Measuring industrial brand equity: unpacking the role of actual and potential customers’ evaluations

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Measuring industrial brand equity: unpacking the role of actual and potential customers' evaluations

Abstract:

Developing and managing brand equity is crucial for B2B firms. To provide a better understanding of industrial brand equity, grounding on brand equity theories, we propose and validate an original model of focal firm's brand equity (FFBE) encompassing both actual and potential customers appraisals. More specifically, we identify and empirically demonstrate which are the main drivers of brand equity in B2B contexts and how it is shaped by both current and potential customers' evaluations. PLS-SEM was used to test the proposed model on a sample of 351 industrial customers of a B2B company. The results show that the proposed model is suitable to measure FFBE, highlighting the relevance of brand awareness to potential customers and the pivotal role played by brand loyalty for existing customers.

Keywords: *industrial brand equity, brand awareness, brand loyalty*

Track: Business-To-Business Marketing & Supply Chain Management

1. Introduction

Brand equity has been a focal point of marketing research for decades, with extensive studies emphasizing its significance in shaping customer perceptions and influencing purchasing decisions. B2B branding has shown how brands are relevant in industrial markets (Mcdowell, Doyle, Wong, & Mudambi, 1997; Webster & Keller, 2004). However, the majority of brand equity studies focus on consumer goods and services, often neglecting the unique dynamics of industrial markets, characterized by long-term relationships and complex decision-making processes (Kotler & Keller, 2006). Furthermore, existing literature has largely concentrated on conceptualizing and measuring brand equity from the perspective of actual customers, with limited insights into how potential customers perceive and evaluate industrial brands. This is a critical gap, as brand equity in industrial markets is not only driven by the experiences of current customers but also by the evaluation of potential ones who shape brand's perception based on industry reputation and word of mouth. On the one hand, actual customers value the importance of ongoing support and relationships with firms (Kotler & Pfoertsch, 2007) with direct interactions and experiences, while potential customers focus on brand reputation and indirect brand experiences (Van Riel, de Mortanges, & Streukens, 2005), such as industry trade exhibitions and advertising. Evaluating brand equity from the point of view of both actual and potential customers allows B2B brands to deploy targeted strategies to attract potential customers, while reinforcing the attributes valued by current ones (Mcdowell et al., 1997). Thus, this paper grounds on existing brand equity literature to identify the dimensions of focal firm's brand equity (FFBE), that is the collection of assets and liabilities associated with the brand of the focal firm that influences its perceived value by other industrial firms (customers). Further, the proposed conceptual model is empirically validated through a survey study on actual and potential clients of an industrial company producing finished products. The study offers three main contributions: (i) propose and validate a model of focal firm's brand equity (FFBE), thus advancing current research on brand equity in industrial contexts; (ii) elucidate the differential mechanisms driving brand equity in potential and actual industrial customers; (iii) propose suitable approaches to improve brand equity by addressing both current and potential customers. The article is structured as follows. A review of brand equity literature in industrial contexts is provided. Then, research methodology and data analysis are presented, followed by results and discussion of the findings. Lastly, theoretical and managerial implications, limitations, and future research directions are discussed.

2. Theoretical Background and Hypotheses

Grounding on Aaker's (1991)'s definition, we define focal firm brand equity (FFBE) as a set of assets and liabilities related to the focal firm's brand name and symbol that influence its perceived value by industrial customers. Aaker's (1991) brand equity model identifies four primary dimensions of customer-based brand equity: brand awareness, brand association, perceived quality, and brand loyalty. Brand awareness refers to the extent to which a customer can differentiate a brand from others (Rossiter & Percy, 1987). A certain difference between actual and potential customers around brand awareness exists. Previous research (e.g., Michell, King, & Reast, 2001) demonstrated that brand awareness among actual customers is typically high thanks to their direct interaction with the focal firm's brand, products, and services, but also to the existing relationships within the focal firm network. However, we propose that brand awareness among potential customers may be even more relevant, being driven by indirect exposures such as the brand's market reputation, visibility in industry networks, and endorsements within professional communities. These factors appear to be particularly critical in B2B settings, where purchasing decisions are influenced by perceptions of trust, credibility, and expertise associated with the brand in the overall industrial ecosystem (Homburg, Klarmann, & Schmitt, 2010). This perspective underscores the enhanced role of brand awareness as a driver of brand equity for potential customers in industrial markets. Thus, we propose the following hypothesis:

H1: Brand awareness is a driver of FFBE
H2: Brand awareness has a greater impact on FFBE on potential customers with respect to actual customers.

The second dimension of brand equity is brand associations, which are thoughts, experiences, and beliefs (Kotler & Keller, 2006) that customers relate to the focal firm's brand (Aaker, 1991). Previous research indicates that actual industrial customers develop complex, experience-based brand associations with brands, whereas potential customers perceive brand associations primarily through simplified, symbolic elements (Glynn, Motion, & Brodie, 2007), due to their indirect experience with the firm's brand. In fact, similar to brand awareness, potential customers rely on indirect brand associations, such as those shaped by reputation and industry endorsements (Mudambi, Doyle, & Wong, 1997). Hence, we hypothesize that:

H3: Brand associations is a driver of FFBE
H4: Brand associations have a greater impact on FFBE on potential customers with respect to actual customers.

The third dimension of brand equity is perceived quality. Perceived quality is the customer's perception of a product and/or service superiority (Zeithaml, 2000). Prior studies about perceived quality in B2B settings found that potential customers base their quality perceptions through the lens of industry benchmarks, certifications, and the brand's position with respect to competitors (Netemeyer et al., 2004). In contrast, actual customers tend to have more nuanced perceptions of quality, often informed by direct customer experiences (Hutton, 1997). As potential customers lack first-hand experience (Hutton, 1997), their perception may be inconsistent and influenced by advertising or peer's reviews (Yoo, Donthu, & Lee, 2000). We therefore hypothesize that:

H5: Perceived quality is a driver of FFBE
H6: Perceived quality has a greater impact on FFBE on actual customers with respect to potential customers.

The fourth dimension of brand equity is brand loyalty which is the customer's attachment to a brand (Aaker, 1991). Actual customers' loyalty is based on emotional connections and satisfaction with the focal firm, built on relationship value, product dependability, and reliability (Lam, Shankar, Erramilli, & Murthy, 2004). Actual customers' brand loyalty plays a pivotal role on brand equity not only because it encourages repeated purchases over time, but also because it amplifies brand equity through emotional bonds and trust with the brand, leading to enduring business relationships. Conversely, potential customers lack direct experience with the focal firm's brand, resulting in aspirational and intentional brand loyalty. As a result, potential customers' brand loyalty is inherently more fragile compared to the loyalty exhibited by actual customers. Indeed, we hypothesize that:

H7: Brand loyalty is a driver of FFBE
H8: Brand loyalty has a greater impact on FFBE on actual customers with respect to potential customers.

The proposed conceptual model is presented in Figure 1.

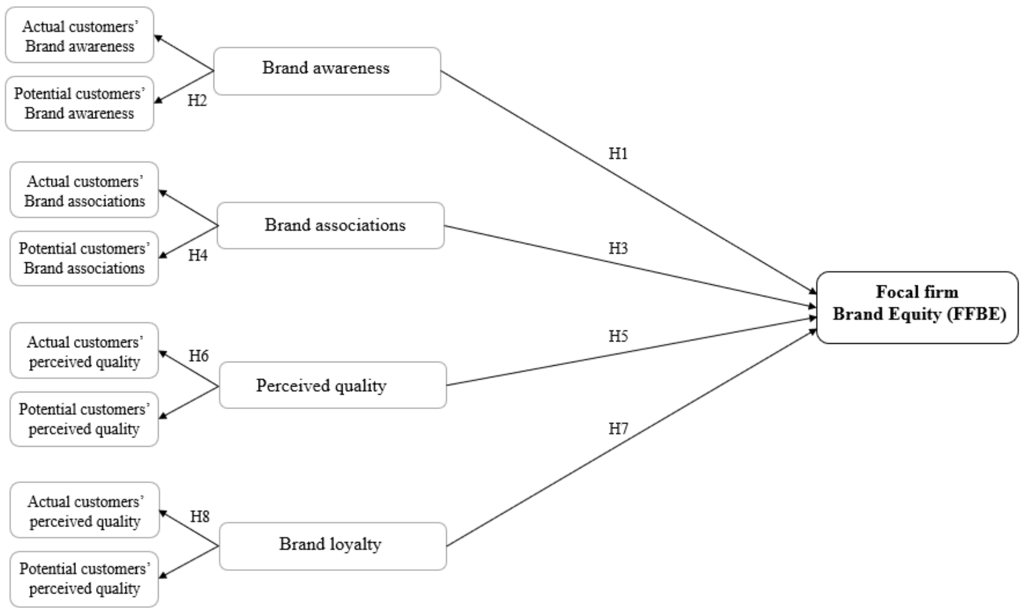

Figure 1. Conceptual model

3. Methodology

3.1 Sample and data collection

This study adopted a survey method to assess the focal firm brand equity (FFBE) on actual and potential industrial customers in order to test the proposed hypothesis. The firm sells professional finished products to other buyer-companies who then commercialize the brand's products in local markets. The surveys have been sent to company's owned database composed of 11,036 buyers, including billing clients and potential clients. A total of 351 complete responses have been collected, of which 170 are actual customers and 181 are potential ones. This approach aimed at including those firms that are not yet firm's customers, but it also introduced respondents who are less familiar with the brand, which may have affected their willingness and ability to respond.

3.2 Scale development

Surveys were based on pre-validated scales that were pilot tested on a sample of 10 respondents to ensure clarity and reliability. The final survey was sent via email, accompanied by a cover letter and a link to the online survey. Anonymity and confidentiality of responses was guaranteed to prevent any bias in the answers from respondents. Questions were evaluated on a Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree). The survey's questions aimed at measuring the focal firm's brand awareness, associations, loyalty, and perceived quality, taken from previous studies in the field by Altaf et al. (2017) and Tong & Hawley (2009).

4. Results

4.1 Measurement model

We tested the proposed conceptual model using a partial least squares-based structural equation model (PLS-SEM) through SmartPLS version 4.1.0. This study adopted PLS-SEM because it is firmly established in marketing research as a method to estimate models with relationships and chains of effects between theoretical constructs, which cannot be directly observed (Hair, Hult, Ringle, & Sarstedt, 2022). Our model employs a reflective-formative measurement model, meaning that Lower-Order Constructs (LOCs) divided between actual and potential customers are modeled as reflective of the Higher-Order constructs of brand awareness, brand associations, perceived quality, and brand loyalty. The four constructs are formative of the Higher-Order Construct (HOC). Guidelines of Becker et al. (2023) enabled measurement model evaluation, deploying a two-stages approach. To assess the reliability of the reflective LOCs constructs, we deploy internal consistency reliability metrics (Chronbach's Alpha, composite reliability), convergent validity metrics (average variance extracted, AVE), and discriminant validity metrics (HTMT). Results confirmed the reliability and validity of the 4 dimensions of FFBE.

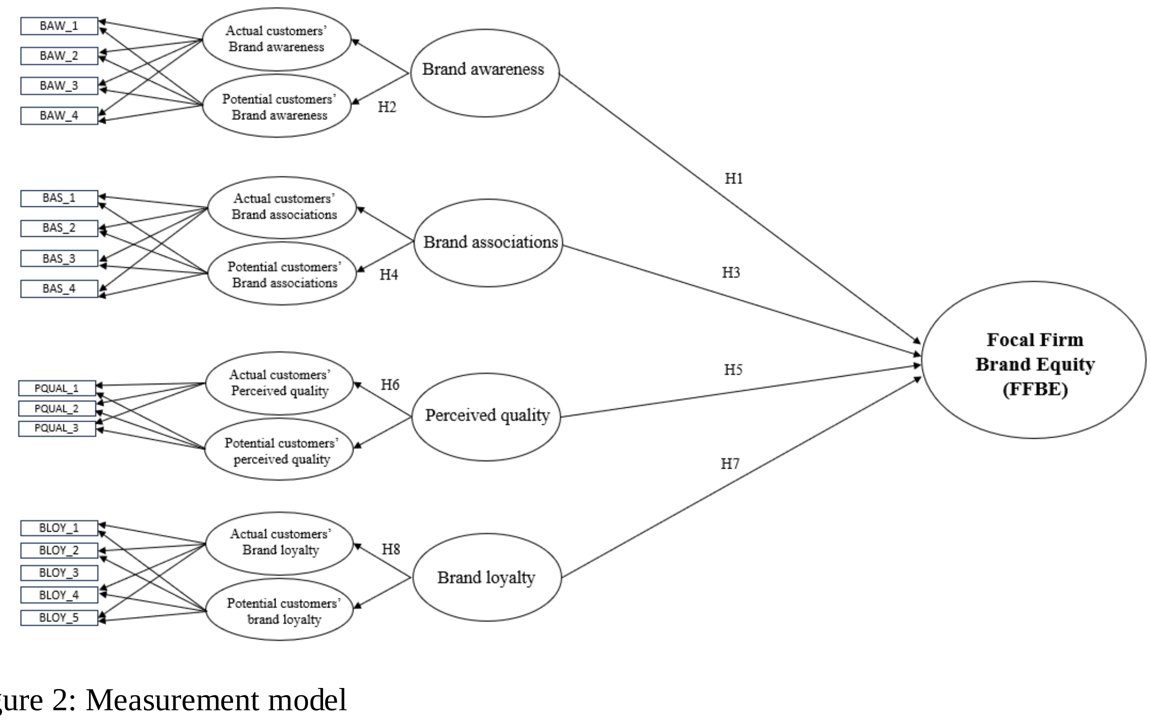

Figure 2: Measurement model

4.2 Structural model

After the measurement model analysis which provided evidence of reliability and validity, we can move further to analyze the structural model (Hair, Sarstedt, Ringle, & Mena, 2012). A bootstrapping approach with 5,000 re-samples is used to assess the significance of the hypothesized relationships (Hair et al., 2012). As shown in Figure 3, focal firm's brand equity (FFBE) is well explained by the identified dimensions of brand awareness, brand association, perceived quality and brand loyalty, confirming H1, H3, H5 and H7.

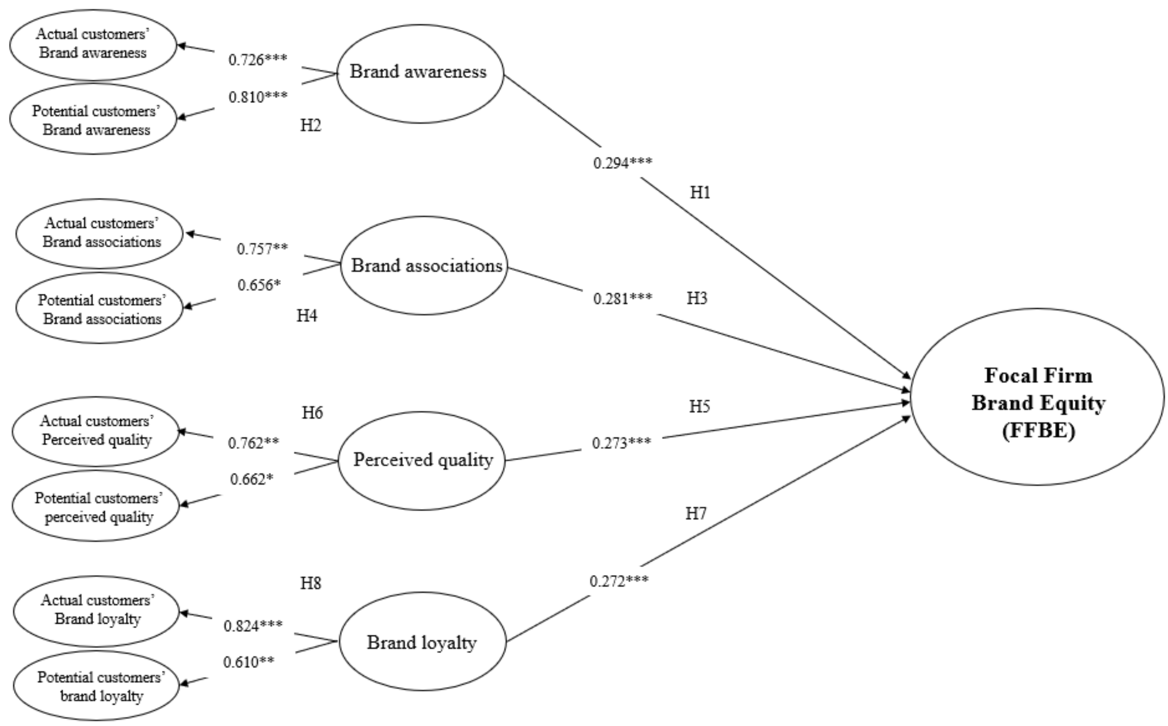

Figure 3: Structural model results

Notes. * = p<0.05; ** = p< 0.01; *** = p<0.001

4.3 Multigroup analysis

A multigroup analysis was applied to further validate the hypothesized differences among actual and potential customers. This analysis helps us propose a nuanced understanding of focal firm brand equity and its drivers. The findings on Table 1 indicate significant group differences for the relationships between brand awareness and brand loyalty with FBBE, while brand associations and perceived quality do not differ significantly across groups in their relationship with FFBE. In particular, the relationship BAW→FFBE shows a negative value of the difference (-0.062), implying that brand awareness impact on firm's brand equity is stronger for potential customers rather than actual customers, confirming H2. Moreover, the relationship BLOY→FFBE has a positive value of the difference (0.065), showing how actual customers' brand loyalty is stronger than potential customers' brand loyalty, thus confirming H8. H4 and H6 are instead not confirmed.

	Difference (actual vs potential)	1-tailed (actual vs potential) p value	2-tailed (actual vs potential) p value
BAS → FFBE	-0.003	0.600	0.801
BAW→ FFBE	-0.062	1.000	0.001
BLOY → FFBE	0.065	0.001	0.002
PQUAL → FFBE	-0.002	0.589	0.821

Table 1: Multigroup analysis results

5. Discussion

The present study considers the evaluation of focal firm's brand equity taking the point of view of business clients, providing two major academic contributions to the field of B2B brand equity. First, it proposes and validates a tailored model to grasp the unique dynamics of B2B markets, focusing on the perspective of a focal firm evaluated by its industrial clients. The findings from the empirical analysis offer evidence of the validity of the proposed model, demonstrating that the four identified drivers serve as effective and appropriate measures for assessing brand equity from the point of view of actual and potential customers in industrial contexts. Second, it elucidates the differential mechanisms driving brand equity among potential and actual industrial customers, offering valuable insights into how firms can strategically manage their brand across different relationship stages. Here the relationship between brand awareness and brand equity shows a greater impact on potential clients as it is driven by the brand's market reputation in the industry, which is very influential in B2B contexts (Homburg et al., 2010). While previous research (e.g., Michell et al., 2001) emphasizes the importance of brand awareness in building actual customers' brand equity, our findings reveal that brand awareness plays an even more significant role for potential customers, highlighting its impact at the early stages of customers' engagement, where potential customers form initial perceptions and judgments about the brand. Moreover, the relationship between brand loyalty and brand equity shows a greater impact on actual customers than potential ones, aligning this finding with previous literature suggesting that associative and emotional connections with brands are highly valued (Lynch & de

Chernatony, 2007). These strong connections foster and sustain loyal relationships, which are integral to brand equity (Yoo et al., 2000). In contrast, the loyalty of potential customers is often more aspirational and intention-based rather than grounded in established experiences with the brand.

6. Managerial Implications

Results of this study are relevant for industrial decision makers in B2B contexts (e.g. marketing managers, brand managers) willing to enhance the firm's brand equity. Indeed, they can assist managers in i) tailor programs and marketing efforts according to the distinct needs and behaviors of potential and actual customers; ii) integrate customers' point of view on Company branding evaluations; iii) track FFBE over time. First, industrial brand and marketing managers can shape their branding strategies on specific targets through thoughtful strategic actions. Therefore, the focal firm can tailor brand programs by focusing on awareness activities targeting specifically potential customers (e.g. advertising campaigns), whereas investing on enhancing actual customers' loyalty by providing exclusive benefits (e.g. early access to new products) or personalized recognition (e.g. special prizes). This would ultimately lead to a better allocation of marketing resources, providing a positive return on investment for the brand across different stages of the relationship. Second, the suggested approach enables industrial companies to obtain input on market dynamics as well as pertinent data from actual and potential customers regarding the firm's image and reputation. This is especially important in business-to-business settings where companies are usually blind to customers' feedback, often basing their strategies on personal relationships and consolidated business ties. For instance, if a company finds a low score of brand awareness on both actual and potential customers, it might decide to deploy brand building activities (e.g. sponsorship of industry-related events). Third, this model allows industrial firms to regularly monitor how brand equity changes over time. Therefore, if firms can effectively track shifts in brand equity and identify its key drivers, they can proactively enhance brand performance and boost overall brand value, creating internal comparisons of the brand's evolution.

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