictors. Their research indicates that cognitive analysis of attitudes disrupt their reliability. For example, attitudes towards makes of strawberry jam (perceived qualities) closely matched objective quality measures (Consumer Reports) until the respondents were asked to explain their reasons. The cognitive effect on consumers’ feelings, however, did not change subsequent behaviour. The phenomenon is less true where the respondent is an expert in the field. Presumably, an expert has spent many years questioning his/her own attitudes and synchronised the two. Thus there is no disruption involved in doing it again. Where the application of cognition to affect is a relative novelty, however, the disruption will be more pronounced.

In the steady-state market, researchers, e.g. Ehrenberg (1993), can justifiably ignore brand equity, because the brought and carried forward brand equities are the same for all parties. In these circumstances, the short term results are the results; behaviours are not changed by attitudes because behaviours do not change. Ehrenberg’s data show that markets are more stable than marketers care to admit. As noted above (Wurster 1987), established brand leaders remain brand leaders unless their marketers do something dreadful. Lower ranked brands retain their places also.
If one limits the measurement of brand equity to consumer behaviours only, then market share and relative price together provide a reasonable proxy. However, we cannot ignore customer mental states as the marketer is concerned with what *changes* behaviour. If behaviours and market shares are stable, managers will want to pay attention to the improvements they can make, however small. They are only incidentally interested in the status quo: their preoccupation is to improve it from their brand's point of view. Difficult as it may be, their focus is on what customer mental state causes what behaviour change and how the marketing mix, e.g. advertising, can be deployed to precipitate that mental state. In relational language, the manager wants to know how to improve the brand/customer relationship in such a way that the customer will buy more product and/or pay more for it, while building customer satisfaction.

Thus we turn now to brand equity expressed as a function of relationships. If the customer wishes a greater association with the brand, it would seem reasonable that she should want to be associated with it more often (greater purchase and usage) and/or be prepared to pay more for it. In contrast to the neo-classical paradigm which assumes a rational analysis of information, the perspective here focuses on human feelings. How many people care for the brand (market share) and how much they care (relative price) are still key measures but the perspective has switched from the cognitive (rational) to the affective.
Brand equity as brand-consumer relationships

Anthropomorphising brands has a long history (see King 1973, Fournier 1995). Thus, we define the customer's relationship with the brand as $R_{xbt}$, being an n-space column vector made up of the key measures of customer x's brand memories, both procedural and declarative (Rose 1993) at time t. As we are treating, for the purposes of this paper, all players in the market as a single, composite consumer, x is temporarily redundant, i.e. we can write $R_{bt}$ for $R_{xbt}$

Thus, $\Delta F_{x} = \Delta BE = R_{bt+1} - R_{bt}$  \hspace{1cm} (3)

The composite consumer is a complex animal. It is not everyone nor just existing users but the target segment, in other words, those consumers we care about. Relationships work both ways. In a US Presidential election, the candidates are concerned with voters and, to a minor extent, those who may influence them (teenagers). The voters fall into five categories: hard core for and against, those who have allegiance each way but might switch, and the don’t knows. Only the last three groups can change the outcome of the election and they form the target segment which in turn is sub-segmented by the issues with which they are concerned. Older age groups, for example, are more concerned with health issues.

In most other markets, consumers are not equal but are valuable according to their lifetime profit potential. One of the key contributions of the relational paradigm is the recognition that a sale may
just be the beginning. The target consumer segment is the aggregate of sub-segments each weighted by its probable lifetime value. One can be more or less sophisticated about how this is done but the probability has to assume the marketing is successful which introduces some degree of circularity.

Market research should focus on this target consumer segment. For example, brand awareness may be declining for the population as a whole while increasing for the target segment.

We want to know how an individual’s memory change precipitates behaviour change (classical conditioning - Pavlov 1927) or, as some think more likely in many marketing categories, random experience is reinforced by the marketing mix (operant or instrumental conditioning - Skinner 1938). Whether conditioning is classical or operant, makes a difference to the marketer. Efforts should be directed either to persuasion (classical) or positive experience (operant). In the case of classical conditioning,

\[ B_{t+1} - B_t = f\{R_t\} \]  \hspace{1cm} (4)

or \[ B_{t+1} - B_t = f\{R_t - R_{t-1}\} \]  \hspace{1cm} (5)
where $B_{bt}$ is the purchasing behaviour by the consumer to brand $b$ at time $t$; depending on whether it is the absolute level of attitudes that matter or the change in attitudes.

Since the steady state implies no change in behaviour, the second equation might seem correct but it has a problem. Relationships build continuously but behaviour changes discontinuously. In the aggregate of fast moving consumer goods where consumers are choosing probabilistically, aggregate demand may appear as a smooth (continuous) function of changing brand equity (brand/consumer relationships) but that is the effect of aggregation. At the individual level, I will continue to own, say a Saab car, until the accumulated weight of relative (see below) brand equity tips me into new behaviour. It is not the most recent change in brand equity, in the current period, that matters but the change since my behaviour last altered, i.e. since I started owning Saabs.

We can therefore write the model as

$$B_{bt+1} - B_{bt} = f(R_{bt} - R_{bt-dh})$$  \hspace{1cm} (6)

where $dh$ is the date the purchasing behaviour last changed; and therefore $B_{bt+1} = B_{bt}$ most of the time. Note that, in the case of durables, such as the Saab, $B_{bt}$ has to refer to ownership as distinct from purchase. For routine purchasing of fast moving consumer goods, on which this thinking is largely based, the distinctions between purchase, owning and using are not material.
Equation (6) is consistent with Ehrenberg’s findings whilst allowing us to focus on change. Mathematically \( f[R_{bt} - R_{bt-t\Delta t}] \) is rather sophisticated but it can be visualised as the way a river dams up until the pressure of water releases a torrent (the change) but also brings fresh logs which dam it up again.

In the case of operant conditioning, the change in attitudes happens after the change in behaviours, be it in the same period \( t \), or in \( t+1 \). This may explain why predictive measures of sales or market share change have been so difficult to find. In our model, the build up of relationships is over a longer period and consistent with either classical or operant conditioning. It would seem likely that behaviour change contains elements of both.

Using mathematical notation focuses attention on issues that common parlance glides past. Relative versus absolute measures is an example. Marketers usually, but not always, use relative, to other brands/the market, measures (market share, relative price) for \( B_{bt} \) and, by proxy/extension, to the procedural memory component of brand equity. We measure mental habits by observing behaviour or asking questions, not by direct brain scanning. Since habits are largely nonconscious, conventional market research (asking people questions) has to be suspect. As noted above, Wilson et al. (1989) have shown that rationalising disrupts affective memory (attitudes) which leaves only cognitive memory as secure territory for conventional consumer market research, e.g. awareness, where they last shopped and what they purchased. Non-verbal methods, e.g. pupil dilation and
facial expression (Punnett and Pollay 1990), attempt to get around the problem when evaluating advertising.

On the other hand, marketers mostly use absolute measures (awareness, perceived quality, the brand for me, customer satisfaction) for measuring declarative memory. As we are not attempting to add numbers across dimensions, this is not a problem until we start to use $R_t$ to predict $B_{t+1}$.

So far we have not considered the competition, which is not standing idly by. If the other brands are also improving their customer relationships at the same rate, change in customer behaviour is unlikely. Competitive tension provides stability. Assuming, for simplicity, that all habit measures are relative to the market and all other mental state measures are absolute, then, using $\beta$ to represent all other brands, the model above should be rewritten as:

$$B_{t+1} - B_t = f(R_t - R_{t-dh}, R_{\beta t} - R_{\beta t-dh}); \quad (7)$$
$$R_t = g(MFX_t, B_t, ..., B_{t-dh}); \quad \text{and} \quad (8)$$
$$R_{\beta t} = h(MFX_{\beta t}, B_{\beta t}, ..., B_{\beta t-dh}). \quad (9)$$

where MFX are the marketing, including advertising, effects and B includes not just purchase behaviour but product experience. The function is, in effect, the combination of memories of marketing inputs and brand experience, consistently with the above.
A key implication of this model is that behaviour changes should be predictable but not pinpointed.

In other words, if $R_{bt}$ and $R_{\beta t}$ are trending in opposite directions, a behaviour change will happen if the trends continue, even if the exact date may not be certain. If $R_{bt}$ and $R_{\beta t}$ are trending in the same direction, or not changing significantly, behaviour will not change. This model is hypothesised to be closer to reality than any causal link from advertising to sales.

**Trust is dynamic**

In the relationship marketing literature, trust appears to be the central construct (e.g. Dwyer, Schurr and Oh 1987, Wilson and Moller 1991, Morgan and Hunt 1994, Andaleeb 1995). If $\text{Trust}_{bt}$ is the most important attitudinal construct in general, as market share is for behaviour, then we could proxy $R_{bt}$ by $\text{Trust}_{bt}$. Perceived quality has been identified as a key, perhaps the key, indicator of future performance (Gale 1994) but we do not know the connection, which would seem likely, between perceived quality and trust. Young and Wilkinson (1989), in the context of Australian firms, found trust to correlate with the size and power of firms: the larger being more trusted and trusting. This is consistent with the use of trust as a proxy for brand equity.

Two examples may help us with this abstraction. The conventional demand curve runs concavely from top left to bottom right. This is based on commodity trading. The brand establishes a mini-monopoly for itself which allows it to increase price, up to a point, before losing sales. Brand equity, in effect, shifts the demand curve up and to the right. For some luxury goods ("Giffen
goods”) the demand curve is orthogonal to the conventional shape because consumers are using price as a proxy for desirability. Brand equity appears, principally, in the form of higher price and/or higher sales. To begin with, the price increase may actually increase sales due to the immediate perception of increased quality. Thus the price/quantity curve is, initially, orthogonal to that for the commodity. It depends on the fact that the customer trusts the brand.

At some level of price increase, however, the consumer will recognise that the brand no longer provides value for money. The brand is perceived as taking advantage of the consumer. Sales volume will abruptly plummet, stabilising at, or even below, commodity levels for that price. Thus the price/quantity curve for a brand looks quite different to that for a commodity. Brand equity accounts for the difference, by definition. To what extent does trust also explain it?

In essence, if a brand raises price excessively relative to value, trust will be violated. One can see this effect in categories where quality is ambiguous, such as whisky or perfume. High volumes and credibly high pricing can be sustained, up to a point, by advertising but once trust goes, so do the volumes. Trust is not only violated by over-pricing. Impurities in Perrier permanently damaged brand equity, partly because their reaction was inadequate. Conversely, Tylenol's rapid reaction to product tampering retained, even built, brand equity. Intel's just-in-time response to Pentium performance complaints salvaged a perilous situation.
The second example is drawn from the 1996 US Presidential election (Edsall and Morin 1996). 54% of voters said that they did not think Clinton was honest. 18% of those who did not trust him nevertheless voted for him. Presumably they distinguished between his creditability as a person and his competence as a President. Of the 42% who did trust him, 88% voted for him. One might infer that trust was a key indicator. According to Edsall and Morin “the honesty question was one of the most polarizing of the survey”.

Trust does not have a linear, symmetric relationship with volume sales. Trust builds slowly with sales if customers are fully satisfied. Perceived quality has been recognised to trail actual quality. Once actual quality is recognised to fall well below perceived quality, and if urgent action is not taken to rectify the relationship, trust disappears fast and rebuilds slowly. Human relationships are little different. If I take $100 from the till but promptly return it, trust will be barely damaged. Forgetting to do so might destroy it.

If changes in trust largely explain changes in \( R \), then we can use trust as a proxy for \( R \) and we may have a satisfactory 4-space measure of brand equity using market share, relative price, trust \((b)\) and trust \((\beta)\).

As trust is an affective form of memory, there has to be some doubt whether it is proper to analyse it into components (e.g. Morgan and Hunt 1994) such as integrity, benevolence, sincerity, because
these are related, as distinct from, constituent concepts. See Geyskens and Steenkamp (1995) for a meta-analysis of trust in marketing channel relationships. Though many studies deconstruct trust, which both helps and is supported by the research methodology\(^3\), it seems unlikely that the brain performs some arithmetic process to assemble constituents before determining the extent of trust. It is an affect and not a cognitive, analytical construct. Furthermore it is likely to be disrupted by analysis (Wilson et al. 1989). Wilson and Jantrania (1994) conclude that trust is indivisible and their position is adopted by this paper: “Trust is Trust” and, if analysed, ceases to be trust. See the Appendix for a brief review of definitions.

The notion that the constituents of trust (e.g. perceived honesty, shared values) are somehow also its antecedents implies that they both happen prior to trust, cause it and then are it. Some scientific and logical anomalies arise. Neuro-science, e.g. Rose (1993), sees the brain operating in a massively parallel fashion and any such serial process is unlikely. More probable is the simultaneous build up, or destruction, of trust and any constituents. Such literature as suggests antecedence uses structural equation modelling techniques such as LISREL, and could be interpreted to indicate correlation rather than antecedence, causality or constituency. By analogy, coal in an engine’s boiler which will cause the engine to move forward. Coal here is both an antecedent and cause of motion (engine performance) but it is not part of (a constituent of) the engine. The engine is still the engine whether the coal is there or not. Motion requires both the engine and coal; motion analysis will reveal a clear correlation between the two.

\(^3\) Morgan and Hunt composite reliability = 0.949, \(\alpha = 0.947\).
Measuring trust and related concepts at least identifies close correlates which may be dropped in the interest of parsimony. The relational paradigm, due to its affective orientation, provides the environment in which this class of constructs may be collected.

Trust cannot usually be solely an antecedent, nor just a consequence, of performance. In a continuing relationship, it is suggested that it must be both, growing incrementally. Nevertheless, the dynamic nature of this process has been overlooked. Geyskens and Steenkamp (1995) conducted a meta-analysis of the trust literature and found 18 empirical studies. Trust was largely seen as a mediating variables between antecedents and relationship outcomes. Their overview of (145) pairwise relationships involving trust (Table 1) showed 119 with trust classified as antecedent OR consequence and none where it was classified as both. The general hypothesised model (Figure 1) showed unidirectional paths, through trust, i.e. no feedback effect. In other words, they uncovered no empirical work which allowed for the dynamic (longitudinal) effect of these types of variables.

Geyskens and Steenkamp (1995), in supporting the generalizability of the Morgan and Hunt findings that trust mediates performance, caution “ignoring the effects of economic outcomes on trust and its consequences overestimates the effect of trust”. Their analysis can be interpreted differently: trust is both antecedent and consequence. Their meta-analysis also rejected
Williamson’s (1993) neo-classical position that trust was redundant, since performance can be satisfactorily explained in calculative, economic terms only.

The dynamic aspect of trust which is also created by satisfactory economic outcomes of prior performance leaves us with the asymmetric hypothesis, pace Morgan and Hunt, that improving trust only marginally mediates marketing performance but the destruction or lack of trust has negative consequences. The Morgan and Hunt data does not show asymmetry but neither do they allow for dynamic effects nor do they separate positive and negative changes in trust.

Performance conditions memory, part of which is trust. A fledgling “trusts” that a parent will return to the nest with food. We do not know what, if anything, it has in mind and it does not have much choice. Similarly, trust in business typically arises over time when individuals have to work together and, in so doing, condition themselves into habits which observers might call trust but of which the participants themselves are unconscious. This cumulative, brought forward, carried forward, habitual nature of trust is common to all relationship and brand equity factors. The equations above treat brand equity as both antecedent and consequence by looking at the change in brand equity in the period concerned.

Due largely to measurement difficulties (see special issue of The Journal of the Academy of Marketing Science, Fall 1995), dynamic or longitudinal relational models have not been empirically
tested. The principle methodology, cross-sectional analysis using questionnaires, is not suited to longitudinal research. Boulding et al. (1993) have developed a dynamic model for services marketing which might be expanded to the general relational context.

In summary:

- Trust is part of the brand/consumer relationship and therefore brand equity;
- It is dynamic and non-linear, slow to build and fast to destroy;
- It should not be deconstructed into constituents still less “antecedents” with the implication that its constituents precede and generate trust;
- Trust is, however, both an antecedent and a consequence of success and should appear on both sides of any performance equation or otherwise be treated in the same manner as other relationship/brand equity variables; and
- May just be habit.

**Paradigms determine measures**

Gronroos (1994 p.19) distinguishes between services and industrial marketing firms on the one hand and consumer packaged goods firms on the other. The former have been ahead in the understanding and use of relationship marketing. Because of the more personal end user contact, compared with mass marketing, Gronroos is right that services and industrial marketers have readier access to monitoring customer satisfaction both behaviorally and attitudinally. On the other hand, few packaged goods marketers would concur with his statement that for their situation "there
are no ways of continuously measuring market success other than measuring market share”.

Packaged goods marketers, in developed countries, actually have the reverse problem: too many different measures of habits and attitudes which are difficult to bring together into a single coherent picture. They have to track vectors of measures $B_{xt}$, $B_{x\beta t}$, $R_{xt}$ and $R_{x\beta t}$ for each customer segment $x$ over time. Whether "$\beta$" refers to all the other brands, or the single most important competitor or the market as a whole, has to be decided by the marketing circumstances. For example, in a duopoly market the choice is simple. If the market shares for the two leaders are 30%, 25%, followed by nine brands with around 5%, the two leaders will be concerned with each other whereas the manager of one of the 5% brands might be better advised to pick on another follower from whom share is most likely to be taken, rather than worry about the 90% of business beyond reach.

In principle, this is the same for services and industrial firms. Whilst it can be illuminating to contrast the marketing of services with goods, the two are so intertwined that the similarities dominate. Does Burger King sell goods (burgers) or services (provision of fast food to save time)? The vast majority of marketers are promoting their BRANDS, of whatever type, in order to maximize short and long term satisfaction both for the customer and the marketer. In doing so, they have to supply both goods and services.
Normally, academic researchers work within, rather than across, paradigms. Practitioners are perhaps more flexible and prepared to shift their paradigm, as Gronroos (1994) suggests, if the new one provides measures which better improve and/or predict and/or control marketing performance. To what extent can trust act as a proxy for consumer memory (experience, attitudes and awareness), in the same way that market share provides a first approximation for brand equity expressed behaviorally?

Fuller investigation would require trust and other relational constructs, for example those assembled from the literature by Wilson and Moller (1991)\(^4\) for \(R_{be}\) to be compared with traditional constructs, such as those proposed by Aaker (1996) noted above.

**Conclusions and further research**

If changes in trust largely explain changes in \(R\), then we may have a satisfactory 4-space measure of brand equity using market share, relative price, trust (b) and trust (\(\beta\)). Though ultimately we are entitled to pick constructs from both paradigms, we should initially compare two sets of rival models (Bollen and Long 1992): one relational and one neo-classical.

Within the first set we should consider:

\(^4\) Trust, satisfaction, transaction specific or irretrievable investment, power of buyer & seller, dependence on buyer/seller, commitment, communication, age of relationship, expectations, and goal congruence/compatibility were the most popular.
1. Whether trust deserves the pole position amongst relational constructs or whether some other construct performs better. Candidates include commitment, esteem, affection/liking and personality;

2. How much trust, or other leading construct, adds to share and relative price in making brand equity a sensitive and predictive measure of future performance;

3. How much the consumer/brand relationship, i.e. R, performs similarly and is therefore itself brand equity;

4. The minimum number of relational constructs needed to explain, say, 90% of R; and,

5. The constructs’ order of importance.

Determination of the second model might start with Aaker’s (1996) 12 constructs (listed above) and select the optimum before contrasting it with the relational.

Brand equity is becoming recognized as an essential element in assessing marketing performance. Furthermore marketers need to show that marketing is effective in financial terms. Demonstrating effectiveness leads not only to present budgets being better spent but bigger budgets being made available. Many companies, however, are some way from being able, satisfactorily, to measure marketing performance in financial terms. This paper has contrasted traditional and relational approaches to the determination of brand equity, including the role of trust. Further theoretical
development is probably needed before solid empirical grounding can be expected. It is hoped, however, that this paper has brought together some of the key components.
DEFINITIONS

Paradigm: A shared way of thinking, or meta-theory, that provides a framework for theory in the same way that theory explains empirical observations. Usually a discipline, e.g. micro-economics, or school of thought. Developed paradigms have their own mathematical/symbolic language and conventions for measurement. A shared paradigm simplifies communication, especially of theories. For a neat, if not comprehensive, 4 cell classification of 12 marketing paradigms, see Sheth, Gardner and Garrett (1988).

Neo-classical paradigm: Based on micro-economics. Underlying format is

\[ \text{outcome} = f(\text{marketing mix}), \]

where outcome is sales or market share and marketing mix is the expenditure on marketing actions usually summarized as the 4Ps.

Relational paradigm: Sees the market as a network of value-laden relationships (Kotler 1991) and the marketer’s task as building those relationships for the long term benefit of
all members of the network. Similar concept to the Chinese idea of guanxi (connections). Cooperation transcends competition, though both are necessary. Gronroos (1994) contrasts neo-classical (marketing mix) and relational paradigms (Figure 1 p. 17).

**Brand equity:** Developed from Srivastava and Shocker (1991): the aggregation of all accumulated memories in the extended minds of consumers, distribution channels and influence agents, which will enhance future profits and long term cash flow.

The key elements of this definition are as follows:

- Holistic brand, as distinct from the brand being a separable add-on to the product;
- Memories include beliefs, likes/dislikes, and behaviours (all three of which make up “attitudes”, see Engel, Blackwell and Miniard, 1986, pp 115-116) of interested parties which result from all elements of the marketing mix;
- “Extended minds” include computers; and
- Distinguishes the asset from its valuation or any other measurement of that asset.

Blackston (1992) saw brand equity as comprising: "fundamental equities" (the 4Ps and measured brand image) and "added value equities". Brand equity is built from an
interactive brand consumer relationship. He found two components of a successful, positive relationship: trust and consumer satisfaction.

**Trust**: Moorman, Deshpande and Zaltman’s (1993) "the willingness to rely on an exchange partner in whom one has confidence" may seem circular as the word "trust" is being replaced by "confidence" as does Morgan and Hunt’s (1994) definition: “when one party has confidence in an exchange partner’s reliability and integrity”.

O'Shaughnessy (1992, pp. 154-5) has “trust implies a willingness to accept vulnerability” and a sense of reciprocity that any short-term unfairness will be evened out over time.

Kumar (1996) similarly stresses fair play and distinguishes an expectation of procedural justice (disputes will be equitably dispatched) from an expectation of distributive justice (rewards will be divided equitably). He sees trust as implying dependability and the honouring of one’s word. It can be built through bilateral communications and interdependence but is a separate relationship construct to power. Trust is rarely all encompassing but, rather, one trust some aspects but not others.

Ganesan (1994) makes the important point that understanding the customer's time orientation is of the essence in determining whether relational or transactional is more
relevant. Where the long term orientation applies, Ganesan proposed mutual dependence and trust as the two key factors.

Geyskens and Steenkamp (1995) summarise 20 previous trust definitions as “the extent to which a firm believes that its exchange partner is benevolent and honest”. In the brand context, this equates to the extent that a consumer expects the brand to provide satisfaction.
References


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- note also similar article by same authors in *Journal of Marketing Research*, August 1992.


