

CO-CREATION OF BRAND VALUE. The new source for competitive advantage

Maria del Carmen Lahoz Marco

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BRAND

CO-CREATION OF BRAND VALUE.

THE NEW SOURCE
FOR COMPETITIVE
ADVANTAGE

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Director: Dr. Josep A. Rom
Tesis doctoral
Barcelona, abril 2017

TESIS DOCTORAL

Título **CO-CREATION OF BRAND VALUE.**
The new source for competitive advantage.

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y en el Departamento de Comunicación

Dirigida por **Dr. Josep A. Rom Rodríguez**

Co-creation of brand value:
The new source of
competitive advantage

“In the long history of humankind
those who learned to collaborate most effectively have prevailed”
-Charles Darwin-

“It is not the voice that commands the story. It is the ear”
-Italo Calvino-

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Explanation of acronyms

Abbreviation	Explanation
AAAA	American Association of Advertising Agencies
AMA	American Marketing Association
B2B	Business to business
B2C	Business to consumer
BBDO	Barton, Batten, Durstine & Osborn
CA	Competitive Advantage
CBBE	Consumer-Based Brand Equity
CCT	Consumer Culture Theory
CEO	Chief Executive Officer
COBRAs	Consumers' online brand-related activities
eWOM	Electronic-word-of-mouth
ESOMAR	European Society for Opinion and Marketing Research
FBBE	Firm-Based Brand Equity
FTSE	Financial Times Stock Exchange
GDP	Gross Domestic Product
ICB	Industry Classification Benchmark
ICTs	Information and Communication Technologies
IP	Impact Factor
KPI	Key Indicator Points
MSI	Marketing Science Institute
NPD	New Product Development
ROI	Return of investment

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S-D Logic	Service-Dominant Logic
SCA	Sustainable Competitive Advantage
UGC	User-generated-content
VCC	Value co-creation

I. INTRODUCTION

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1. Introduction

Working in advertising and teaching at a university is challenging. A full commitment to professional and academic life seems incompatible with the current challenging working environment.

When I was opening my own advertising agency I needed to discontinue my academic work to fully dedicate my time to the new company. I struggled with this decision, as the mutual interaction between these two worlds had always greatly benefited me.

However, it was precisely when trying to deliver value to our clients that I realised how much I missed the framework and structure provided by academia. Involvement in the whirlpool of daily work does not allow much time for each strategic proposal. I truly missed a solid method to guide the branding process.

The pursuit of methods and methodology brings me back to the academic world. I come back to my previous research on the creation of brand value, but with a broader perspective on the real needs of brands nowadays.

With astonishment I realise that this subject, which was new a few years ago, is now covered by a growing number of writers and dozens of highly relevant papers are dedicated to it.

Now, my goal is not to reveal obvious results, but new and rigorous knowledge built on academic paradigms.

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2. Subject of research

In order to facilitate the reading of this research we will briefly describe how it is organized:

- *Disposition*: The author describes her motivations and vision for conducting this research.
- *Introduction to "the state of the art"*: Description of main theories and perspectives identified to explain and analyse the subject of the research.
- *Contribution to current knowledge*: Identification of uncovered or neglected research angles whose exploration is confirmed to be relevant for both academic and professional fields.
- *Structure of the study*: This section introduces a visual representation of the different parts of the research.

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2.1 Disposition

In highly competitive market places, there is increasing pressure to justify the marketing investment, to understand the role of the consumer and how value is created for companies.^{1,2,3} As a planner and co-founder of an advertising agency, my work involves providing the best recommendations to our clients based on the most appropriate theory and practice.

Part of my work focused on increasing the value of our clients' brands. Although there is general agreement on the importance of building strong brands and brand value, the specific mechanisms for creating brand value and the processes for incorporating consumers into this process seem largely unknown to academics and practitioners.^{4,5,6,7}

The introduction of a myriad of online practices provides communication and marketing professionals with new tools for increasing brand value. It implies not only more complexity but also an unprecedented active role for new consumers in the process.

For this reason the aim of this study is to find a framework that could act as a tool for both academics and practitioners on how the value creation process could be enhanced by the output of consumers. Furthermore, it would also explore the link between competitive advantage and the co-creation of brand value to provide a strategic weapon not just to the marketing department, but also to the company as a whole.

¹ O'Sullivan, Don; Abela, Andrew; Hutchinson, Mark. "Marketing Performance Measurement and Firm Performance". *European Journal of Marketing*. Vol. 71 (2007), April, p. 79.

² Marketing Science Institute. *Research priorities 2008-2010*. Cambridge, MA., 2008, p. 2.

³ Marketing Science Institute. *Research priorities 2016-2018*. Cambridge, MA., 2016, p. 6.

⁴ Rios, Rosa; Riquelme, Herman. "Sources of Brand Equity for Online Companies". *Journal of Research in Interactive Marketing*. Vol. 4 (2010), no. 3, p. 214.

⁵ Santos-Vijande, María Leticia et al. "The brand management system and service firm competitiveness". *Journal of Business Research*. Vol. 66 (2013), no. 2, p. 148.

⁶ Ind, Nicholas; Iglesias, Oriol; Schultz, Majken. "Building Brands Together: Emergence and Outcomes of Co-creation". *California Management Review*. Vol. 55 (2013), no. 3, p. 5-26.

⁷ Payne, Adrian; Storbacka, Kaj, From, Pennie. "Managing the Co-Creation of Value". *Journal of the Academy of Marketing Science*. Vol. 36 (2008), no. 1, p. 84.

In order to achieve this objective, the author has structured this study as follows:

First, the identification of the main theories and paradigms and concepts involved in the co-creation of brand value.

Second, a review of the literature in relation to concepts, theories and paradigms involved.

Third, the identification of the main studies on co-creation of brand value and the analysis of their findings.

Forth, the creation and description of a conceptual model for co-creation of brand value based on the findings in the literature review and the studies on co-creation of brand value identified. To develop this model, we follow the “interactive research” approach used by Payne⁸ in his work on understanding the co-creation of brands. It consisted of three phases:

- Pre-understanding
- Analysis
- Model development

Fifth: Validate the applicability and validity of the model with practitioners.

Sixth: Conclusions.

⁸ Payne, Adrian; et al. “Co-creating brands: Diagnosing and designing the relationship experience”. *Journal of Business Research*. Vol. 62 (2009), p. 381.

2.2 Introduction to the state of the art

Intro

The “co-creation of brand value” construct, as will be described in the literature review, is at an early stage of development. Few studies has been conducted to understand how brand value is co-created, to structure the process of its creation, or to shed light on how to improve the process from the firm. Due to this situation, we need to create our own framework based on current theories on branding, competitive advantage, adding recent findings on new sources of value creation with Internet and social technologies.

This is why a thorough view of existing theories in branding is needed as a way to create our own theoretical base to grow the model of brand value co-creation intended for this research. Without this extensive view and analysis of current theories it is not possible to create a new paradigm that can encompass the multifaceted construct of co-creation of value creation. In doing so, we try to avoid the classical bias of merely understanding brands from the traditional cognitive perspective of marketing management, and not considering other perspectives of great use when understanding the relational and social aspect of value co-creation, such as Consumer Culture Theory or Service-Dominant Logic.

This approach is unusual in current literature in branding, as researchers usually choose only one paradigm to understand the subject. However, the paradigm shift caused by Internet and social technologies, the addition of Service-Dominant logic to branding and unprecedented competitive and market changes, set the basis and the need for a broader view of the value brands represent for firms, consumers and society.

Understanding brands in our lives

Consumers use products and services to negotiate identity, social relationships and social-cultural meanings and value, each of which in turn makes substantive emotional and financial demands upon consumers.⁹ From this perspective, brands are therefore vehicles for identity, meaning and relationships that result in value for consumers.

Deep transformations in market dynamics and the development of the resource-based view for company and brand equity research have led to a new understanding of the role and importance of brands in strategy formation by both managers and academics.¹⁰ As a result, a significant feature of contemporary marketing research and practice has been concerned with the emergence of brands as key organisational assets. This recognition has been reflected in the increasing importance of brands in marketing research and managerial practice.

From the consumption and cultural point of view, brands have become a phenomenon in both the marketing and cultural fields, affecting all economic spheres and also our daily lives. The development of the media and consumer culture and the powerful marketing discourse based on the marketing management discipline during the second half of the twentieth century have been identified as plausible reasons for the dissemination of brands in our society.¹¹

Perceiving brands from this triple economic, cultural and social point of view helps to better understand define and manage the process of brand building to proactively set the basis for value creation for consumers. This is essential for improving not just the marketing function but also company performance, while supporting the creation of competitive advantage.

⁹ Firat and Dholakia (1998) in Peñaloza, Lisa; Venkatesh, Alladi. "Further evolving the new dominant logic of marketing: from services to the social construction of markets." *Marketing theory*. Vol. 6 (2006), no. 3, p. 311.

¹⁰ Louro, Maria João; Cunha, Paulo Vieira. "Brand management paradigms." *Journal of Marketing Management*. Vol. 17 (2001), no. 7-8, p. 849.

¹¹ Bertilsson, Jon. *The Way Brands Work: Consumers' Understanding of the Creation and Usage of Brands*. Thesis, (PhD). Lund: Lund Institute of Economic Research, Lund University, 2009, p. 3.

Theories on branding

Brands can be understood from different perspectives: as economic devices, as resources for companies, as networks of associations, or symbolic constructs for consumers. This multi-faceted construction leads to the development of different theoretical streams on the subject of branding.

Managers and researchers confront the challenge of analysing and managing brands among a cacophony of simultaneously competing and overlapping approaches to brand management".¹²

The aim of this introduction to the *state of the art* is to have an overview of the existing perspectives and theories on branding in order to identify concepts, theories and paradigms that can better help to explore the brand value co-creation process that is the focus of this research.

Several theories on branding have been identified. Although branding is not the principal subject in all of them, their perspectives can give us useful insights into our understanding of the role of the consumer, the value creation process, the role of brands for companies, and the processes involved in decision-making.

The selected theoretical approaches to brands and branding are:

- a) Marketing Management Theory
- b) Service-dominant logic
- c) Consumer Culture Theory
- d) Neuromarketing

¹² De Chernatony and Dall'Olmo Riley. "Defining a 'Brand' Beyond the Literature with Expert's Interpretations". *Journal of Marketing Management*. Vol. 14 (1998), no. 7, p. 436.

e) Information economics

These approaches have been selected because they cover the main theoretical approaches: cognitive psychology, cultural and economic. Additionally, they also focus on the relational paradigm, which is especially interesting when defining co-creation with consumers. Neuromarketing has been chosen due to the need for a deeper understanding of the decision-making process for brands.

a) Brand Management Theory

This perspective, also referred to as the traditional goods-dominant logic of marketing, or marketing management theory has been the dominating research perspective for the formation and generation of brand theory and knowledge. It is derived from cognitive psychology.¹³ This is an offspring of the more traditional North American approach to marketing and marketing management and emerged in the early 1950s with the marketing management school and authors such as Levitt and Kotler.

From this perspective, the consumer is considered as “rational”, and the process is linear and top-down. The company creates the product or service and the marketing activities, and the consumer receives them as a passive actor. The brand is understood as the result of a cognitive and rational process, and to be the identifier of a product or service, which is distinct from those of its competitors. Brands, therefore, are managed and conceptualised as instruments appended to a product. As products they are made in factories and therefore easily copied by competitors. As brands play an important role in differentiating the company’s products.¹⁴

¹³ Bertilsson (2009) p.7

¹⁴ Christodoulides, George; De Chernatony, Leslie. “Consumer Based Brand Equity Conceptualization and Measurement: A Literature Review”. *International Journal of Market Research*. Vol. 52 (2010), p. 48.

This approach also defines concepts such as brand equity (Aaker¹⁵) brand leadership (Aaker and Joachimsthaler¹⁶), brand identity, brand image (Kapferer¹⁷), which are all employed to gain a competitive advantage edge over competitors. All of these concepts will be developed in the following chapters.

Well-known marketing gurus such as Philip Kotler and Theodore Levitt have propelled this approach. They have written important books and review papers on branding that have received a large number of citations and several awards over the years and have been a comprehensive bridge between the theory and practice of branding, among them:

- Aaker, D. "Managing brand equity"¹⁸
- Keller, K. "Conceptualization, measuring and managing customer-based brand equity"¹⁹
- Kotler, P. "Marketing Management"²⁰

b) Service-dominant logic

Academics are intensifying the attention directed toward understanding the meaning and value of brands and the process of branding in the last decades. Some writers posited that marketing is changing from the conceptualisation of brand as a property of goods provided by the company, to brand as a collaborative, value co-creation activity of companies and all of their stakeholders.

¹⁵ Aaker, David. *Managing Brand Equity: Capitalizing the Value of a Brand Name*. New York: Free Press, 1991.

¹⁶ Aaker, David; Joachimsthaler, Erich. *Brand Leadership*. New York: Free Press, 2000 p. 14.

¹⁷ Kapferer, Jean-Noël. *The New Strategic Brand Management: Creating and Sustaining Brand Equity Long Term*. London: Kogan Page, 2008.

¹⁸ Aaker (1991)

¹⁹ Keller, Kevin Lane. "Conceptualizing, Measuring, and Managing Customer-Based Brand Equity". *The Journal of Marketing*. Vol. 57 (1993), p. 1-22.

²⁰ Kotler, Philip. *Marketing Management*. Englewood Cliffs. 2nd ed. NJ: Prentice Hall, 1972.

If traditional marketing management theory based on cognitive psychology viewed customers as passive respondents, a new wave of research focuses on what customers actually do in the value creation process, instead of what customers actually buy in the marketplace.²¹ It has not been before the first and second decade of the 21st century and under the influence of service marketing literature that the importance of customer value has been recognised.^{22,23}

Service-dominant logic is the emerging approach to branding management. It emphasises the importance of consumer-centricity in a company's value creation process and discusses value-in-use, rather than value-in-transaction.

This new perspective in research argues that customers are not passive receivers but active creators of value and these companies are facilitators of the value creation process (e.g. Payne et al.²⁴ and Vargo and Lusch²⁵). This shift provides a new understanding of brand value as the value in use as determined collectively by all their stakeholders.²⁶

The conceptual foundation that links brand management to the development of sustained competitive advantage is the resource-based view.²⁷ The resource-based approach emphasises the role of those difficult-to-imitate resources as the core of a company's performance. Brands have, within this perspective a significant potential to achieve and maintain a superior performance.²⁸

²¹ YI, Youjae. *Customer value creation behaviour*. London: Routledge, 2014.

²² Grönroos, Christian; Voima, Päivi. Critical service logic: making sense of value creation and co-creation. *Journal of the Academy of Marketing Science*. Vol. 41 (2013), no. 2, p.133-150.

²³ Vargo Stephen. L.; Lusch, Robert. F. "Evolving to a New Dominant Logic for Marketing". *The Journal of Marketing*. Vol. 68 (2004), no. 1 p. 1-17.

²⁴ Payne et al. (2008)

²⁵ Vargo and Lusch (2004)

²⁶ Merz, Michael; He, Yi. Vargo, Stephen. "The Evolving Brand Logic; a Service-Dominant Logic Perspective". *Journal of the Academy of Marketing Science*. Vol. 37 (2009), no. 3, p. 328-344.

p. 329

²⁷ Louro and Cunha (2001) p. 851

²⁸ Barney, Jay B. "Firm resources and sustained competitive advantage". *Journal of Management*. Vol.17 (1991), p. 99-120.

c) Consumer Culture Theory

In contrast to contemporary strategic brand management which understands brands as the results of a cognitive process (e.g. Kapferer,²⁹ Keller³⁰ among others), with the research stream of Consumer Culture Theory, brands work as a cultural or social phenomenon involving more than just their understanding of various brands' characteristics and associations.

Under this perspective brands are co-constituted through a dialectical process between the consumer culture and the companies' branding efforts.³¹

This theory uses as a starting point the social constructionist perspective where most knowledge and conceptions, such as the ones formed by consumers about brands that are the basis for the creation of value, are considered to be formed on a micro level, mainly occurring and being constructed by people's social interactions.³² From this perspective, brands are the epitome of symbolic consumption.

One additional reason why a sociological and consumer behaviour-based perspective has been chosen to understand the subject of our research is that relationships play an essential role in this co-creation process. A sociological and consumer behaviour perspective is needed in order to understand the functioning and behaviour of the structure of these relationships.

d) Neuromarketing

Neuromarketing's main premise is the offering of a scientific method for understanding human behaviour and the decision-making process based on its

²⁹ Kapferer, Jean-Noël. *The new strategic brand management: Advanced insights and strategic thinking*. London: Kogan page publishers, 2008 p. 1

³⁰ Keller (1993) p. 1-2

³¹ Holt, Douglas. *Brands & Branding*. Boston, MA: Harvard Business School Press, 2003, p. 3.

³² Winther-Jørgenson and Phillips (1999) in Bertilsson (2009)

findings about neuronal mechanisms³³. In doing so, it can provide a new perspective into how consumers feel about and view the brand. In neuromarketing, brands are viewed as a network of associations interconnected by neural links.³⁴

e) Information economics

Information economics is the branch of microeconomic theory that studies how information affects an economy and economic decisions. It helps us to analyse the brand in the context of information asymmetry. In this context brands are viewed as signals of quality.³⁵

Table 1 summarised the main aspects of the selected theories on branding:

Theory	View of the brand	Perspective	Main related concepts	Relevant authors	Relevant studies
Brand management perspective	Identifier from competitors.	Derived from cognitive psychology, considers the consumer rational.	Brand equity, brand identity, brand leadership.	Aaker, Keller, Kotler, Levitt.	Managing brand equity, Marketing Management.
Service-dominant logic	Brand as a collaborative value co-creation activity for firms and all of their stakeholders.	Consumer-centricity in a company's value creation process.	Value, value in use, value proposition.	Vargo and Lusch.	Evolving to a new dominant logic for marketing.
Consumer Culture Theory	Brands as cultural and social phenomenon.	Social constructionist.	Symbolic consumption, consumer behaviour, meaning.	Arnould, Fournier, Muñiz and O'Guinn, Holt.	Consumer Culture Theory: 20 years of research.
Neuromarketing	Brand as a network of associations interconnected by neural links.	Neuromarketing supported by Cognitive neuroscience.	Marketing research, decision-making process.	Lee et al., Ariely, Wallis, De Balanzó, et al.	Neuromarketing: The hope and hype of neuromarketing in business.
Information	Brand as a	Imperfect	Signalling,	Stigler,	Brand equity as

³³ Lee, Nick; Broderick, Amanda J.; Chamberlain, Laura. "What is 'neuromarketing'? A discussion and agenda for future research." *International journal of psychophysiology*. Vol. 63 (2007), no. 2, p. 199-204.

³⁴ Walvis, Tjaco H. "Three Laws of Branding: Neuroscientific Foundations of Effective Brand Building". *Journal of Brand Management*. Vol. 16, (2008) p. 189

³⁵ Erdem, Tülin; Swait, Jofre. "Brand Equity as a Signalling Phenomenon". *Journal of Consumer Psychology*. Vol. 7 (1998), p. 131

economics	quality signal.	asymmetrical information structure of the market.	credibility.	Erden & Swait.	a signal phenomenon.
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Table 1. Summary of the main aspects of the selected theories on branding (compiled by the author)

Brand value co-creation, as a differentiated focus of research, is less than ten years old. Although Sherry in 1998 was one of the first voices that pointed out the existence of brand co-creation,³⁶ it was not until the publication of “The Evolving Brand Logic: a Service-Dominant Logic Perspective” in 2009 when the brand value co-creation appeared as an own entity of research.³⁷ The identification of existing studies on brand value co-creation is going to be key in understanding the phenomenon and setting the basis for the creation of a new framework of brand value co-creation.

Competitive advantage

Competitive advantage has been analysed from the perspective of strategy and resource-based view for this research.

Strategy theory holds that to be successful, a company must create a distinctive value proposition that meets the needs of a chosen set of customers. The firm gains competitive advantage from how it configures the value chain, or the set of activities involved in creating, producing, selling, delivering, and supporting its products or services.³⁸

Resource-based view provides here the perspective needed to understand resources from a firm not just as tangible assets but also intangible, and

³⁶ Sherry, John F. “The soul of the company store: Niketown Chicago and the emplaced brandscape”, in Sherry, J. (Ed.), *The Concept of Place in Contemporary Markets*. NTC Business Books, Lincolnwood, IL, (1998), p. 109-146.

³⁷ Merz, He and Vargo (2009)

³⁸ Porter, M. *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press, 1985.

therefore brands as cognitive resources capable for achieving a competitive advantage.³⁹ From this perspective we can incorporate brands as possible sources of competitive advantage.

However, there is little research that explains and delves into the direct link between branding and competitive advantage. The literature review will help us to analyse this link in depth.

Internet, new technologies and social media

Internet has been considered to have potential to erode brand value and decrease the possibilities for business to create a competitive advantage for several reasons: the emergence of new business models based on price, the availability of large amount of information to compare produces and services and the access to a large number of suppliers. However, the opposite seems to be true: Companies can develop competitive advantage on the Internet, not merely based on cutting-edge technology or delivering systems, but also based on an appropriate brand building.

For the purpose of this study Internet, understood from the perspective of the interrelation between Web 2.0, social media and creative consumers will be analysed to identify sources of brand value for firms and consumers.

We have identified various very differentiated streams of research regarding branding. The dominant stream derives from cognitive psychology, while secondary streams draw on information economics, sociology and neuromarketing. Cognitive psychological and information economics

³⁹ Zablah, Alex R.; Brown, Brian P.; Donthu, Naveen. "The relative importance of brands in modified rebuy purchase situations." *International Journal of Research in Marketing*. Vol. 27 (2010), no. 3, p. 248-260.

perspectives are complementary rather than competing, and the differences in perspective and focus lead to a number of contrasting conclusions.

From the point of view of information economics, the reduction in perceived risk and information costs attributable to brands are antecedents to brand value, whereas with cognitive psychology these reductions are the consequences of brand value.⁴⁰

However rationalism in cognitive psychology has basically occupied the managerial ideas of the 20th century more writers question that decisions are made exclusively in terms of rationality. According to De Balanzó et al.,⁴¹ together with other researchers proposed that emotion “is the primary mechanism for rationality”.

In light of all these findings, and bearing in mind the focus of this research on the consumer’s view, we propose a combined approach that contains elements from all the selected perspectives.

From these multiple perspectives, brand value can be understood as “a set of perceptions, attitudes, knowledge and behaviours on the part of the consumers that results in increased utility and allows a brand a to earn greater volume or greater margins than it could without the brand name”.⁴²

To understand how Internet is modifying the ways firms co-create brand value, current relevant studies of brand co-creation that use online platforms are being used for this research.

⁴⁰ Erdem and Swait (1998) p. 133.

⁴¹ De Balanzó, Cristina; Serrano, Núria; Scamell-Katz, Siemon, “A Starting Point for Integrating Neuroscience Findings into Retail Research”. ESOMAR: Congress Odyssey. September (2010) p. 1-18.

⁴² Christodoulides and De Chernatony (2010) p. 48

To complete the subject of this research, competitive advantage is being analysed with contemporary theories of strategy focused on resource-based view.

2.3 Contribution to current knowledge

The dominant theory behind branding considers that brand building was exclusively a matter for marketing managers and it had to be built top-down.⁴³ However, new technologies and the new empowered consumer have switched the paradigm and incorporated the consumer as an important element into the brand building process. Therefore it is not possible to understand the brand building process without considering that consumers also build the brand and the relational or social process involved.

In the introduction of the book “Branding with brand” by Tjaco Walvis, ex-strategy director of advertising agency BBDO, it made clear the need for a deep understanding of the brand value creation process:

Strong brands can be worth up to 75% of the entire market value of listed companies. However, there is a big gap between the economic value of brands and the professionalism and image of the discipline that builds them. The point is that in many boardrooms all over the world there is no common framework for clear and intelligent discussion about how brand strategy contributes to growth.⁴⁴

The importance of consumers in the process of brand value creation on the basis of their face validity is largely accepted among practitioners but to date little attempt has been made to explore how customers create this value.⁴⁵

Despite the huge interest in brand value among researchers and professionals from the financial (Simon and Sullivan,⁴⁶ Erden and Swait⁴⁷) and marketing point

⁴³ Aaker, David. “Measuring brand equity across products and markets.” *California Management Review*. Vol. 38 (1996), no. 3, p. 102-120.

⁴⁴ Walvis, Tjaco. *Branding with Brains: The science of getting customers to choose your company*. Financial Times Prentice Hall, 2010.

⁴⁵ Barwise, Patrick. “Brand Equity: Snark Or Boojum?”. *International Journal of Research in Marketing*. Vol. 10 (1993), no. 1, p. 93-104.

of view (Aaker,⁴⁸ Keller,⁴⁹ Kapferer⁵⁰), the focus has been on exploration of brand value, not its sources and its development,⁵¹ and to date, the brand value co-creation has been almost neglected.^{52,53,54} Additionally, little conceptual development or empirical research has addressed which marketing activities build brand value.⁵⁵

Until now, the concept of value co-creation has been treated as a level of abstraction too far removed for theoretical and practical analysis. Although it has been claimed that the “customer is always a co-creator of value”,⁵⁶ no thorough conceptual exploration has been made on what this really means and what implications for customers and firms follow from this. Knowledge of how value is created, by whom and for whom is scarce.⁵⁷

Fyrberg and Jürriado⁵⁸ confirmed that more research is needed on how brands co-create value in the market. Brodie et al.⁵⁹ also pointed out that under the Service-logic paradigm more research is needed on brand experience as a

⁴⁶ Simon, Carol J.; Sullivan, Mary W. “The Measurement of Determinants of Brand Equity: A Financial Approach”. *Marketing Science*. Vol. 12 (1993), no. 1, p. 28-52.

⁴⁷ Erdem and Swait (1998)

⁴⁸ Aaker (1991 and 1996)

⁴⁹ Keller (1993)

⁵⁰ Kapferer (2008)

⁵¹ Yoo, Boonghee; Donthu, Naveen. “An examination of selected marketing mix elements and brand equity”. *Journal of the Academy of Marketing Science*. Vol. 28 (2000), p. 195.

⁵² Juntunen, Mari; Juntunen, Jouni; Autere, Vesa. “Co-creating non-profit brand equity”. *International Journal of Nonprofit & Voluntary Sector Marketing*. Vol. 18 (2013), no. 2, p. 122.

⁵³ Rios and Riquelme (2010) p. 214

⁵⁴ Payne, et al. (2008) p. 84

⁵⁵ Barwise (1993)

⁵⁶ Vargo, Stephen L.; Lusch, Robert. F. "Service-dominant logic: continuing the evolution." *Journal of the Academy of marketing Science*. Vol. 36 (2008), no. 1, p. 3.

⁵⁷ Grönroos, Christian; Ravald, Annika. "Service as business logic: implications for value creation and marketing." *Journal of Service Management*. Vol. 22 (2011), no. 1, p. 6.

⁵⁸ Fyrberg, Anna; Jürriado, Rein. “What about interaction? Networks and brands as integrators within service-dominant logic”. *Journal of Service Management*. Vol. 20 (2009), no. 4, p. 420-432.

⁵⁹ Brodie, Roderick; Glynn, Mark S.; Little, Victoria. "The service brand and the service-dominant logic: missing fundamental premise or the need for stronger theory?" *Marketing Theory*. Vol. 6 (2006), no 3, p. 363-379.

symbolic resource in the value process. Vallaster⁶⁰ stated that so far brand literature does not provide a theoretical conceptualisation of brands as online social processes or as empirical insights into the social dynamics characterising online multi-stakeholder brand meaning co-creation. Yi⁶¹ also confirms that only a few studies have examined the specific nature of customer value creation activities. Vargo⁶² also suggested that marketing managers might benefit from investing resources in a firm philosophy built around brand value co-creation.

Current marketing debate emphasises that customers and their view of value should be the starting-point for how value is defined,⁶³ yet marketing terminology (e.g. product offer, value proposition, etc.) still implies that the companies have a dominant position in value creation.⁶⁴

Drawing on this situation, this new approach aims to reveal how value is created, by incorporating useful insights into a new and more complete method of brand value co-creation.

This research takes a different approach and aims to establish a comprehensive understanding of brand value including not just the output of the marketing activities generated by the company (top-down approach) but also the value co-created by the consumers (bottom-up perspective). In following this approach, branding is understood not as something done to consumers, but rather as something they participate in. Therefore it is crucial to understand the final output of the process since the evaluation of the brand is in the consumer's mind.⁶⁵

⁶⁰ Vallaster, Christine; von Wallpach, Sylvia. "An online discursive inquiry into the social dynamics of multi-stakeholder brand meaning co-creation". *Journal of Business Research*. Vol. 66 (2013) n. 9, p. 1509.

⁶¹ Yi (2014)

⁶² Merz, He and Vargo (2009) p. 328

⁶³ Grönroos, Christian. "Service Logic Revisited: Who Creates Value? And Who Co-Creates?" *European Business Review*. Vol. 20 (2008), no. 4, p. 298–314.

⁶⁴ Strandvik, Tore; Holmlund, Maria; Edvardsson, Bo. "Customer needing: a challenge for the seller offering." *Journal of Business & Industrial Marketing*. Vol. 27 (2012), no. 2, p. 133.

⁶⁵ De Chernatony, Leslie. *From brand vision to brand evaluation: the strategic*. Oxford: Butterworth-Heinemann. 2010, p. 5

As the goal of this research is to facilitate the development of more effective marketing strategies and tactics, the focus is on the effects of the brand on the individual consumer, thereby narrowing the focus of the study to customer-based-equity. As described by Keller, 'customer-based brand equity' is 'the differential effect of brand knowledge on consumer response to the marketing of the brand'.⁶⁶

Having a more comprehensive model of brand value co-creation not only benefits the company because it can help to better understand the consumer response to the marketing activities but also because empirical results indicate that the ability to measure marketing performance has a positive impact on a company's overall performance, profitability, stock returns, and the status of marketing within the company. In the words of O'Sullivan, Abela and Hutchinson, setting the basis for value creation by consumers also ends up increasing the importance of the marketing activity within the company.⁶⁷

From a brand management perspective it is most relevant to gain more advanced knowledge of how brand value is created and to create a framework to guide practitioners in their daily work.

Additionally, as identified in the state of the art, there is very little literature explaining the direct link between branding and competitive advantage; hence some authors such as Aaker⁶⁸ and Urde⁶⁹ indicate the need to understand the ways in which a brand can generate competitive advantage.

The aim of this research is to create a bridge between strategic management, which involves the whole company and branding, and to give more importance to developing marketing as a strategic asset for the company. This proposal seeks

⁶⁶ Keller (1993) p. 2

⁶⁷ O'Sullivan, Abela and Hutchinson (2007) p. 79.

⁶⁸ Aaker, David. "The Value of Brand Equity". *Journal of Business Strategy*. Vol. 13 (1992), Issue 4, p. 32

⁶⁹ Urde, Mats. "Brand orientation-a strategy for survival". *Journal of consumer marketing*. Vol. 11 (1994), no. 3, p. 121.

to shed light on how co-created brand value can be a source of competitive advantage for companies.

By developing a framework, we want to offer a conceptual model to guide the co-creation of brand value so that it becomes a competitive advantage to the company.

Once the expected contribution to current knowledge is explained, we acknowledge that the much broader final of this study is to open a discussion about how brand strategy contributes to growth.

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2.4 Structure of the study

In order to facilitate an understanding of this work, a graphic diagram is presented and described below. (See Figure 1).

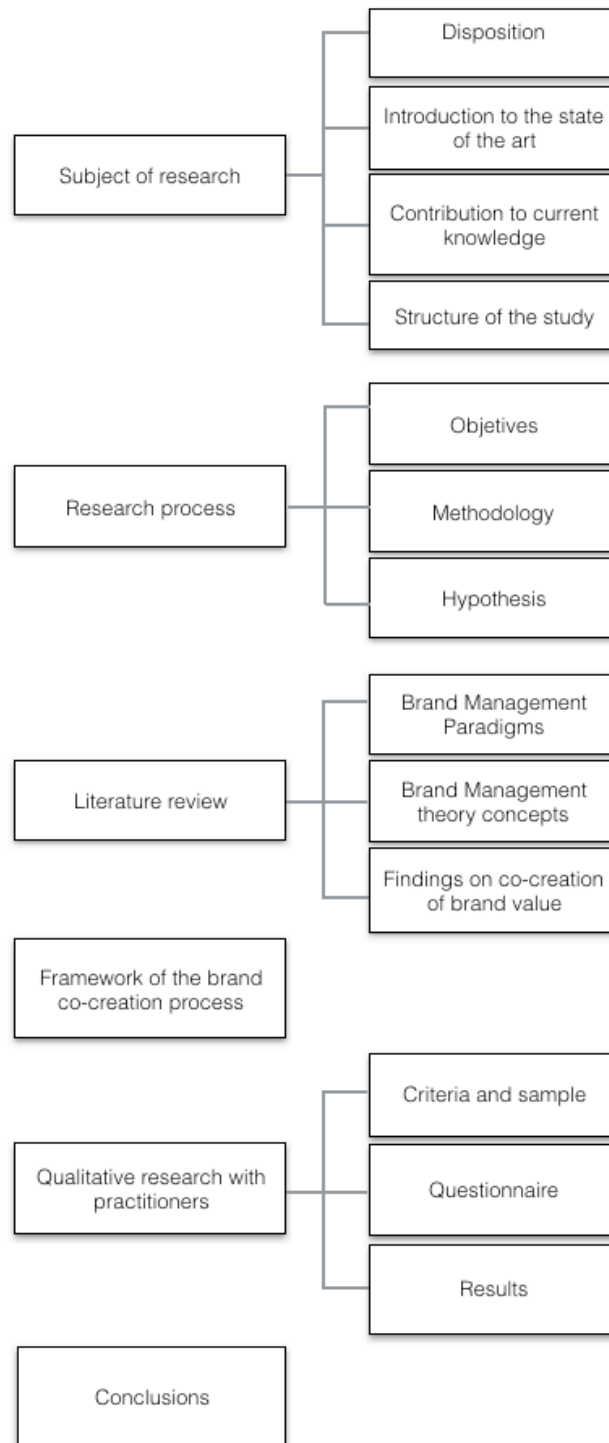


Figure 1: Structure of the study

This study begins with the subject of research. Its sub-section “introduction to *the state of the art* of the subject” describes the current situation with the intended research and identifies research gaps to be tackled. These research gaps are described in the section on the contribution to current knowledge.

The research process then describes the methodology used to obtain new knowledge in this field. As described in the following sections, the methodology is divided into two parts: the literature review and qualitative research undertaken with practitioners.

The purpose of the literature review is twofold. Firstly, it establishes an academic framework for the main paradigms and theories for understanding the co-creation process. This includes sources of competitive advantage and the brand value creation process as a whole. Secondly, the literature review is used to identify previous studies on how brand value is co-created and to select useful findings for the new framework.

Once the theoretical framework has been established and the main findings have been identified, a new conceptual model is created (framework of the brand co-creation process).

This conceptual model is validated by undertaking qualitative research with practitioners, to test its applicability and validity for the strategic management of brands.

The last section provides conclusions and recommendations for practitioners. Finally, suggestions for further research are also included.

3. Research process

The subject of our research has several particular characteristics that determine the selection of the methodology and research process. These are:

- The exploratory nature of the subject. As stated in the literature review, research on brand value co-creation is less than ten years old and it is still in an early stage of development.⁷⁰
- The level of complexity and instability of the phenomenon: Consumers, as the marketing subject, are unstable. They change and evolve to the continuously evolving environment in which they exist. This makes that management is at the most highly developed level of complexity and marketing such a challenging field of study.^{71,72}
- The need to provide useful knowledge and practical application for practitioners. As our aim is to produce useful knowledge for practitioners, it is important to reproduce the same conditions that they have to face.

⁷⁰ Brodie et al. (2006)

⁷¹ Tasaka, Hiroshi. "Twenty-first-century management and the complexity paradigm." *Emergence*. Vol. 1 (1999), no. 4, p. 122.

⁷² Schultz, Don. "The Future of Advertising or Whatever We're Going to Call It." *Journal of Advertising*. Vol. 45 (2016), no. 3, p. 276-285.

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3.1 Reflexions on the research process selection

In order to create an *ad-hoc* methodology for our research we have analysed several research models and paradigms, which include:

The research edifice

Gummesson⁷³ in his conceptualization of “The research edifice” proposed a marketing qualitative research process that can build the structure for our research: (See Figure 2).

- *A basement*, where all research starts with the foundation of the researcher’s paradigm and pre-understanding. Here we make a mix of subjective, intersubjective and objective choices and assumptions such as what to research, which research questions to ask, how to find an answer. These are mainly qualitative assumptions representing our interpretation of the world. According to Gummesson, they can be very personal but also be embedded in a specific research culture and discipline and be influenced by objective knowledge.
- *A middle floors*, where data is generated and analysed / interpreted. Data should be conceptualized and compared to theory and other research. If the goal is theory generation, the researcher has to conceptualise the data and compare them with existing models and theories.
- *A penthouse*, where results and conclusions are presented. The results should contribute to a more solid foundation of the research edifice and become part of the basement of future research.

⁷³ Gummesson, Evert. "Qualitative research in marketing Road-map for a wilderness of complexity and unpredictability." *European Journal of Marketing*. Vol. 39 (2005), no. 3/4, p. 313.

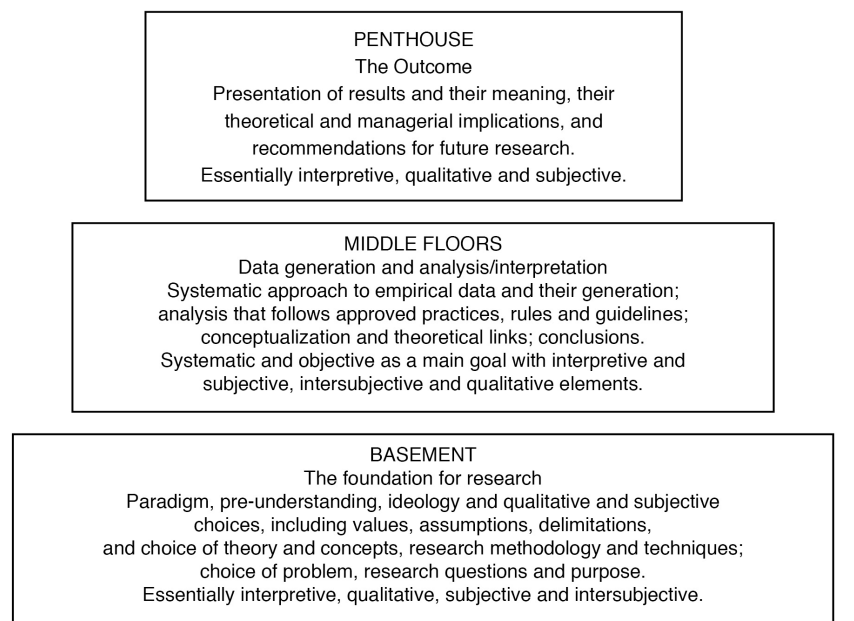


Figure 2. The research edifice (Gummersson)

The marketing science value chain

Although “the research edifice” presented is useful to structure our work, it does not include the knowledge application in marketing. As our aim is to create a framework that can be incorporated into the branding practice, the marketing science value chain’s methodology has been incorporated into our research structure.

It follows the awarded winning paper⁷⁴ “From academic research to marketing practice: Exploring the marketing science value chain” by Roberts, Kayande and Stremersch. (See figure 3).

⁷⁴ Roberts, John H., Kayande, Ujwal; Stremersch, Stefan. "From academic research to marketing practice: Exploring the marketing science value chain." *International Journal of Research in Marketing*. Vol. 31 (2014), no. 2, p. 127-140.

The application of this methodology can be direct (e.g. a framework to be used as a tool to define the branding building strategy) or indirect (e.g. it may be incorporate – either completely or specific parts – into current practitioners’ tools).

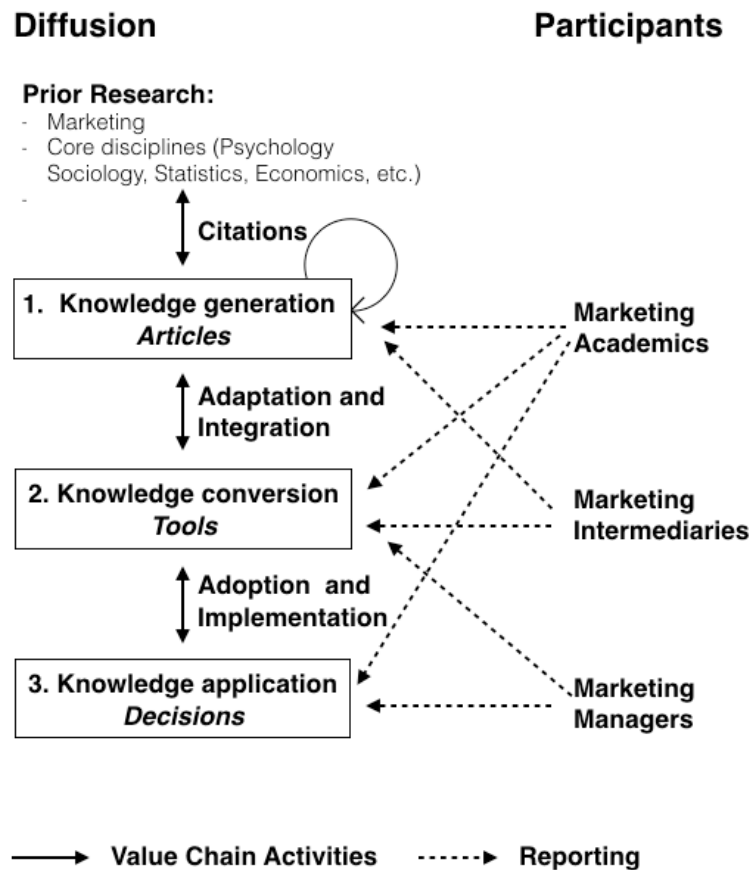


Figure 3. The marketing science value chain (adapted from Roberts et al.)

As an adaptation of the marketing science value chain and the research edifice, we propose the following research methodology:

- I. **Prior research** based on Brand Management Theory, Consumer Culture Theory and Service-Dominant Logic to generate the theoretical framework to structure our research.

- II. **Knowledge generation** from previous findings on brand value co-creation including from marketing academics.

- III. **Knowledge conversion.** Adaptation and integration of the knowledge to create a new tool for practitioners (proposed framework of brand value co-creation). This is shared with marketing professionals.

- IV. **Knowledge application.** Once it is validated / adapted with inputs from marketing managers, the new tool is adapted and implemented in the marketing decision process.

This will be fully explained in the methodology section.

3.2 Objectives of the study

Objective

The objective of this research is to develop a conceptual model for understanding the co-creation of a brand value as a source of competitive advantage using existing marketing theory to conceptualise the phenomenon and previous academic studies to identify successful practices, and to explore the applicability of this model with managerial insights obtained through qualitative research.

Academic and professional interaction

One differentiating aspect of this study is the search for new knowledge that could act as a useful and solid knowledge base for practitioners.

The Journal of Marketing, one of the premier refereed scholarly journals of the marketing discipline⁷⁵ and published by the American Association (AMA), expresses in its policy the need to reinforce the link between the research and practice.⁷⁶

Under the research project *Professional Doctorates and Professional Development in Education* Scott, Brown and Lunt⁷⁷ established several research aims, which provided new insights into the nature of professional doctorates and their relationships with the workplace. They attempted to answer several questions. Two of these were: What is the most appropriate relationship between professional and academic knowledge? How can universities best develop practice that reflects this?

⁷⁵ AMA. "2016 Impact Factor Reports: AMA Journals continue to Impress" [On line] <https://www.ama.org/academics/Pages/2016-Impact-Factor-Reports-Impress.aspx> [Accessed 2nd of January 2017]

⁷⁶ AMA. "Editorial Statement and Policies". [On line] <https://www.ama.org/publications/JournalOfMarketing/Pages/jm-editorial-guidelines.aspx> [Accessed 12th of March 2016]

⁷⁷ Scott, David; Brown, Andrew; Lunt, Ingrid. *Professional Doctorates: Integrating Academic And Professional Knowledge: Integrating Academic and Professional Knowledge*. UK: McGraw-Hill Education, 2004, p. viii.

This forms an excellent starting point for this research. How can academics help by interacting more with professional practice, especially in the branding and communication strategy fields under discussion here.

Therefore, our aim does not stop at gaining a deeper understanding of how brand value is co-created; in addition we aim to be able to transform what has been understood. To paraphrase Caro: “Comprehension implies changes to what has been understood. To fully comprehend we must be in a position to be able to open the way to transform theory into practice”.^{78,79}

If our hypothesis is correct and brand value co-creation constitutes a pivotal resource for generating and sustaining competitive advantage, that brand management constitutes a central organisational competence that must be understood, nurtured and developed.⁸⁰

⁷⁸ Original text: “La comprensión que implique la transformación de lo comprendido, la aprehension fáctica del mismo por parte de la colectividad concebida por su vigencia bajo la forma de toma de postura activa a su respecto que abra la vía a su transformación incluyendo así la praxis en el interior de la teoría”

⁷⁹ Caro, Antonio. *Comprender la Publicidad*. Barcelona: Trípod, 2010, p. 19.

⁸⁰ Louro (2001) p. 850

3.3 Methodology

The methodology conducted in this research is described as follows:

a) Prior research: Literature review

As described in the introduction to *the state of the art*, the conceptualization of brand value co-creation is still in an early stage of development, and requires, for its understanding, the support of multiple theories and paradigms to construct a comprehensive framework that covers all its various aspects.

Due to this multifaceted construction, we need to create our own theoretical framework based on current theories on branding and competitive advantage, adding recent findings on new sources of value creation using the Internet and social technologies.

Another requirement when approaching the co-creation of brand value is to avoid the classical bias of merely understanding the branding process from the traditional cognitive perspective of marketing management, and not considering other perspectives, which are particularly relevant to understanding the social or relational aspect of value co-creation, such as Consumer Culture Theory or Service-Dominant Logic.

This is the reason why the research process presented is strongly based on an analysis of the literature review that allows us to understand the brand value co-creation process. Only when a solid theoretical base has been created, we can continue in the process of knowledge building, in this case, the construction of the brand value co-creation model. As one of the goals of this research is to provide useful insights for practitioners, this theoretical work has no value without the validation of the presented model by branding professionals.

The literature review is used in two different parts:

1) Firstly, to establish an academic framework of the main paradigms and theories in order to **understand** the co-creation process, including the sources of competitive advantage and the brand value creation process as a whole.

In this first part, the literature review needs to answer the following questions:

- What is value?
- What is brand equity / brand value?
- How is brand value created?
- How do consumers create value?
- How do consumers create brand value in the co-creation process?
- Can co-created brand value be a source of competitive advantage?

The criteria for source selection in this first part are:

a) Impact Factor.

In order to guarantee a high quality in the papers used for the literature review, we have considered scientific papers with a high Impact Factor for this research. The impact factor (IF) is a measure, which reflects the average number of citations of articles published in science and social science journals. It is frequently used as a proxy for the relative importance of a journal within its field, where journals with higher impact factors are deemed to be more important than those with lower ones.

b) Novelty

Internet and communication technologies that have shaped current branding strategies and understanding are mainly less than 20 years old. Brand value co-creation was a very novel subject when their first studies were published in the

first decade of the 21th century. This is the reason why novelty is added as a source selection criterion for this research.

However this criterion does not apply to the literature review on branding and competitive advantage, as the essential sources for these subjects dated from the decades of the 80' and 90's.

2) Secondly, the literature review is used to identify previous studies on how brand value is co-created to contribute useful **findings** for the new framework.

In this second part, the literature review needs to provide knowledge about:

- What are the existing models on brand value co-creation?
- What can be learnt from them about brand value co-creation?
- What can be learnt from academic research, which can be incorporated into a new model of brand value co-creation?

The source selection's criteria for this second part are:

- High Impact Factor
- Proposed of models of brand co-creation
- Identification of components and processes in brand co-creation
- Identification of useful managerial findings

As stated in the research process, a layer of subjectivity linked to the fourth criterion could be regarded as a bias in the selection of studies. However, it can be argued that, as the purpose of the study is to obtain useful insights for

practitioners, the professional experience of the author in the brand management field during more than 15 years can be considered as “an expert opinion” for the selection of these findings and eliminate, therefore, the possible bias of this research.

The sources used for both parts of the literature review include:

Academic papers:

Research papers published in international academic journals selected to create a solid foundation for new knowledge and to establish the theoretical framework of this study.

The main journals selected are: The Journal of Marketing (IP: 3,9), The Journal of International Marketing (IP: 3,3), The Journal of Marketing Research (IP: 3,1),⁸¹ The Journal of Advertising Research (IM 2,56)⁸². (See Appendix 1 for a completed list).

Practitioner’s publications:

Publications of associations of practitioners have used to identify hypothesis and research questions, but also to validate the proposed framework and test hypothesis.

Examples of associations: ESOMAR (European Society for Opinion and Marketing Research), AAAA (American Association of Advertising Agencies), etc.

⁸¹ AMA. “2016 Impact Factor Reports”. [On line]
<https://www.ama.org/academics/Pages/2016-Impact-Factor-Reports-Impress.aspx> [Accessed 12nd of March 2016]

⁸² ARF. “Journal of Advertising Research Impact factor”. [On line]
<http://www.journalofadvertisingresearch.com/content/impact-factor> [Accessed 12nd of March 2016]

Academic and practitioners monographs:

It is very common for an academic who specialises in a particular subject to write a monograph to bring together all the knowledge acquired during their research. The same applies to practitioners after several years of experience in one specific subject.

It is important to mention that the line between the worlds of academics and the practitioners is blurred as it is not uncommon to find academics who have devoted their professional life to work on marketing / branding, and vice versa.

These are used to gain a better and deeper understanding of one key concept by one of the authorities in this field.

Examples of monographs: D. Aaker on branding, Vargo and Lusch on value; M. Porter on competitive advantage, P. Kotler on marketing management, Holt on cultural branding; Yi on customer value creation, etc.

Practitioner's case studies

Cases studies for brands and articles from practitioners based on their daily work, used to obtain insights and real situations for brands in order to initiate the research.

The main database used is WARC, one of the most important databases for advertising and marketing professionals.⁸³ In this case, it has been used to identify practitioners' case studies.

⁸³ Warc.com offers advertising best practice, evidence and insights from the world's leading brands. It also published leading journals including Admap, Market Leader, the Journal of Advertising Research and the International Journal of Market Research.

b) Knowledge generation

The analysis of the literature review and the findings in brand value co-creation will provide the identification of important findings in the subject.

Findings identified will be summarised and classified in themes of content to facilitate their posterior inclusion into the new framework.

The methodology to identify these themes of content is based on grounded theory, where the investigator review and identify findings with similar content, sort them according to their similarity, separate them into separate categories and then conduct final distillation into the major themes. This method is the same as the one used for the analysis of the results of the in-depth interviews, as it will be explained in the qualitative research with practitioners' section.

c) Knowledge conversion: Creation of a framework

Adaptation and integration of the knowledge gathered to create a new tool for practitioners, which is the proposed framework of brand value co-creation.

The particular characteristic of brand management (complexity, non-linearity, process-based structure) will be considered for its development.

Additionally, inputs from existing relevant models of brand value co-creation will be used as starting point for the structuration of the new model.

d) Knowledge application: Validation with practitioners

The model will be presented to branding professionals in order to obtain their validation / rejection based on their professional experience in brand management.

The methodology adopted will be exploratory qualitative research based on in-depth interviews.

An individual in-depth interview can be defined as “an unstructured personal interview, which uses extensive probing to get a single respondent to talk freely and to express detailed beliefs and feelings on a topic”.⁸⁴

We have selected this method because it provides relevant advantages for this specific research. Taking the work of Strokes and Bergin,⁸⁵ we have described main advantages of this method for this research.

i. Depth and comprehensiveness of information yield.

This method allows us to understand the work and motivations of the respondents in depth. It was especially important to avoid the “corporate view” and to obtain “a real view” of the actual strategy conducted by the firm.

Additionally the anonymity afforded gives the respondent a feeling of intimacy and disclosure that are needed to provide real answers about the brand strategies conducted. It also allows for easier expression of non-conformity.

⁸⁴ Webb, John. *Understanding and Designing Marketing Research*. London, The Dryden Press (1995), p. 121.

⁸⁵ Stokes, David, Bergin, Richard. "Methodology or “methodolatry”? An evaluation of focus groups and depth interviews." *Qualitative market research: An international Journal*. Vol. 9 (2006), no. 1, p. 32

- ii. Sampling advantages including greater control over respondent selection and hence more depth, context and flexibility in the process of inquiry.

The unit of research will be marketing director, brand directors, CEOs or brand consultants who meet specific criteria (as explained in the section “Qualitative research with practitioners”). The sample is so specific that having control over respondent selection is essential for this research. Also the agendas of the respondents are so full that flexibility in the process of inquiry is needed.

Group interview have been discharged as a viable research method for four reasons:

- Anonymity and disclosure of the information: The branding experts are going to be asked about sensible strategies issues regarding their brands. Therefore this information cannot be shared with other experts.
- The group processes can act to obscure the identification of key information and motivations due to group pressures, which led to a consensus superficial view. Individual depth interviews are structurally free from group pressures and according to the study of Stokes and xx, they have the ability to get under the surface, underline important issues and expose important data.
- At an operational level, difficulty to organize the agendas of these high level executives.

Due to the exploratory nature of this research and the novelty of the research topic, quantitative interviews have been discharged as a valid method for this research. Additionally the answers from these professionals will not only serve to validate / reject the model as a whole. We also expect to improve the model by using their inputs to tailor it to the realities of brand management.

As a conclusion, individual in-depth interviews demonstrated a superior ability to provide the required answers for this research, to prove empirically how brand value is co-created and to validate proposed framework to help professionals to develop brand strategies.

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3.4 Hypothesis

The principal hypothesis of this research and the one we want to validate with the literature review analysis and the qualitative research with practitioners is if the co-creation of brand value can act as a source of competitive advantage for companies:

H₁: The co-creation of brand value can be a source of competitive advantage for firms.

The secondary hypothesis of this research is:

H₂: The brand value is co-created with consumers.

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II. LITERATURE REVIEW

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1. Introduction to the literature review

As defined in the introduction to the state of the art section, the brand value co-creation is a multifaceted concept constructed through different theories and perspectives. This is a very novel concept also, and no common ground has been established to explain this new construct yet. Therefore the identification of theories and perspectives that are useful in understanding the different elements of brand value co-creation and their link to competitive advantage is essential for this research.

The proposed literature review provides not just the exploration of the value, brand value, co-creation and competitive advantage concepts. Its purpose is more ambitious. It searches which paradigms and perspectives are more useful when understanding current market situation and the real challenge that face marketing and branding practitioners nowadays. Therefore its review will take into consideration brand management traditional bases but also current research streams and newly proposed research questions.

The second part of the literature review will focus on the identification of relevant studies on brand value co-creation. Due to the novelty of the topic, most of the studies identified are less than ten years old. Findings from these studies will be used to identify elements in the brand value co-creation process, which will be the basis for the proposed brand value co-creation framework.

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2. Brand Management paradigms

This second part of the literature review covers main brand management paradigms to present theoretical perspectives that can explain the brand value co-creation process.

The definition of a brand paradigm for is research is taken from Louro: “a deep seated way of seeing brands and their value, shared by the members of an organisational community marked by a common culture”.⁸⁶

As stated in the introduction of the state of the start, a brand can understood as the financial value it provides to the company, as a symbolic consumption object, as a relationship between different stakeholders and a company, and as a quality signal (among other meanings).

This multi-faceted entity of a brand has required different theories to explain its nature and has provided numerous different brand paradigms, among others:

- a) Brand Management Theory
- b) Service-Dominant Logic
- c) Consumer Culture Theory
- d) Information Economics
- e) Neuromarketing

⁸⁶ Louro and Cunha (2001) p. 853

The criteria to select which brand paradigms were going to be used for this research, are based on a specific view of the branding process that is related to the value co-creation process. This particular view of the branding process takes into consideration:

- The interdependence of all the elements and the complexity of the topic.
- A non-linearity perspective.
- Not only top-down perspective.
- The active role of consumers in the value creation process.
- Social aspects of the brand, not just economic.

As a result of the objective of this research as described in the disposition section, we have given priority to:

- a) Paradigms and theories that focus on the active role of the consumer in the brand value creation process.
- b) Paradigms and theories that understand brands as a social phenomenon.

According to this criteria, although brand management theory is the predominant perspective in branding, brand meaning can also be interpreted and culturally produced by many stakeholders during identity construction⁸⁷. Therefore service-dominant logic, stakeholders-oriented brand management and Consumer Culture Theory (CCT) are also relevant perspectives when dealing with co-creation.

⁸⁷ Merz, He and Vargo (2009)

All these paradigms help towards an in-depth understanding of brands through the consumer's eyes and increase the understanding of the co-creation of brand value.^{88,89}

Additionally, other areas of knowledge apart from branding (e.g. competitive advantage and value) have been incorporated within this research, as essential components of the research subject.

Competitive advantage, as identified by Michael Porter, has been analysed from the resource-view perspective.

Therefore, the analysis of the different issues covered in this research has been divided by areas of content:

- 1) The first deals with competitive advantage as a fundamental tool for companies to differentiate themselves and to survive in this competitive marketplace. Therefore, a strategic and corporate vision (broader than the marketing area) is needed.
- 2) The second deals with value: what value means for consumers, how value can be created, and the co-creation of brand value.
- 3) The third addresses branding: the importance of branding, brand dimensions and other relevant aspects of branding.

Once these three areas of knowledge haven been analysed individually, synergies need to be found to understand the co-creation of the brand value phenomenon and its implications for managers.

⁸⁸ Arnould, Eric. J; Thompson, Craig J. "Consumer Culture Theory (CCT): Twenty Years of Research". *Journal of Consumer Research*. Vol 31 (2005), no. 4, p. 868-882.

⁸⁹ Pongsakornrungsilp, Siwarit. Value co-creation process: Reconciling S-D logic of marketing and consumer culture theory within the co-consuming group. PhD Thesis: University of Exeter Library, 2010.

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2.1 Brand management theory

Management theory has been the dominating research perspective on the formation and generation of brand theory and knowledge.⁹⁰ This is the theory of reference on discussions about brands, branding and brand value and it is one of the main sources for this literature review. However, for some writers, the brand management perspective has a narrow view of brand knowledge creation: it focuses on how companies and their brand managers create this knowledge, not on how consumers construct and create it.

The result is that brand management research has generated a rich body of knowledge and understanding of how companies build, create or form strong brands, generating useful constructs such as brand equity,⁹¹ brand leadership,⁹² brand identify, brand image,⁹³ and describe how it should be applied to gain competitive advantage over competitors. The theory of brand building is couched within marketing theory.⁹⁴

Under this perspective, managers create and unilaterally communicate the brand's meaning to consumers who are passive receivers and ideally react as the management intended in a vertical or top-down process.⁹⁵

From the two major perspectives of brand equity, company-based brand equity and customer-based brand equity, the latter has been chosen as the focus of this research as it acknowledges the importance of the consumer in value creation. It is, therefore, closer to the understanding of the co-creation process, which is the centre of this research. Customer-based brand equity is rooted in cognitive

⁹⁰ Bertilsson (2009) p. 7

⁹¹ Aaker (1991) p. 7

⁹² Aaker and Joachimsthaler (2000) p. 14

⁹³ Kapferer (2008) p. 3

⁹⁴ Christodoulides and De Chernatony (2010) p. 43

⁹⁵ Bertilsson (2009) p. 15

psychology as it focuses on consumer cognitive processes. Therefore this perspective will form the theoretical framework of reference for the management theory.

In recent times, there has been evidence of a move away from this classical model of brand management due, among other reasons, to the lack of sustainability of functional competitive advantages (they are easily copied), the great involvement of consumers in adding value to brands, the increasing competition and power of the consumer caused by the Internet, and the increasing importance of retailers.

The “rational” consumer as viewed by cognitive psychology and classical brand management theory is shifting to an “experiential consumer” where brands become a spectrum of values encapsulating many meanings.⁹⁶

⁹⁶ Jevons, Colin; Gabbott, Mark. "Trust, Brand Equity and Brand Reality in Internet Business Relationships: An Interdisciplinary Approach". *Journal of Marketing Management*. Vol. 16 (2000), no. 6, p. 629.

2.1.1 Relational brand management paradigm

Introduction

Within what has been defined as the Brand Management paradigm, Louro and Cunha⁹⁷ identified four different perspectives. (See Figure 4). These can be differentiated along two analytical dimensions: Brand centrality (the extent to which brands constitute the core elements guiding and configuring a company's strategy); and Customer centrality (the nature of consumer involvement in the process of value (co)-creation. These dimensions reflect central themes present in the branding literature concerning the strategic importance of brands and the differential degrees of customer and company participation in defining brand meaning and value.^{98,99,100}

All of them represent a particular view of the role of consumers and brands in the process of value creation.

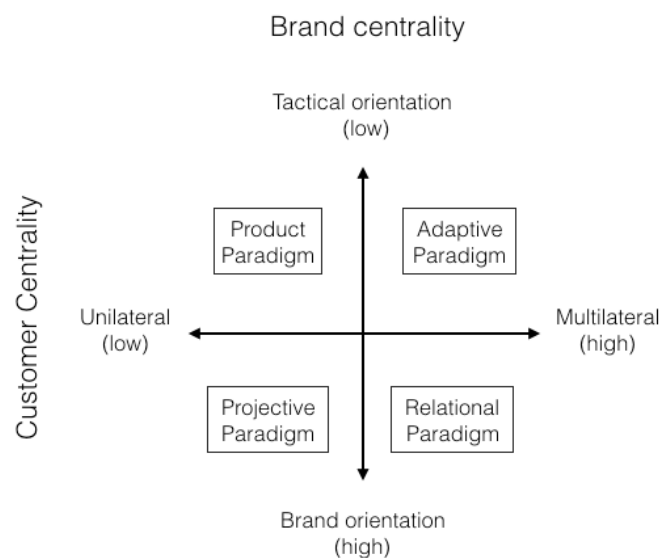


Figure 4. Brand Management Paradigms (Louro and Cunha)

⁹⁷ Louro and Cunha (2001) p. 855

⁹⁸ Kapferer (1992)

⁹⁹ Aaker (1996)

¹⁰⁰ De Chernatony and Dell'Olmo Riley (1998)

With unilateral approaches the internal characteristics and actions of the company are the determinants of value creation¹⁰¹ and consumers are conceptualised as a passive audience.¹⁰²

On the other hand, multilateral perspectives emphasise the interdependent nature of value. Consumers are viewed as sources of competence and co-developers of personalised experiences¹⁰³ and brand value and meaning is continuously co-created, co-sustained and co-transformed through organisation-consumer interactions.¹⁰⁴

The product paradigm ('the product, the product the product')

The product paradigm reflects a tactical approach to brand management where brands are mere instruments to perform company-centred roles. Under this perspective brand performance is measured by financial, business and product-based criteria.¹⁰⁵ The strategy for generating superior performance is based on the identification, creation and protection of favourable product market positions. An effective positioning derives from the fit between a company's generic strategy on cost leadership, differentiation and focus and industry conditions. Therefore the creation of sustainable competitive advantage is determined by the company's capacity to align its portfolio of core resources and capabilities with its specific value proposition.¹⁰⁶

Although this perspective is still common in brand management, it presents important limitations. These include the possible failure to differentiate a

¹⁰¹ Kotler, Philip et al. *Marketing Management*. London: Prentice Hall, 2009, p. 861.

¹⁰² Prahalad, Coimbatore K., Ramaswamy, Venkat. "Co-creation experiences: The next practice in value creation." *Journal of interactive marketing*. Vol. 18 (2004b), no. 3, p. 8.

¹⁰³ Prahalad and Ramaswamy (2004b) p. 10

¹⁰⁴ Rindova, Violina P.; Fombrun, Charles J. "Constructing competitive advantage: The role of firm-constituent interactions." *Strategic Management Journal*. Vol. 20 (1999), no. 8, p. 691-710.

¹⁰⁵ De Chernatony, Dall'Olmo Riley and Harris (1998)

¹⁰⁶ Porter (1985)

company's value proposition and its assumption that consumer behaviour is rational.¹⁰⁷

The projective paradigm ('the monologue')

Within this perspective the brand meaning is created as a company 'monologue'¹⁰⁸ (unilateral creation) and the competitive advantage is sought through differentiation.¹⁰⁹ The focus of this perspective is brand identity, as a set of brand associations that the company aspires to create and maintain.¹¹⁰

Although this approach to the product paradigm is advancing, it contains a major limitation. The brand identity created by the company is the exclusive determinant of brand meaning and the result of the consumer creation of brand significance (brand image) is not incorporated into the equation.¹¹¹ Therefore it fails to account for the active role of consumers in the (co)-creation of brand meaning.

The adaptative paradigm ('the listening')

This paradigm stresses the role of consumers as central constructors of brand meaning. Under this approach brands are understood from an output perspective, and brand images are defined as "consumer perceptions of a brand as reflected by the brand associations held in the consumer's memory".¹¹²

¹⁰⁷ Aaker, David. *Building Strong Brands*. New York: Free Press, 1996.

¹⁰⁸ Aaker, David. "Managing Assets and Skills: The Key to Sustainable Competitive Advantage". *California Management Review*. Vol. 31 (1989), no. 2, p. 91-106.

¹⁰⁹ Porter (1985)

¹¹⁰ Aaker (1996), p. 68

¹¹¹ De Chernatony and Dall'Olmo Riley (1998) p. 419

¹¹² Keller, Kevin Lane. *Strategic Brand Management. Building, measuring and managing brand equity*. Prentice-Hall International (UK) Limited, London (1998) p. 49.

Brands, therefore, perform consumer-centred roles. They facilitate decision-making, reduce risk, reduce research cost and are signals for quality and provide symbolic meaning.

In this approach, competitive advantage is understood as the result of a company's ability to generate customer satisfaction, which means an external perspective within a particular competitive context.¹¹³

Although the adaptive paradigm focuses on the consumer's evaluative processes, it fails to demonstrate how companies configure brand value.¹¹⁴

The relational paradigm

The relational paradigm solves the weaknesses of both the projective and the adaptive paradigms as it conceptualises brand management as an on-going dynamic process without a clear beginning and end. Brand value and meaning is co-created through interlocking behaviours, collaboration and competition between organisations and consumers.¹¹⁵

Therefore brands are constructed as personalities that evolve in the context of consumer-brand relationships. They are also active symbolic partners that co-define the relational space, where the relationships between companies and consumers are brand-mediated. Consumers have an active role in the co-construction of brand meaning and value.^{116,117}

¹¹³ Kotler (2009)

¹¹⁴ Louro and Cunha (2001) p. 865

¹¹⁵ Louro and Cunha (2001) p. 865

¹¹⁶ Fournier, Susan. "Consumers and their brands: Developing relationship theory in consumer research." *Journal of consumer research*. Vol. 24 (1998), no. 4, p. 343-373.

¹¹⁷ Prahalad and Ramaswamy (2004b)

The relational paradigm has implications for practitioners, in that “brand management becomes a dialectical process in which multiple entities (consumers and companies) espouse opposing theses (brand image and brand identity) co-construct brand value and meaning (synthesis).¹¹⁸

The relational paradigm goes further than a brand management orientation. From the concept of “informationalism”, a new social system successor to capitalism and industrialism in which the main source of productivity is the qualitative capacity to optimize the benefits of knowledge advantage through information utilisation derives a new social structure based upon the network. The diffusion of networking logic substantially changes production, experience, power and culture, where “the power of flows takes precedence over the flows of power”.¹¹⁹

The relational paradigm is taken as main view of brand management in this study. It is consistent with the purpose and focus of this research and allows the construction of a model process of value co-creation from a competitive advantage perspective.

¹¹⁸ Van de Ven and Poole (1995) in Louro and Cunha (2001) p. 866.

¹¹⁹ Jevons and Gabbott, (2000) p. 619

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2.2 Service-dominant logic

The traditional view from an economic perspective is that value (utility) is embedded in a product. If value is embedded in a product, how does marketing contribute to value? The goods-centred view of marketing focuses largely on goods as the unit of exchange and suggests that marketing can create value (e.g. time, place, and possession uses) through an exchange of products (i.e. value in exchange). Value is determined by the producer and it is defined in terms of exchange value.¹²⁰

New perspectives have challenged the dominant logic of marketing and identified limitations in the traditional goods-dominant logic.¹²¹ In recent years the focus in marketing has shifted from the exchange of tangible to intangible value.¹²² Researchers such as Grönroos¹²³ and Gummesson¹²⁴ have called for a paradigm shift in marketing considering that marketing, which initially adopted the customer's perspective, ironically, has lost this focus¹²⁵ or, as stated by Vallaster, traditionally managerially-oriented customer focused concepts of branding don't capture brand reality in its entirety.¹²⁶

This new vision of the customer's perspective was the cause and consequence of the provocative award-winning paper "Evolving to a new dominant logic for marketing" by Vargo and Lusch.¹²⁷

¹²⁰ Yi (2014)

¹²¹ Payne et al. (2009) p. 379-380

¹²² Pongsakornrungrungsilp (2010) p. 22

¹²³ Grönroos (2008, 2011, 2013)

¹²⁴ Gummesson, Evert. "Relationship marketing: its role in the market economy." Paper delivered to the *Conference on Understanding Service Management: Integrating Marketing, Organisational Behaviour & Human Resource Management*. Ed. W. J. Glynn. 1994, p. 244-268.

¹²⁵ ., Tim. *The new dominant logic of marketing: views of the elephant*. Centre for Marketing. Working Paper No. 04-903. London Business School, November (2004)

¹²⁶ Vallaster, Christine; von Wallpach, Sylvia. "An online discursive inquiry into the social dynamics of multi-stakeholder brand meaning co-creation". *Journal of Business Research*. Vol. 66 (2013), n. 9, p. 1505.

¹²⁷ Vargo and Lusch (2004)

They introduced Service-dominant logic (S-D Logic) as a new marketing paradigm that emerged from research over the last several decades as a reaction against the goods logic. Service-dominant logic emphasised intangible resources and viewed interaction-driven concepts as crucial for creating value.^{128,129}

Central to this perspective is their foundational proposition that value is always co-created and is uniquely and phenomenologically determined by the beneficiary. Consequently, value is regarded as idiosyncratic, experiential, contextual and meaning-laden.¹³⁰

Under this perspective, the company cannot unilaterally create value but rather can only offer value propositions that provide the prerequisites for value.¹³¹ This involves a process orientation, rather than an output (goods and services) orientation, and requires the involvement of the customer in the co-creation of value.¹³²

Service-dominant logic and brands

Service-dominant logic provides an opportunity to look at branding and brands through the perspective of co-creation and customer experiences.¹³³

However, researchers in the area of Service-dominant logic place surprisingly little emphasis on branding.¹³⁴ As Brodie et al.¹³⁵ observed, references to

¹²⁸ Vargo and Lusch (2008) p. 2

¹²⁹ Vargo and Lush (2004)

¹³⁰ Vargo and Lusch (2008) p. 2

¹³¹ Edvardsoon, Bo, Tronvoll, Bård, Gruber, Thorsten. "Expanding understanding of service exchange and value co-creation: a social construction approach". *Journal of the Academy of Marketing Science*. Vol. 39 (2011), p. 330.

¹³² Merz et al. (2009) p. 328

¹³³ Payne et al. (2009) p. 380

¹³⁴ Payne et al. (2009) p. 380

¹³⁵ Brodie (2006) p. 364

branding in the S-D logic literature are often indirect and this logic needs to have a more customer experience-centric view of co-creation, in which the brand plays a crucial role. Even Vargo and Lusch in their award-winning article about the emerging Service-dominant logic only briefly mention the branding concept.¹³⁶ Prahalad in his invited commentary on Vargo and Lusch's article suggests that brand meaning can evolve for the customer as a result of this co-creation of value¹³⁷.

It is not until Metz, Yi and Vargo's work in 2009 that the concept of brand in S-D logic was fully introduced.¹³⁸ After analysing the branding literature over the past several decades, they conclude that its evolution is converging on a new conceptual logic, which views brand in terms of the collaborative, value co-creation activities of companies and all of their stakeholders. They also suggested a future branding research agenda using as a foundation S-D logic. Payne et al.¹³⁹ also argued that the new S-D logic should become the theoretical foundation for future branding research.

This situation provides an opportunity for researchers to and practitioners to look at branding and brands from the perspective of co-creation.

Service-dominant logic and competitive advantage

The Service-dominant logic holds that competitive advantage comes from customers using operant resources (nonphysical and dynamic resources), so that value can only be determined by the customers themselves.¹⁴⁰

¹³⁶ Vargo and Lusch (2004)

¹³⁷ Prahalad, C. K. In Day et al. "Invited commentaries on "Evolving to a new dominant logic for marketing"." *Journal of Marketing*. Vol. 68 (2004), no. 1, p. 23.

¹³⁸ Metz et al. (2009)

¹³⁹ Payne et al. (2009) p. 32

¹⁴⁰ Edvardsson, Tronvoll and Gruber (2011)

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2.3 Consumer Culture Theory

Introduction

Consumer Culture Theory (CCT) refers to a family of theoretical perspectives that address the dynamic relationship between consumer actions, the marketplace, and cultural meaning.¹⁴¹ Following the analysis of Arnould and Thompson “Consumer Culture Theory (CCT): Twenty years of research” Consumer Culture Theory explores how consumers actively rework and transform symbolic meaning encoded in advertisements, brands, retail settings or material goods to manifest their particular personal and social circumstances and further their identity and lifestyle goals. From this perspective, the marketplace provides consumers with a broad and heterogeneous palette of resources from which to construct individual and collective identities.

Consumer Culture Theory uses as a starting point the social constructionist perspective where most knowledge and conceptions formed by consumers about brands mainly occur and be constructed by people’s social interactions, and that are the basis for the creation of value.¹⁴²

Research in consumer culture has provided important insights into the role brands play in consumer’s everyday lives.¹⁴³ According to this perspective, brands are meaningful to consumers not just because they are strategically managed by companies, but because consumers incorporate them into their lives and add their own idiosyncratic stories to them.¹⁴⁴

¹⁴¹ Arnould and Thompson (2010) p. 868.

¹⁴² Winther-Jørgenson and Phillips (1999) in Bertilsson (2009) p. 17

¹⁴³ Fournier, Susan. “A Meaning Based Framework for the Study of Consumer-Object Relations”. *Advances in Consumer Research*. Vol. 18 (1991) p. 737-739.

¹⁴⁴ Kozinets, Robert V.; Hemetsberger, Andrea; Schau, Hope Jensen. “The wisdom of consumer crowds collective innovation in the age of networked marketing”. *Journal of Macromarketing*. Vol. 28 (2008), no. 4, p. 339-354.

To understand this perspective and its importance to branding, we need to refer to the link between sociology, consumer behaviour and marketing, and the evolution of branding related to the post-modern society.

Sociology, consumer behaviour and marketing

There are strong and important bonds between sociology, consumer behaviour and marketing. The fact that the rise of modern marketing, consumer culture and mass media follows almost identical developmental trajectories is verified here. A century ago, the rise of modern communications made modern marketing possible (as it allowed brands to transcend geographically) and enabled communities to spread and reproduce efficiently (without the limitations of geographical boundaries).

Another essential bond between the three disciplines is the existence of consumption communities, where community members place special emphasis on some types of consumption as part of a celebration, ritual, tradition or lived experience. This communal dimension of consumption has developed the concept of the “linking the value” of a product or a service”, where “the link is more important than the thing”.¹⁴⁵

The postmodern society

The postmodern society and the critical consumer introduced the importance of consumption activities for brand meaning co-creation.¹⁴⁶ Postmodernity can be understood as a period of severe social dissolution and extreme individualism, where the individuals’ main quest is for the liberation from social bonds and the conquest of self is through showing their individual difference.¹⁴⁷

¹⁴⁵ Cova, Bernard. “Community and Consumption: Towards a definition of the linking value of product or services”. *European Journal of Marketing*. Vol. 31 (1997), Fall/Winter, p. 307.

¹⁴⁶ Arnould, Thompson and Craig (2010) p. 868.

¹⁴⁷ Cova (1997) p. 300

According to a second sociological current (Bauman,¹⁴⁸ Giddens,¹⁴⁹ and Bourdieu¹⁵⁰ among others), it can also be the beginning of a reserve movement of a desperate search for a social link, where individuals re-compose their social universe on the basis of an emotional free choice, rather than differentiation, de-differentiation seems to guide individual action.¹⁵¹ Postmodern society looks like a network of societal micro-groups in which individuals share strong emotional links, a common sub-culture, a vision of life, where members develop their own complexes of meanings, symbols and rituals. These rituals are not religious manifestations, as the etymological origin of the Latin word religion (*re-ligare*) expresses, they “link” humans with each other.¹⁵²

In the current market context, where products and services’ quality is taken for granted and they satisfy even the slightest need for personalised fashion, the postmodern person is not only looking for products and services which enable them to be freer, but can also link them to others, to a community.¹⁵³

Consumer Culture Theory and the evolution of branding

Consumer Culture Theory analyses consumers’ understanding of how brands work as a cultural or social phenomenon, not as the individual output considered by cognitive psychology. From this perspective, knowledge is regarded as the outcome of social practices, being a form of discourse, artefact of social communities and something that people do together.¹⁵⁴

¹⁴⁸ Bauman, Zygmunt. *The Individualized Society*. Cambridge: Polity, 2001.

¹⁴⁹ Giddens, Anthony. *Modernity and Self-Identity: Self and Society in the Late Modern Age*. Cambridge: Polity Press, 1991.

¹⁵⁰ Bourdieu, Pierre. *In Other Words: Essays Toward a Reflexive Sociology*. Cambridge, UK: Polity Press, 1990.

¹⁵¹ Cova (1997) p. 300

¹⁵² Cova (1997) p. 301

¹⁵³ Cova (1997) p. 311

¹⁵⁴ Gergen, Kenneth J. “The Social Constructionist Movement in Modern Psychology”. *American Psychologist*. Vol. 40 (1985), p. 266.

To understand the introduction of the Consumer Culture Theory to this research, we need to refer to an interpretation of the history and evolution of the modern branding paradigm. Consumer Culture Theory expresses a critical view of the modern branding paradigm, and is accused of cultural engineering.¹⁵⁵ According to this view, during the first decades of the 20th century, and prior to the advertising industry being fully organised as an institution, branding was guided by two principles: Firstly to educate the consumer about the product's basic value proposition and to instruct them on the use of the product; and secondly, "to treat consumers as gullible dupes who could be swayed if only product claims were inflated enough".¹⁵⁶ Holt goes further affirming that, "marketers directed consumers as to how they should live and why their brand should be a central part of this kind of life".

Prevailing academic theories on branding played their part in supporting this paradigm, and behaviourism began to influence advertisers. Until the 1960s, marketers advocated the engineering of consumer desires through advertising guided by scientific principles.

As the modern branding paradigm became public knowledge, an anti-cultural engineering sentiment emerged and postmodern consumer culture was born. From the 1960s onwards, although consumers were no longer willing to accept the value of their brands without question, marketers learned how to negotiate the new consumer culture and brands became more central in consumers' lives.

An interpretative consumer research documented postmodern consumer culture's central tendency: The use of consumer goods to pursue our identity,

¹⁵⁵ Holt, Douglas B. "Why do brands cause trouble? A dialectical theory of consumer culture and branding." *Journal of Consumer research*. Vol. 29 (2002), no. 1, p. 90.

¹⁵⁶ Marchand, Roland. *Advertising the American dream: Making way for modernity, 1920-1940*. Vol. 53. University of California Press, 1985.

and, as symbolic interactionism tells us, it requires the interpretative support of others.

To participate in postmodern consumer culture, brands had to insinuate themselves as the most effective palate for sovereign expressions. This postmodern branding paradigm is supported by the idea that brands will be more valuable if they are offered not as cultural blueprints but as cultural resources, as useful ingredients to produce the self as one chooses.¹⁵⁷

Consumption objects and symbolic interactionism

To understand the different role brands play in the consumer's life, as a way to understand its value, we take a theoretical approach that refers to objects of consumption and symbolic interactionism. We focus on the Consumer Culture Theory to understand the different aspects of consumption.

Fournier¹⁵⁸ identifies the traditional classification of consumption objects according to the functions and needs they fulfil.

The purely **functional** role: Products play a functional role in the life of consumers by fulfilling necessary functions, permitting control of the environment and leading to the solution of externally imposed problems. Kotler¹⁵⁹ is one of the authors who understood the consumption product as a bundle of utility.

Products can also play an experiential role in the everyday life of the consumer. They can provide sensory pleasure, aesthetic enjoyment, entertainment and

¹⁵⁷ Holt (2002) p. 85

¹⁵⁸ Fournier, Susan. "A Meaning Based Framework for the Study of Consumer-Object Relations". *Advances in Consumer Research*. Vol. 18 (1991), p. 736-742.

¹⁵⁹ Kotler (2009)

generalised emotional arousal. They may also play the role of pacifiers and comforters, providing the user with a sense of security and feelings of warmth.

The third role is about **identity**. Products perform an identity function at the individual level by serving as expressions of self-concept and individuality. Products can help in the creation and management of identities at the group and society levels as well by serving as unambiguous announcements of role and position.

However, this analysis leaves out of the interaction factor between objects, brands and consumers. The structure of the consumer – brand – object interaction can be addressed through the literature on the nature and structure of product (and branding) **meaning**.

Dimensions of meaning

It is recognised that all objects have both subjective and objective components, and utilitarian and symbolic roles. The following classification of attributes based on consumption meaning, helps us to understand its value for the consumer:¹⁶⁰

Tangibility: Refers to the object's primary centre of meaning. It concerns whether meaning is resident in the object itself or in the mind of the user.

Emotionality: "Emotion" includes aspects of arousal and felt experience, as well as a degree of emotional attachment.

Commonality: The degree to which meaning possesses a shared as opposed to an individualised character. To allow for effective communications and to serve

¹⁶⁰ Fournier (1991)

the function of integration into society, meaning must be shared by members of the culture at some basic level.

Brand literacy

Another important branding concept for this research is brand literacy. In an iconic consumer culture where brands become important resources for social interaction, consumers develop knowledge and competences in the peculiarities of consuming brands “knowingly” in a given social context.

From the consumer culture perspective brand literacy is defined as “the ability of the consumer to decode the strategies used in marketing practices in introducing, maintaining and reformulating brands and brand images, which then, further enables the consumer to engage with these processes with their cultural settings”.¹⁶¹

Bengtsson identifies in previous literature review three degrees of brand literacy:

- Low: The consumer may buy and consumer brands but has no or little knowledge of the symbolic meanings brands have acquired in the culture.
- Medium: The consumer has the ability to read and understand the cultural meanings and strategies underlying brands.
- Ability to fully participate in the culture of brands. Consumer does not just follow the cultural meanings, but is able to reformulate and play with them.

¹⁶¹ Bengtsson, Anders. “Brand Literacy: Consumers’ Sense-Making of Brand Management”. *Advances in Consumer Research*. Vol. 33 (2006), p. 375

These different levels of brand literacy will result in different consumer relations with brands and also different forms of consumer engagement with the culture of the brands.¹⁶²

In current market place where no obvious or important differences exist at the product level, obtaining high degrees of brand literacy becomes an important tool for managers who seek to obtain the involvement of consumers, through relating their brands to symbolic differences perceived by consumers.¹⁶³

¹⁶² Fournier (1991)

¹⁶³ Bengtsson (2006) p. 378

2.4 Neuromarketing

The reason why neuromarketing has been selected as one of theoretical approaches to branding is the recent interest of both academics and practitioners to apply cognitive neuroscience to marketing.

For example, Schultz postulates in his article of 2016 “The future of advertising”, that neural science will probably result in a major rethinking of the entire practice of marketing as academicians and practitioners will learn more about how the human brain acquires, internalises and is influenced by commercial communications.¹⁶⁴

The science behind neuromarketing

Neuromarketing is a perspective supported by cognitive neuroscience. It can provide a new perspective into understanding of how consumers feel about, resonate and value a brand.^{165,166} From this perspective; brand is viewed as a network of associations interconnected by neural links.

Lee defines neuromarketing as the application of neuroscientific methods to analyse and understand human behaviour in relation to markets and marketing exchanges.¹⁶⁷

Cognitive neuroscience is a new field of science that has provided us with new keys to understanding human behaviour.¹⁶⁸ This research merges biomedical and sociocultural areas to open new innovative and creative ways to understand

¹⁶⁴ Schultz (2016) p. 281

¹⁶⁵ Ariely, Dan.; Berns, Gregory. “Neuromarketing: The Hope and Hype of Neuroimaging in Business”. *Nature Reviews Neuroscience*. Vol. 11 (2010), no. 4, p. 284.

¹⁶⁶ Santos José Paulo et al. “Neuroscience in branding: A functional magnetic resonance imaging study on brands' implicit and explicit impressions”. *Journal Of Brand Management* [serial online]. August 2012; 19 (9) p. 735-757. Available from: Business Source Elite, Ipswich, MA. [Accessed December 29, 2016].

¹⁶⁷ Lee et al. (2007)

¹⁶⁸ De Balanzó et al. (2010) p. 3.

the way our brain thinks, feels and behaves (cognitive, emotional and behavioural perspectives).

According to Lee, the idea of evaluating consumer behaviour neurologically has caused considerable excitement within the marketing profession.¹⁶⁹ The main premise of neuromarketing is that while marketing research has remained almost unchanged for over 25 years, science has progressed in its understanding of human behaviour and decision-making, thanks to its findings about neuronal mechanisms.¹⁷⁰

Relevant findings

Key findings in neurology are the starting point of the research in neuromarketing. For example, neurology explains that the frontal lobe is associated with creativity and sociability. Antonio Damasio, head of the University of Southern California's Brain and Creativity Institute, suggests that one part of the frontal lobe, the ventromedial frontal lobe, is crucial for decision making. In this view, decision-making is more associated with feelings than thinking.¹⁷¹

The possibility that the ability to make decisions and to have feelings and social skills are physically juxtaposed in the brain could have immense importance for marketing, especially the significance of feelings and social relationships for brand choice.¹⁷²

Another important contribution of from neuroscience to marketing is that affective material is better remembered than cognitive. Therefore branding activities, which stimulate those, parts of the brain related to affection will be better retained in long-term memory.¹⁷³

¹⁶⁹ Lee et al. (2007) p. 200

¹⁷⁰ De Balanzó et al. (2010) p. 2

¹⁷¹ Damasio (1999, 2000, 2001, 2003) in De Balanzó et al. (2010) p. 3

¹⁷² Ambler, Tim; Andres, Ioannides; Steven, Rose. "Brands on the Brain: Neuro-Images of Advertising." *Business Strategy Review*. Vol. 11 (2000), no. 3, p. 21.

¹⁷³ Ambler et al. (2000) p. 21

De Balanzó, Serrano and Scamell-Katz analyse the work of Damasio to identify key findings in retail research. Findings directly related to brand building may be summarised as follows:¹⁷⁴

- Most objects that surround us trigger some form or another of brain reaction, weak or strong, good or bad, and conscious or unconscious.
- Triggers may be set through individual experiences.
- Our past can trigger emotions today.
- We perceive a subjective and personal interpretation of what we see.
- Reason begins with emotions.
- The importance of emotions in decision-making has been scientifically proven.
- Reason and emotion are a neurologically balanced continuum that we should take into consideration for marketing.
- It is important to create an "emotional packet" of all the information related to brands. This packet becomes a shortcut when we choose brands at the point of sale and it facilitates the decision-making process.

Former Strategy Director of the advertising agency BBDO and researcher Tjaco Walvis, puts forward "Three laws of branding" based on empirical research in neuroscience.¹⁷⁵ According to this study, brands achieving relevance, coherence and participation have a higher chance of winning the competition for cortical representation and hence choice.

Controversy and scepticism

It is important to mention that the development of the neuromarketing discipline has generated significant important controversy and scepticism.

¹⁷⁴ De Balanzó et al. (2010) p. 9.

¹⁷⁵ Walvis (2008)

For example, *The Lancet: Neurology*, one of the most important medical journals, published an editorial in which it expressed considerable scepticism about whether neuroscience technologies could be appropriately applied to market research. "Although many independent experts doubt that fMRI¹⁷⁶ can be meaningfully used in this way, this is unlikely to concern marketers wanting to dazzle potential clients with snazzy imaging technology".¹⁷⁷

Others, on the other hand, expressed an ethical concern about the appropriateness of using neuroscience to "subvert consumers, tricking them into buying products" (regardless of whether this is even possible).¹⁷⁸ Finally, one of the most critical questions facing neuromarketing is: "do we really need to use brain-imaging if it is to found that a behavioural task can do this as quickly, accurately and less expensively?"¹⁷⁹

Further developments in neurosciences are expected to provide a better understanding of how we relate to brands. However, the neuropsychology approach has not been analysed in this research, as according to several writers the neuro-scientific branding law theorem is still open for further research,¹⁸⁰ and it is still in an early developmental state regarding the understanding of how marketing creates value for consumers.

For the purpose of this research, only general conclusions regarding how our brain works have been selected; basically those involving types of inputs, which have the greatest effect on the decision-making process and help long-term memory.

¹⁷⁶ fMRI: Functional magnetic resonance imaging

¹⁷⁷ The Lancet: Neurology. *Neuromarketing: beyond branding*. [Editorial]. The Lancet: Neurology. Vol. 3 (2004), p. 71.

¹⁷⁸ Senior, Carl; Lee, Nick. "Brains and brands: developing mutually informative research in neuroscience and marketing." *Journal of Consumer Behaviour*. Vol.7 (2008), no. 7-8, p. 313.

¹⁷⁹ Senior and Lee (2008) p. 313.

¹⁸⁰ Ariely and Berns (2010) p. 284

What we have learnt is that decision-making and social processes are neurologically linked, which provides us with a social view of the brand building process.

Additionally, emotions can be better remembered in the long-term than cognitive material. Therefore they have an important role when defining and managing brand activities that are part of the value proposition of the firm to the consumer.

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2.5 Information economics

Information economics is a branch of microeconomic theory that studies how information affects an economy and economic decisions and an important part of its literature has been inspired by Stigler's work.¹⁸¹

Contemporary writers developed an information economics perspective on the value (or equity) ascribed to brands by consumers. Unlike research based on cognitive psychology, the information economics perspective considers the imperfect and asymmetrical information structure of the market, which has important implications for marketing.¹⁸²

At a time when world economical integration and competition is becoming stronger, the effective management of quality and its identification systems (trade and quality marks, brands, etc.) becomes one of the most important factors in a company's performance.¹⁸³

In this context, the information given to the consumer on brands helps them to make their own decisions and to drive their behaviour. The starting point of Information economics is that all the information is not available for consumers to make decisions. It is a situation of information asymmetry; brands act as signals of quality.¹⁸⁴

The brand as a signal

The information imperfections and asymmetries in a market may encourage companies to use brands as signals. In this context, economic agents are required to transmit information about their specific characteristics by means of

¹⁸¹ Stigler, George. "The Economics of Information". *The Journal of Political Economy*. Vol. 69 (1961) Issue 3, p. 213-255.

¹⁸² Spence, Andrew Michael. *Market Signaling: Informational Transfer in Hiring and Related Screening Processes*. Cambridge, MA: Harvard University Press, 1974.

¹⁸³ Ruževičiūtė, Rūta; Ruževičius, Juozas. "Brand Equity Integrated Evaluation Model: Consumer-Based Approach". *Economics and Management*. Vol. 15 (2010), p. 719.

¹⁸⁴ Erdem and Swait (1998) p. 131

signals. According to Erdem brand names act as signals to consumers.¹⁸⁵ A brand signal becomes the sum of that brand's past and present marketing activities.

A credible brand signal generates consumer value by:

- (1) Reducing perceived risk;
- (2) Reducing information search costs; and
- (3) Creating favourable attribute perceptions.

The above definition of brand value under the information economics paradigm highlights *ex-ante* utilities (i.e. utilities obtained prior to purchase) in contrast to the cognitive paradigm, which highlights *ex-post* (i.e. utilities obtained by consumers following a brand's purchase).

Furthermore, in the signalling framework, brand loyalty emerges as a consequence of brand equity rather than as its antecedent. More specifically, if consumers have a satisfactory usage experience with a product, they obtain positive purchase feedback. If the usage experience is consistent with the firm's product claims, the credibility of the brand signal increases. This raises consumer utility by lowering perceived risk and information cost and enhances the value of the brand signal. In other words, consumers may buy a brand due to the additional expected utility (value) created by a brand signal. Then, given usage satisfaction, consumers may continue their association with the brand. Thus, brand loyalty may be a consequence, not an antecedent, of consumer-based brand equity.

From this perspective, companies should avoid intentional and unintentional discrepancies between promised and actual product offerings. Otherwise, the credibility of their brands may be eroded. Brand equity requires consistency both within and across all contact points with the consumer.

¹⁸⁵ Erdem and Swait (1998) p. 132

However, for some writers, the asymmetry is disappearing from current markets, which changes the implications of the information economics theory. Prahalad talks about the transparency in the markets: Companies have traditionally benefited from information asymmetry between the consumer and the company but this asymmetry is rapidly disappearing due to the unprecedented amounts of information available and knowledgeable consumers who can make more informed decisions.¹⁸⁶

¹⁸⁶ Prahalad and Ramaswamy Venkat. "Co-Creating Unique Value with Customer". *Strategy & Leadership*. Vol. 32 (2004), no. 3, p. 4.

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3. Management theory

This third part of the literature review covers the description and understanding of main concepts involved in brand value co-creation. This understanding needs to take into consideration how these concepts are and behave individually but also how they retroactively interact in combination. In other words, we need to refer to the brand value co-creation as a dynamic entity, which parts interact and creates a different final construct.

The concepts to be understood individually and in interaction to each other are:

Competitive advantage

The comprehension of competitive advantage implies also the understanding of the conditions of its achieving and its retaining in current competitive environment. It requires knowing which are the competitive strategies and the current challenges in the market place.

Once analysed all, we will analyse the relationship between branding as a source of competitive advantage.

Value

As value is such a rich and polysemic concept, an effort is needed to understand which is its role in the branding process. Additionally, the concept of co-creation needs to be analysed in detail, as it is key in understanding brand value co-creation.

Branding

Branding has evolved from one-dimensional approach as identification device towards a multidimensional approach that comprises functional, emotional, social relational and strategic dimensions. The role of branding for companies and consumers need to be understood as the purpose of this research is to provide useful insights for brand building and managing.

Important constructs as brand value and equity need also to be analysed, and also the interrelation between them and the final construct of brand value co-creation.

The final point to be covered by the literature review is new advances on branding caused by the introduction of new communication tools linked to Internet and online technologies. The identification of these new communication tools and their implication in branding are essential to understand how is the brand building process nowadays as states by Keller.¹⁸⁷

Although many important interesting branding issues can be identified in a digital marketing environment, we have selected two broad topics from Keller's recommendation for further research:

- Understanding the value of brands and branding in digital environments.
- Understanding how to manage customer relationships.

¹⁸⁷ Keller, Kevin Lane, "Reflections on customer-based brand equity: perspectives, progress, and priorities." *AMS review*. Vol. 6 (2016), no. 1-2 p. 1-16.

3.1 Competitive advantage

Introduction to the competitive environment

The competitive environment has changed dramatically in recent years due to several key factors:¹⁸⁸

- Globalisation and the creation of a new ecosystem of networked and interdependent individuals and organisations.
- New information and communication technologies (ICTs) that have been the catalyst for the digital world.
- Demographic change: In many developed and developing countries there is a sharp increase in the older generation and a rapid reduction in the younger generation.
- Emerging economies (including Brazil, Russia, India, China, South Africa among others) and their impact on the new world economic order.
- Social and economic instability.

In 2016 the World Economic Forum published in “The Global Risks Report”,^{189,190} where they outlined the current causes and consequences of social and economic instability:

- Global refugee crisis: 60 million people (equivalent to the world’s 24th largest country and the largest number in recent history) are forcibly displaced.

¹⁸⁸ Lee, Sang M.; Olson, David L.; Trimi, Silvana. "Co-innovation: convergenomics, collaboration, and co-creation for organizational values." *Management Decision*. Vol 50 (2012), no. 5, p. 817-831.

¹⁸⁹ World Economic Forum “*The Global Risks Report 2016*”, Geneva, World Economic Forum, 11th Edition (2016) [viewed 27/12/16]. Available from: <http://reports.weforum.org/global-risks-2016/>

¹⁹⁰ The World Economic Forum publishes “The Global Risks Report” based on the responses of more than 750 multidisciplinary experts from organizations such as The University of Oxford, New York University, University of Cambridge, and Organisation for Economic Co-operation and Development, Japan Asia Group Limited, Oxfam International -among others-.

- Economic slowdown: Slower growth in emerging economies, fiscal crises in key countries, asset bubbles, structural unemployment and underemployment ultimately affects social stability.
- The (dis) empowered citizen, which is the result of the interplay of various dynamics: as technology empowers citizens to find information, connect with others and organise, those citizens feel disenfranchised by distant elites.
- Geopolitical risk of interstate conflict and terrorist attacks.
- Rising wealth disparities.
- Environmental deterioration. Global warming and increased pollution are global issues for governments, organisations and citizens.
- The World Economic Forum suggested that collaboration and multi-stakeholder action is the path to reduce global risks and to create a better future for everyone.

In this context, firms and brands need to rethink their strategies. Two of the main challenges that managers face are the definition of:

- How firms can create economic and social value for consumers and the society as a whole.
- How firms relate to their different stakeholders, including consumers.

New strategies

The base of our traditional economic logic focuses on financial income, which dominates the strategy in today's organizations. In recent years business increasingly has been viewed as a major cause of social, environment and

economic problems. Companies are widely perceived to be prospering at the expense of the broader community.¹⁹¹

According to a Porter's recent article, the legitimacy of business has fallen to levels not seen recent history, and this diminished trust is partly caused by the outdated approach to value creation. Companies continue to view value creation narrowly, optimizing short-term financial performance while missing the broader influences that determine their longer-term success.

It is not surprising then that Michel Porter, the leading guru in strategy business, is recommending companies to take the lead in bringing business and society back together. He is also proposing new business models that goes beyond the social responsibility mindset that takes societal issues are at the periphery, not the core.

The solution for this author is to reconnect company success with social progress with the principle of share value, which involves creating economic value in a way that also creates value for society. From this view, shared value is not social reasonability, philanthropy or sustainability, but a new way to achieve economic success.

In this paradigm shift, concepts such as sustainability, co-operation, co-creation are emerging and becoming exponentially more crucial.¹⁹² Strategies of cooperation have gained momentum at the expense of competitive logic. Barin et al.¹⁹³ affirmed that cooperation reduces risks, uncertainties and possible losses,

¹⁹¹ Porter, Michael; Kramer, Mark. "Creating shared value. How to reinvent capitalism –and unleash a wave of innovation and growth". *Harvard Business Review*. January-February (2011) p. 4.

¹⁹² Lee, Olson and Trimi (2012) p. 818.

¹⁹³ Barin, Luciano, Ávila, Eugênio; De Fátima, Vânia. "Towards sustainable development strategies A complex view following the contribution of Edgar Morin." *Management Decision*. Vol. 44 (2006), no. 7, p. 879.

and knowledge and possible gains are shared. Following this direction, managerial strategy should be understood as a social practice.

For companies to view their strategies as a social practice, it is necessary to consider the relationships created, shifting from a shareholder to stakeholder logic,^{194,195,196} and involving in win-win negotiations.¹⁹⁷ In order to obtain this, the strategy to follow is to maintain and develop through time the potential of creation of value for the different interested parties”.¹⁹⁸ However, the transition from a company focused on economic competition to one focused more on the interests of multiple stakeholders is not simple according to Barin.¹⁹⁹

Prahalad and Ramaswamy also acknowledge that in the new economy, companies must to incorporate stakeholders into their business models. They make a parallelism between business and theatre to explain this new situation:

Business competition used to be a lot like traditional theatre: On stage, the actors had clearly defined roles, and the customers paid for their tickets, sat back and watched passively. In business, companies, distributors and suppliers understood and adhered to their well-defined roles in a corporate relationship. Now the scene has changed and business competition seems more like the experimental theatre of the 1960's and 1970s; everyone and anyone can be part of the action.²⁰⁰

In this new scenario, Woodruff and Robert acknowledge the importance of achieving and retaining a competitive advantage for companies: “Driven by more demanding customers, global competition, and slow-growth economies and

¹⁹⁴ Barin et al. (2006) p. 880

¹⁹⁵ Merz, He, & Vargo (2009) no. 3, p. 328-344

¹⁹⁶ Vallaster and Wallpach (2013)

¹⁹⁷ Barin et al. (2006) p. 880

¹⁹⁸ Martinet, A.C.; Reynauld, E. *Stratégies d'Entreprise et Écologie*, Economica, Paris, 2004.

¹⁹⁹ Barin et al. (2006) p. 880

²⁰⁰ Prahalad and Ramaswamy (2000) p. 1

industries, many organizations search for new ways to achieve and retain a competitive advantage”.²⁰¹

²⁰¹ Woodruff, Robert. “Customer Value: The Next Source for Competitive Advantage”. *Journal of the Academy of Marketing Science*. Vol. 25 (1997), no. 2, p. 139.

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3.1.1 Definition and dimensions of competitive advantage

Understanding the sources of sustained competitive advantage for firms has become a major area of research in the field of strategic management.

Competitive advantage, as defined by Michael Porter, the leading authority on competitive strategy and author of some of the most influential management books of the past quarter of a century²⁰², “grows fundamentally out of the value a company is able to create for its buyers that exceeds the company’s cost of creating it”.²⁰³ Adding the component of “imperfectly imitable resource”, Barney defined competitive advantage as “the implementing of a value creating strategy not simultaneously being implemented by any current or potential competitors.”²⁰⁴

This traditional view of competitive advantage was that a firm’s resources were the source of competitive advantage to the degree that they are scarce, specialized, appropriable²⁰⁵, valuable, rare and difficult to imitate or substitute.²⁰⁶ Porter’s analysis is essentially based on physical resources and processes, and although the economic base of their theories is important, this view of competitive advantage ignores the interpretations of the proposal by different actors.

Barney explained the difference between the traditional resource-based model and the environmental model of competitive advantage as follows: Firms obtain sustained competitive advantages by implementing strategies that exploit their

²⁰² Harvard Business School. Profile of Michael. E. Porter [Online].
<<http://drfd.hbs.edu/fit/public/facultyInfo.do?facInfo=bio&facEmId=mporter>> [Accessed: May 2011].

²⁰³ Porter (1985) p. 3

²⁰⁴ Barney, Jay B. “Firm resources and sustained competitive advantage”. *Journal of Management*. Vol.17 (1991), p. 102.

²⁰⁵ Amit, Raphael; Schoemaker, Paul JH. "Strategic assets and organizational rent." *Strategic management journal*. Vol. 14 (1993), no. 1, p. 36.

²⁰⁶ Barney (1991)

internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses.²⁰⁷

More recent research works, such as the one of Rindova and Fombrum, acknowledges the importance of socio-cognitive factors. Their framework suggested that the development of competitive advantage is an interactive process and competition takes place, not only over material resources, but also over the interpretations of multiple constituents about how firms create value.²⁰⁸ (See Figure 5).

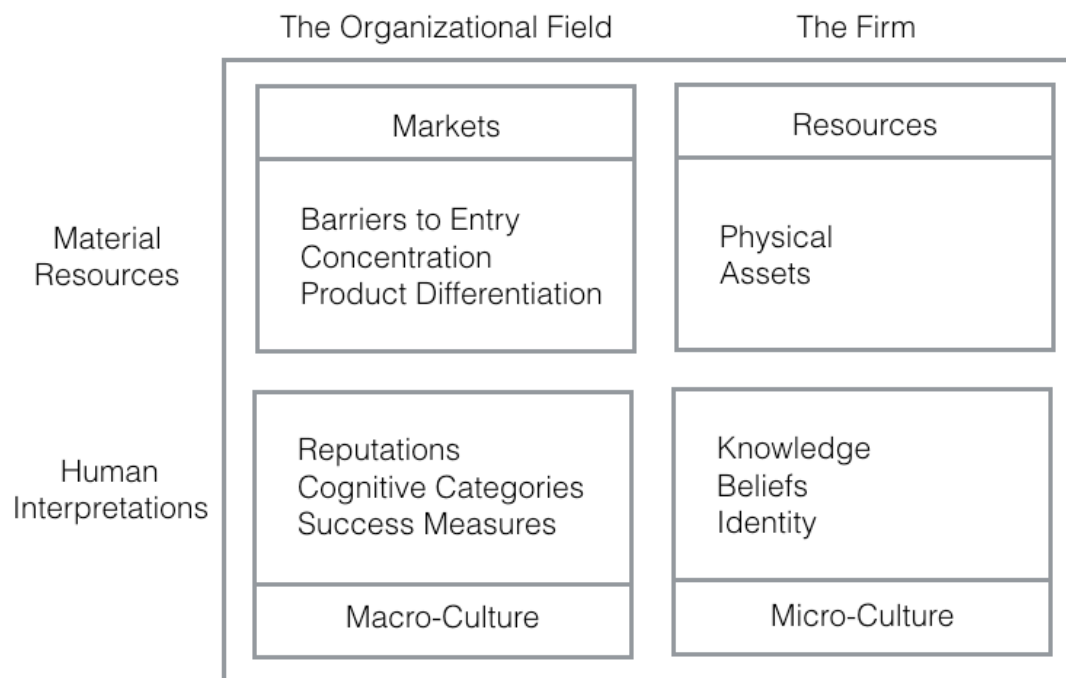


Figure 5: Sources of competitive advantage (Rindova 1999)

Rindova and Fombrum's proposed research perspective for competitive advantage is therefore cognitive. In contrast to market and resource models that advance an economic rationale for the existence of competitive advantage, cognitive research emphasised the internal (firm) and external (stakeholders) interpretations as opposed to material resources. In this view, knowledge, values

²⁰⁷ Barney (1991) p. 99

²⁰⁸ Rindova and Fombrum (1999)

and beliefs are resources, which create sustainable competitive advantage and are valuable, rare and difficult to imitate.²⁰⁹ Their conclusion is that cognitive structures are unique to a firm. Therefore they present a source of uniqueness, which can be linked to competitive advantage.

The essence of this view of competitive advantage is also shared by Louro.²¹⁰ Competitive advantage emerges as a systemic outcome resulting from actions developed by both companies and stakeholders and their responses to those actions.

From the relational perspective, competitive advantage is defined as “an interactive process built through a social influence process and based on relationships. Under this relational umbrella, competitive advantage emerges as the systemic outcome of a continuous process of firm-consumers interaction whereby a complex web of actions-reactions determines firm’s differential performance. Therefore, it does not only depend on the material resources that firms possess and deploy, but also on a firm’s ability to gain a favourable interpretation from their stakeholders.”²¹¹

Definition of resources

Although resource-based theories routinely use the term "resources" to refer to both material and cognitive resources such as knowledge, culture, and reputation, following the example of Rindova and Fombrum,²¹² this study draws a distinction between material resources (the physical and financial assets that firms and their constituent parts deploy) and the cognitive resources such as knowledge, culture and reputation. The reason for this differentiation is that although a firm’s knowledge and beliefs may carry competitive benefits similar to

²⁰⁹ Barney, Jay B. “Organizational culture: Can it be a source of sustained competitive advantage?” *Academy of Management Review*. Vol. 11 (1986a), p. 656–665.

²¹⁰ Louro (2001) p. 856

²¹¹ Rindova and Fombrum (1999) p. 706

²¹² Rindova and Fombrum (1999) p. 694

those derived from possessing valuable resources, they differ from material resources in the way they are developed, sustained and managed. As the goal of this thesis is to help branding management, this view is especially relevant.

3.1.2 Conditions and sources of competitive advantage

Understanding the sources of sustainable competitive advantage for firms has become a major area of research in the field of strategic management.²¹³

According to Barney, firms obtain sustainable competitive advantage by implementing strategies that exploit their internal strengths, through responding to environment opportunities, while neutralizing external threats and avoiding internal weaknesses. Sustainability is achieved when the advantage resists erosion by competitor behaviour.²¹⁴

Therefore, a competitive advantage can only be a competitive advantage if it resists duplication by other firms. It is presented as the result either for implementing a value-creating strategy not simultaneously implemented by a current of potential competitor or through superior execution of the same strategy as competitors.²¹⁵

Barney has developed a useful framework that identifies sources of competitive advantage. We will take this work to establish the conditions under which a business's competitive advantage is sustainable:²¹⁶

- It must be valuable;
- It must be rare among a firm's current and potential competitors;
- It must be imperfectly imitable; and
- There must not be any strategically equivalent substitutes for these resources / skills.

²¹³ Porter (1985)

²¹⁴ Porter (1985) p. 20

²¹⁵ Barney (1991)

²¹⁶ Barney (1991)

Additionally, Coyne²¹⁷ pointed out that not only must a firm have a skill or resource that its competitors do not have, but also the capability gap must make a difference to the customer. According to this writer, for a business to enjoy a sustainable competitive advantage the difference(s) between the firm and its competitors must be reflected in one or more product/delivery attributes that are key buying criteria.

Furthermore, in order for a competitive advantage to be sustainable, both the key buying criteria and the underlying capability gap must be enduring. Another condition for the competitive advantage to be sustainable is that it needs to adapt to the changes occurring to the key buying criteria through time.²¹⁸

²¹⁷ Coyne, Kevin P. "Sustainable competitive advantage—What it is, what it isn't." *Business horizons*. Vol. 29 (1986), no. 1, p. 54-61.

²¹⁸ Bharadwaj, Sundar G.; Varadarajan, P. Rajan; Fahy, John. "Sustainable competitive advantage in service industries: a conceptual model and research propositions." *The Journal of Marketing* (1993), p. 84.

3.1.3 Branding and competitive advantage

Summary

The evolution of branding from a legal and differential device to a holistic construct with functional, emotional, relational and strategic dimensions is caused by transformations in competitive environments.²¹⁹ The conceptualization of brands as strategic assets has been put forward by the pursuit of competitive advantage by firms. The resource-based view provides the conceptual foundations for linking brands and branding to the development of sustainable competitive advantage.²²⁰

Brands, as intangible assets, are part of the firm's portfolio of idiosyncratic and difficult-to-imitate resources and capabilities. Within this perspective, brands have a significant potential to enable the achievement and sustenance of superior performance and competitive advantage. According to Aaker,²²¹ the greater the intangibility of a service, the greater the importance of brand equity as a source of competitive advantage.

The necessity of approaching brands as strategic resources

In terms of strategy, brands have not always been considered important enough to become strategic resources.²²² There is also little discussion about how to approach brands and how to compete primarily with them. It is with the emergence of the resource-based strategy perspective that the linking of the firm's resources and competencies as well as the development of sustainable competitive advantages came to being.²²³

²¹⁹ Louro (2001) p. 851

²²⁰ Louro (2001) p. 851

²²¹ Aaker (1991)

²²² Urde, Mats. "Brand Orientation: A Mindset for Building Brands into Strategic Resources". *Journal of Marketing Management*. Vol. 15 (1999), p. 118

²²³ Urde (1999) p. 118

As opposed to the traditional strategy view, where competitive advantage is based on physical resources and processes,²²⁴ in the resource-based view what constitutes competitive advantage depends upon both material and cognitive resources. Understanding brands as cognitive resources provides the conceptual foundation for linking brands and brand management to the development of sustainable competitive advantage.

The resource-based approach emphasizes the role of a firm's portfolio of idiosyncratic and difficult-to-imitate resources and capabilities as the core determinants of firm performance.²²⁵ Brands, as intangible assets, retain a significant potential to enable the achievement and sustenance of superior performance.²²⁶ In the same line of thought, Hunt and Morgan introduce the link between intangible assets and competitive advantage: "While competitors can emulate financial and physical assets, intangible assets represent a more sustainable competitive advantage".²²⁷ According to Aaker, the greater the intangibility of the asset, the greater its ability to be a source of competitive advantage.²²⁸

Therefore, companies should focus their efforts on intangible assets such as brands, unlike previous decades where the focus was on synergies gained by economies of scale.²²⁹

Previous research

As mentioned in before, there are not many academic resources that explain and analyse the direct link between branding and competitive advantage.

²²⁴ Porter (1985) p. 3

²²⁵ Louro (2001) p. 851

²²⁶ Hall (1993); Barney and Hesterly (1996) in Louro (2001) p. 851

²²⁷ Hunt, Shelby; Morgan, Robert. "The Comparative Advantage Theory of Competition". *Journal of Marketing Research*. Vol. 59 (1995), no. 2, p. 1.

²²⁸ Aaker (1991)

²²⁹ Cobb-Walgreen, Cathy J.; Ruble, Cynthia A.; Donthu, Naveen. "Brand equity, brand preference, and purchase intent." *Journal of advertising*. Vol. 24 (1995), no 3, p. 25-40.

These are the findings of the literature review:

- Woodruff explores the link between customer value and competitive advantage in his study,²³⁰ referring to a shift in organizational orientation to focus on customer value, but he does not mention brands and branding.
- Bharadwaj²³¹ confirms brand equity as a potential source of competitive advantage and identified previous studies that confirmed this: it helps to differentiate the product from competitor's offerings; services as a proxy for quality and creates positive images in the consumer's minds; and prevents market share erosion by giving a firm time to respond to competitive threats.
- According to Aaker, brands are strategic assets that provide an organization with an imitable competitive advantage,²³² although he also states that brands "might develop sustainable competitive advantage for firms".²³³
- Backhaus writes that, "A successful brand becomes a critical asset and a key source of sustainable competitive advantage for companies".²³⁴ The definition of a successful brand and how they become a source of competitive advantage, however, is not explained in detail.
- Baldauf argues that: "strong brands represent a key component of competitive advantage and function as the main source of a company's future earnings".²³⁵ In this study, he demonstrated that brand equity's dimension (perceived quality, brand loyalty and brand associations) were significant predictors of performance measures. The link to competitive advantage was, however, not analysed in this study.

²³⁰ Woodruff (1997)

²³¹ Bharadwaj (1993) p. 89-90

²³² Aaker (1996)

²³³ Aaker (1989)

²³⁴ Backhaus, Klaus; Steiner, Michael; Lügger, Kai. "To invest, or not to invest, in brands? Drivers of brand relevance in B2B markets." *Industrial Marketing Management*. Vol. 40 (2011), no. 7, p. 1082-1092.

²³⁵ Baldauf, A.; Cravers, K.; Binder. "Performance Consequences of Brand Equity Management: Evidence from Organizations in the Value Chain". *Journal of Product & Brand Management*. Vol. 12 (2003), no. 4 p. 220.

- Keller states that “building a strong brand with significant equity, provides a host of possible benefits to a company, including greater consumer loyalty and less vulnerability to competitive marketing actions, larger margins as well as less customer price sensitivity.²³⁶ An explanation of the direct relationship with competitive advantage was not provided.
- Lassar argues that: “brand equity is regarded as a very important concept in business practice as well as in academic research because marketers can gain competitive advantage through successful brands.²³⁷ How marketers can gain this competitive advantage and the criterion for what constitutes a successful brand was not explained in this study.
- Barney²³⁸ stresses that strong brands are 1) valuable, to the extent that they enable firms to explore opportunities (e.g. brand extension) and neutralize environmental threats; 2) rare among an organization's current and potential competitors; 3) costly to imitate and 4) without close strategic substitutes. There is not direct link established between competitive advantages and branding.
- Barney²³⁹ also explains that knowledge, values and beliefs are resources that create sustainable competitive advantage insofar as they are valuable, rare and difficult to imitate.
- In his article "Brand Orientation - Strategy for Survival- The future of many companies lies in brands", Urde argues that "established brands have a great potential for increasing the ability of companies to compete as well as generating their growth and profitability. Awareness of this potential will make brands important in the formulation of company strategies as a source for sustainable competitive advantage".²⁴⁰

²³⁶ Keller (1993) p. 8

²³⁷ Lassar, W; Mittal, B. Sharma, A. “Measuring Customer-Based Brand Equity”. *The Journal of Consumer Marketing*. Vol. 12, (1995) no. 4, p. 11

²³⁸ Barney (1991)

²³⁹ Barney, Jay B. “Organizational culture: Can it be a source of sustained competitive advantage?” *Academy of Management Review*. Vol. 11 (1986a), p. 656–665.

²⁴⁰ Urde (1999) p. 118

Validation of branding as a source of competitive advantage

Why should branding be used as a competitive advantage for companies? Main arguments identified in the literature review that confirm and support the hypothesis of “branding can be a source of competitive advantage for companies” are as the following:

- 1) Branding provides valuable functions to firms enabling the adaption of differentiation-based positioning strategies²⁴¹ that lead to competitive advantages based on non-price competition. **Differentiation** is key for competitive positioning strategies as suggested by Porter.²⁴²
- 2) One key component of branding is **positioning**, and the essence of brand positioning is that the brand has "unique selling proposition" that gives consumers a compelling reason for buying that particular brand,^{243, 244} by creating a barrier for the competitors' offerings.
- 3) **Knowledge, values and beliefs** are resources that create sustainable competitive advantage insofar as they are valuable, rare and difficult to imitate,²⁴⁵ but also because of their influence on information processing and behaviour.²⁴⁶

Maria Joao Louro and Paulo Vieira Cunha considered that if the assumption presented is true (brands constituting pivotal resources for generating and sustaining competitive advantage), then "brand management comprises the process and locus for capitalizing and realizing brand value, i.e. transforming it in superior market performance". Therefore, brand management constitutes a

²⁴¹ Ambler and Styles (1995) in Louro and Cunha (2001) p. 851

²⁴² Porter (1985)

²⁴³ Aaker, David. "Positioning Your Product". *Business Horizons*. V. 25 (1982), May/June, p. 56-62

²⁴⁴ Riest, Al; Trout, Jack. *Positioning: The Battle for Your Mind*. New York: McGraw Hill, 1981, p. 5.

²⁴⁵ Barney (1986)

²⁴⁶ Ginsberg, Ari. "Minding the competition: From mapping to mastery." *Strategic Management Journal*. Vol. 15 (1994), S1, p. 153-174.

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central organizational competence that must be understood, nurtured and developed.²⁴⁷

²⁴⁷ Louro and Cunha (2010) p. 850

3.2 Value

Introduction

In order to understand the topic of this research, brand value co-creation, difficult questions arise: What is value? What exactly do customers value? What are the sources of value for consumers? As the special focus of this research, a new question also needs to be solved: How is value co-created?

The aim of this section is to provide a through exploration of all of these questions and to identify key elements of the brand value co-creation process for our framework.

Value creation

Growth and value creation have become increasingly more dominant themes for managers in recent years.²⁴⁸ Why is the understanding of how value is created important? Taking the work of Woodruff as a reference, this understanding can shape manager's mental models of their customers and moreover, these mental models can guide actions taken to achieve superior customer value delivery performance.²⁴⁹

In the conventional value creation process, marketers, typically manufacturers, saw what they believed to be a customer need, creating what they believed would create customer value through use, and then, tried to find buyers who wanted that value. The assumption was that if sufficient value was built into the product that the buyer could extract, it would justify the price asked.²⁵⁰

²⁴⁸ Prahalad and Ramasway (2004) p. 5

²⁴⁹ Woodruff (1997) p. 146

²⁵⁰ Schultz, Don. "Flipping the Value Creation Model." *Journal of Creating Value*. Vol. 2 (2016b), no. 2, p. 155-159.

In this context, companies and consumers have different roles in production and consumption. Products and services have value and markets interchange their value between the producer and the consumers and the value creation happened outside of markets.²⁵¹

From the brand management perspective, the brand creation process has been thought of in terms of senders- receivers, and producers-consumers. The consumers have been, to a larger extent, constructed and understood as mere passive recipients of the marketers' brand management activities,²⁵² which consequently affects, and is mirrored in, the theories and knowledge produced about brands through brand management research.²⁵³ The creation of value is seen as a vertical and top-down process where consumers receive messages and information from the company.²⁵⁴

Digital media has radically changed the role of the consumer in the brand value creation process, providing new tools to reinforce their power. According to Prahalad and Ramaswamy the role of the consumer has changed from isolated to connected, from unaware to informed, from passive to active. The impact of the connected, informed, and active consumer is manifested in many ways. As the model moves towards co-creation, this distinction between producers and consumers disappears.

Brands are not only the result of the company's strategy, but a social construct created by the interaction of the consumers with the company, and by them together. The consumer's co-creation becomes the basis of value.²⁵⁵

Before, firms created and added value to products for consumers, now, however, "the firm can only make and follow through on value propositions".²⁵⁶ This means

²⁵¹ Prahalad and Ramasway (2004) p. 5

²⁵² Sazer-Mörling, Miriam; Strannergård, Lars. "Silence of the Brands". *European Journal of Marketing*. Vol. 38 (2004), p. 224-238.

²⁵³ Bertilsson (2009) p. 3

²⁵⁴ Lindstrom, Martin. *Brand Strength*. New York: Free Press, 2005, p. 7

²⁵⁵ Prahalad and Ramasway (2004) p. 4-9

that a company cannot create value itself, but a proposition that can be valued by the consumers. This is the basis of the brand value co-created by firms and consumers.

Taking the work of Bertilsson²⁵⁷ as an initial basis for this research, “a more encompassing brand value understanding should involve not just an understanding of the marketing activities created by the company but it should also include the value co-created by the consumers”.

Service-dominant logic is the theory that explains the value creation from this perspective. According to this logic the creation of value now results from a joint production process involving both the company and the consumer^{258,259 260} and the firm gains financial value by creating propositions that generate value for consumers.²⁶¹

The framework and terminology used in this study to understand value, value creation, co-creation, brand creation and brand co-creation is therefore taken from the context of Service-Dominant logic.

The value creation process

Value creation represents a key aspect of consumer-brand relationships and it is a frequently used concept both in the professional and the academic arena.

²⁵⁶ Vargo and Lusch (2004)

²⁵⁷ Bertilsson, (2009) p. 10-11

²⁵⁸ Vargo, Stephen L.; Lusch, Robert F. “Service-Dominant Logic: What It Is, What It Is Not, What It Might Be”. In: R.F. Lusch and S.L. Vargo (eds) *The Service-Dominant Logic of Marketing: Dialog, Debate, and Directions*. Armonk, NY: ME Sharpe (2006), p. 43–56.

²⁵⁹ Merz, He, and Vargo (2009) no. 3, p. 328-344

²⁶⁰ Prahalad and Ramaswamy (2004) p. 5

²⁶¹ Neal, William; Ron Strauss. "A Framework for Measuring and Managing Brand Equity." *Marketing Research*. Vol. 20 (2008), p. 6-12.

However, Grönroos²⁶² affirms “we know very little about the process of value creation, when it starts, what it includes, when it ends”.

According to this author, the concept of value for customers needs to be understood as value-in-use, as “value creation can not mean anything other than the customer’s or any other user’s experiential perception of the value-in-use that emerges from usage or possession or resources, or even from mental states”. From this perspective, value as value-in-use cannot exist before it is created (or before it emerges) from the usage/experimentation process, where it is accumulated, and therefore cannot be assessed before this usage/experience.²⁶³

In his value theory, Aristotle already discussed and defined value-in-use or use value, as identified by Gordon: “Aristotle treats use value as subjectively experienced benefit”.²⁶⁴

From this perspective, the firm is in charge of the value-creating process and the customer is invited to join as a co-creator, which, according to Grönroos, contradicts the marketing concept “as the process of adapting an organization to meet the needs of customers”.²⁶⁵

Grönroos and Raval²⁶⁶ propose a value creation process where the firm is responsible for the production process (development, manufacturing, delivery, back-office, front-office...) that also creates resources and processes for customer use. In this way, the firm facilitates the customer’s value creation. By providing potential value-in-use, the firm can be characterized as a value

²⁶² Grönroos (2011) p. 282

²⁶³ Gyrd-Jones, Richard; Kornum, Niels. “Managing the co-created brand: Value and cultural complementarity in online and offline multi-stakeholder ecosystems”. *Journal of Business Research*. Vol. 66 (2013), no. 9, p. 1484.

²⁶⁴ Gordon, Barry. J. “Aristotle and the Development of the Value Theory”. *Quarterly Journal of Economics*. Vol. 78 (1964), no.1 p. 117-118.

²⁶⁵ Grönroos (2001) p. 288

²⁶⁶ Grönroos and Raval (2011)

facilitator. Activities performed by the firm in this sphere facilitate the customer's value creation. In the customer sphere, the role of the customer is to create value, which is accumulated over time.²⁶⁷

Although this value creation process implies linearity, the provider and customer spheres can actually converge and occur in almost any order and sequence. Value-in-use is customer-driven and accumulates over time in the customer's sphere, which means that value is created in different spatial and temporal settings.²⁶⁸ As value-in-exchange does not necessarily exist in at one given point in time, but as multiple singular entities, co-creation definition by Ramaswamy is especially significant in this sense: "Co-creation is the process by which mutual value is expanded together". The firm and the consumer feed on each other creating a cycle of brand value creation. This synergic process is exemplified in Figure 6.

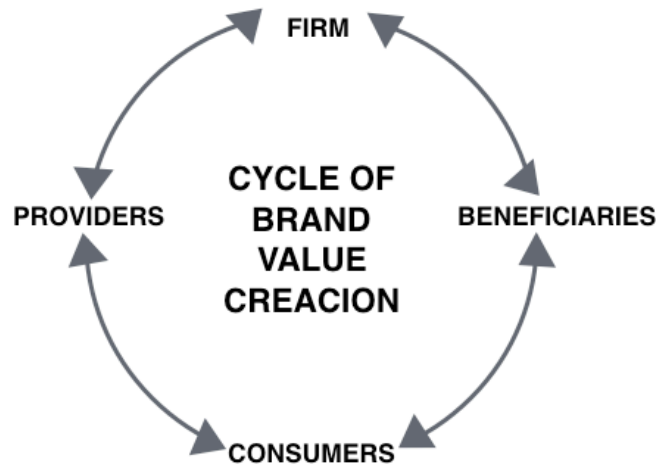


Figure 6. Cycle of brand value creation (compiled by the author)

It can be seen from figure 6 both consumers and the firm are beneficiaries and providers of brand value creation.

²⁶⁷ Grönroos (2008)

²⁶⁸ Grönroos and Voima (2013) p. 137

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3.2.1 Definition of value

The concept of value is essential in management literature²⁶⁹ however it is a difficult concept to define. Value is perhaps the most ill-defined and elusive concept in marketing and management,²⁷⁰ and there is no unique definition of value as it can mean different things and has different dimensions.²⁷¹ Typically, in the literature value concepts imply some form of assessment of benefits against sacrifices.²⁷² The difficulty in its definition is due to the subjective component of value, as it can be considered as the result of an internal perception process.

Value is most generally defined as a measure of worth, which is most often expressed as benefit minus costs.²⁷³

$$\text{Value} = \text{Benefit} - \text{cost}$$

Value is such a rich polysemic concept that an exploration is needed to identify all the elements that construct this concept. Baldauf defines value as the right to receive future benefits beginning at that particular time point.²⁷⁴ Similarly, Kapferer defines brand value as the net discounted cash flow attributed to the brand after paying the cost of capital invested to produce and run the business and the cost of marketing.²⁷⁵ According to Pongsakornrungrungsilp, value is a core component in social interaction.²⁷⁶ Holbrook defined value as “the interactive relativist preference experience”.²⁷⁷

²⁶⁹ Woodruff (1997) p. 143

²⁷⁰ Woodall (2003) in Grönroos (2011)

²⁷¹ Vargo and Lusch (2004)

²⁷² Grönroos (2011) p. 281-282

²⁷³ Neal (2008) p. 1

²⁷⁴ Baldauf, Cravers and Binder (2003) p. 235-258

²⁷⁵ Kapferer (2008) p. 1

²⁷⁶ Pongsakornrungrungsilp (2010) p. 16

²⁷⁷ Holbrook, Morris. B. “Nature of customer value – an axiology of services in the consumption experience”, In Rust, R.T., Oliver, O.R. (Eds). *Service Quality: New directions in theory and practice*. CA: Sage, Thousand Oaks, 1994, p. 27.

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3.2.3 Co-creation of value

Introduction to the study of co-creation

Alves et al.²⁷⁸ conducted a study to classify research about value co-creation by the year of publication and by the field of application.

Although from 2003 onwards articles are published every year, only after 2007 does an exponential increase in article publications begin to emerge (see figure 7).

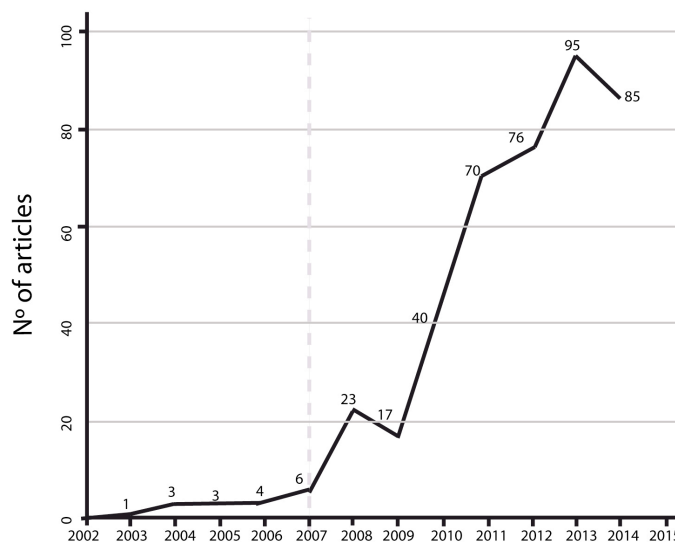


Figure 7. Number of academic publications on value co- creation (Alves et al.)

Main fields of application and approaches to studying co-creation can be discussed in 4 clusters:

- Cluster 1. Co-creation from a logic of business innovation. Main authors: Edvardsson et al.,²⁷⁹ Grönroos and Ravald²⁸⁰, Grönroos and Voima²⁸¹,

²⁷⁸ Alves, Helena; Fernandez, Cristina; Raposo, Mario. “Value co-creation: Concept and contexts of application and study”. *Journal of Business Research*. Vol. 69 (2016) no. 5, p. 1626-1633.

²⁷⁹ Edvardsson et al. (2011)

²⁸⁰ Grönroos and Ravald (2011)

Grönroos²⁸², Lee et al.²⁸³, Payne et al.²⁸⁴, Vargo and Lusch²⁸⁵, Zhang and Chen²⁸⁶, among others.

- Cluster 2. Co-creation and new product-service development. Kozinets et al.²⁸⁷, Brodie et al.²⁸⁸, Fueller²⁸⁹, Fournier and Avery²⁹⁰, Cova²⁹¹, among others.
- Cluster 3. Co-creative experience and loyalty. Edvarsson et al. and Arnould²⁹² among others.
- Cluster 4. Co-creation and relational marketing. Cova and Payne among others.

It is relevant to discover that in any of these clusters brand and branding has been mentioned.

Value co-creation (VCC) has gained the attention of academics and practitioners as an overarching concept that describes collaboration between multiple stakeholders. Fuelled by the influential study by Vargo and Lusch (2004) about the co-creative Service-dominant logic of marketing, research interest in VCC has grown in recent years.²⁹³

²⁸¹ Grönroos and Voima (2013)

²⁸² Grönroos (2008)

²⁸³ Lee, Olson and Trimi (2012)

²⁸⁴ Payne et al. (2008)

²⁸⁵ Vargo and Lusch (2008)

²⁸⁶ Zhang Jing; He, Yong. "Key dimensions of brand value co-creation and its impacts upon customer perception and brand performance. An empirical research in the context of industrial service". *Nankai Business Review International*. Vol. 5 (2014) no. 1 p. 43-69.

²⁸⁷ Kozinets, et al. (2008)

²⁸⁸ Brodie et al. (2006)

²⁸⁹ Fueller, Johann, Schroll, Roland, Dennhardt, Severin and Hutter, Katja. "Social brand value and the value enhancing role of social media relationships for brands." In *System Science (HICSS), 2012 45th Hawaii International Conference on*. IEEE, 2012, p. 3218-3227.

²⁹⁰ Fournier, Susan; Avery, Jill. (2011). "The uninvited brand". *Business Horizons*. Vol. 54 (2011) no, 3, p. 193–207.

²⁹¹ Cova, Bernard; Dalli, Daniele. "Working consumers: the next step in marketing theory?." *Marketing Theory*. Vol. 9 (2009), no. 3, p. 315-339.

²⁹² Arnould and Thompson (2010)

²⁹³ Rakesh, Kumar; Stuart, Read. Value co-creation: concept and measurement. *Journal of the Academy of Marketing Science*, Vol. 44 (2016), no. 3, p. 290.

Co-creation is a rapidly emerging area of research. However, there is a lack of understanding as to how organizations use co-creation to build relationships and generate value.²⁹⁴

Marketing theory and practice is increasingly moving away from understanding value as produced in isolation from consumers toward perceived value as something that firms, consumers and other stakeholders co-create in collaboration.²⁹⁵

Explanation of the concept of co-creation

Co-creation can be defined as the commercial practice of developing insights, brands, products and other forms of intellectual property or activity via collaboration with external consumers.²⁹⁶

Consumer co-creation is a dominant force in business today. The concept is an extension of the idea developed by researchers interested in user-driven product innovation.²⁹⁷ As co-creation was proven to increase value, the phenomenon gathered considerable attention outside the innovation field, from which it spread to marketing and more recently to branding.²⁹⁸

Consumer co-creation extends notions of user driven product innovations to refocus the business around customer value creation in a dialogic relationship between the firms and its consumers. The term co-creation is therefore confused with crowdsourcing, a term coined in 2006 for the intent of taking a function

²⁹⁴ Ind, Iglesias and Schultz (2013) p. 5

²⁹⁵ Skålén, P.; Pace, Stefano; Cova Bernard. "Firm-brand community value co-creation as alignment of practices". *European Journal of Marketing*. Vol. 49 (2015), Issues 3/4, p. 596.

²⁹⁶ Muscroft and Needham (2011)

²⁹⁷ Prahalad and Ramaswamy (2004) p. 6

²⁹⁸ Hatch, Mary Jo; Schultz, Majken. "Toward a theory of brand co-creation with implications for brand governance". *Journal of Brand Management*. Vol. 17 (2010), no. 8, p. 591

traditionally performed by employees and outsourcing it to a large community of people in the form of an open brief.²⁹⁹

When reading about co-creation, very often it seems as if it is all about giving a pen and paper to your consumers and to ask them for ideas without risking losing control of the brand. According to Prahalad, the company does not have monopoly over control any more and therefore it is not about asking your consumers to “do your homework”, but rather to listen to improve “yours”.³⁰⁰

The challenge this introduces is far more fundamental for firms. It involves the co-creation of value through interactions that are meaningful, relevant and tailored to a specific consumer. This is the base of unique value for each individual. From this perspective, the market begins to resemble a forum organized around individuals and their co-creation experiences rather than “around passive pockets of demand for the firm’s offering”.³⁰¹ “This is the high time for understanding the co-creation process from the both consumer’s and company’s side”.³⁰²

What is the outcome of the consumer’s changing role? The manufacturers are no longer the sole creators of value, but instead the creation of value becomes a collaborative process shared with the consumer.³⁰³ Companies can no longer act autonomously, designing products, developing production processes, crafting marketing messages, and controlling sales channels with little or no interference from consumers. Consumers now seek to exercise their influence in every part of the business system. Armed with new tools and dissatisfied with available

²⁹⁹ Muscroft, Job; Needham, Andrew. *Managing Co-Creation. WARC Best Practice*. [Online] WARC. 2011, <<http://www.warc.com/Content/ContentViewer.aspx?MasterContentRef=9d3b26ed-d3c2-4d2d-b6f9-be912f288c28&q=Managing+co-creation>> [Accessed May 2011]

³⁰⁰ Prahalad and Ramaswamy (2004) p. 4-9

³⁰¹ Prahalad and Ramaswamy (2004) p. 6

³⁰² Paul, Soumi; Peretti, Paola; Datta Saroj Kumar. "The emerged trends in consumers' co-creation: a conceptual framework for extending or creating the brand." *Journal for International Business and Entrepreneurship Development*. Vol. 9 (2016), no. 2, p. 192.

³⁰³ Kristal, Samuel; Henseler, Jörg. “Is co-creation really a booster for brand equity? The role of co-creation in observer-based brand equity (OBBE)”. *Journal of Product & Brand Management*. Vol. 25 (2016), no. 3. p. 248.

choices, consumers want to interact with companies and thereby co-create value. The use of interaction as a basic for co-creation is at the crux of our emerging reality.³⁰⁴

Therefore, brands can't work with a pre-packaged discourse anymore. They need to be available for dialogue and a continual interaction with the consumer, preserving the authenticity of their positioning, but adapting this positioning to new manifestations of the brand.³⁰⁵

Fournier suggests the term "brand-as-partner", whereby both partners "must collectively affect, define, and redefine the relationship".³⁰⁶

What are the theoretical bases for the co-creation process?

Co-creation has antecedents in literature theory, organizational development and software design. The modern idea of co-creation derives from three areas: the adoption of internet and communications technologies from the 1990s onwards, companies seizing opportunities of participation with customers, and the increasing emphasis on the exchange of intangible within the discipline of marketing.

According to sociological studies, post-modern individuals are on a never-ending identity quest: a quest to define the meaning of their lives.³⁰⁷ As a result, a tribal brand culture is emerging, "where brands are selected by consumers based on attitude and in-depth knowledge about the authenticity of a product where these brands become the ultimate expression of self". In this context, the consumers "express the sense that they made the brand".³⁰⁸ This idea confirms the

³⁰⁴ Prahalad and Ramaswamy (2004) p. 4

³⁰⁵ Mayumi, C.; Paiva, F. "Brands and Consumers Co-Creation: A Collaboration Panel". *ESOMAR Qualitative November 2009*. November, 2009, p. 1

³⁰⁶ Fournier (1998) p. 343

³⁰⁷ Firat and Dholakia (1998) in Cova (2009) p. 316

³⁰⁸ Cova and Dalli (2009) p. 316

hypothesis of this research, as the company does not own the brand, but the brand “belongs to consumers”.³⁰⁹

Vargo and Lusch posit that marketing is evolving towards a new logic, which they identify as the Service-Dominant logic, shifting the focus from tangible to intangible resources, from frozen value to co-created value and from transactions to relationships.³¹⁰

This logic renders customer endogenous to value creation by arguing that value is always co-created with customers and other stakeholders, rather than unilaterally created by the firm and then distributed. This view represents a shift from the conceptualization of brand as a construct solely made by the company to a collaborative, value co-creation activity of a company and all of their stakeholders. This shift in brand logic brings a new understanding of brand value, which is defined in terms of the perceived use value determined collectively by all stakeholders.³¹¹

Taking the research developed by Cova³¹² as a starting point, we have found several ways in which consumers co-create brand value with the firms:

- 1) **Consumption experience:** Consumer co-creates value with the firm by experimenting with the product. Holt³¹³ explains that consumers become the main builders and co-creators of the consumption experience.

- 2) **Co-production at the service encounter:** The more the customer is involved in the process of service production and delivery, the greater the perceived value and satisfaction.³¹⁴

³⁰⁹ Cova and Dalli (2009) p. 317

³¹⁰ Vargo and Lusch, (2004) p. 1

³¹¹ Vargo and Lusch (2004) p. 1-2

³¹² Cova and Dalli (2009) p. 317

³¹³ Holt (2002)

3) **Consumer resistance:** Resistant behaviours, even antagonist ones, can be regarded as “constructive” as they give rise to new business opportunities and market value. They can be a transformative element, which might profit the investing companies. Following this line of thought, the product is no longer the company’s property; it can be transformed (even hijacked).³¹⁵

Vargo’s work also explains this subject:

Whereas goods-dominant logic views the “producer” as the creator of value and “consumer” as a user or value, service-dominant logic views both as “resource integrators” that co-create value. The customer is an operand resource, rather than an operand resource (i.e. target). Thus, S-D logic embraces a process-oriented logic (marketing with) which emphasizes value-in-use in contrast to the traditional output-oriented models (marketing to), which see value in terms of value-in-exchange. Therefore S-D acknowledges that value is always uniquely and phenomenologically determined by the beneficiary and it uniquely integrates resources of the provider with other market-facing, public, and private resources, thus, what might be considered “value-in-context”. This implies that exchange is relational and that companies cannot deliver value but only make value propositions. Taken together, these foundational premises imply that value must be understood in the context of complex networks that are part of dynamic service ecosystems, comprising not only companies and customers but their contextual communities and other stakeholders”.³¹⁶

Consumer Culture Theory sees the co-creation of value in terms of a cultural framework that focuses on how consumers perceive, interpret, understand and interact with the market offering.³¹⁷

Value co-creation is not only a key concept within service marketing and business management but also a term that commonly describes a shift in

³¹⁴ Solomon, Michael R., et al. "A role theory perspective on dyadic interactions: the service encounter." *The Journal of Marketing*. (1985), p. 99-111.

³¹⁵ Holt (2002)

³¹⁶ Vargo and Lusch (2004) p. 3

³¹⁷ Holt (2002)

considering organization as a definer of value to a more participative process in which people and organizations together generate and develop meaning.³¹⁸

Value creation should no longer be a process taking place during manufacturing but something that consumers govern in their own consumption context.^{319,320}

³¹⁸ Ind and Coates in Alves, Fernandes and Raposo (2016) p. 1626

³¹⁹ Grönroos (2008)

³²⁰ Vargo and Lusch (2004 and 2008)

3.3 Branding

The history and evolution of branding

From the brand management paradigm, brand conceptualization has evolved from a one-dimensional approach, initially focused on the role of brands as legal instruments and visual identification devices, towards a multidimensional view that emphasises the holistic conception of brands as having functional, emotional, relational and strategic dimensions.³²¹

The process of branding initially acted as a promise of consistency and quality for consumers and as a means by which a firm could differentiate its goods or services from those of its competitors.³²² According to Wintrob, the concept of branding originated more than 4,000 years ago with the Egyptians, who had special marking on their tombs to indicate identity. “Throughout history, tribal affiliations, coats of arms, flags and myriad of other tangible indicated did the work of today's brands – communicating to audiences who they were, what they did, and even what they believed”.³²³

Later on in history, unique benefits that brands offered to consumers started created value by adding potential and enable them to sustain a price premium over their commodity form.³²⁴ It was during the 1950s and the 1960s, when most of our current knowledge of brands and management theory originated. Marketers started focusing on building brands around their "personalities", namely embedding brands with values and feelings in order to distinguish them from competitors.³²⁵

³²¹ De Chernatony and Dall’Olmo Riley (1998)

³²² Aaker, (1996)

³²³ Wintrob, Michael. “Brand Building for the New Millennium”. *Design Management Review*. Vol. 27 (2016), Issue 2, p. 36-42p. 2

³²⁴ De Chernatony, Leslie; McDonald, Malcolm. *Creating Powerful Brands*. 3rd Ed. Oxford: Butterworth Heinemann, 1992.

³²⁵ Lindstrom (2005) p. 7

From the Consumer Culture Theory point of view, the meanings of brand and branding have evolved over the past several decades and they became a part of our culture and lives. Branding is, in this context, a pivotal societal construct, as little remains unbranded in today's world.³²⁶

Bertilsson³²⁷ proposes several reasons why the general public is adopting the concept of branding as something of great relevance and importance:

- a) The powerful marketing discourse emanating from the rise of the marketing management discipline during the second half of the twentieth century and the development of a global economy.
- b) The development of the media culture. Consumer goods are heavily mediatized by co-adopting images, symbols and discourses that are exposed to consumers by magazines, television, radio, Internet and advertising.
- c) The development of a consumer culture.

From the Service-dominant logic point of view, the evolution of the brand logic has occurred in the following time periods:³²⁸

- The early 1900s: When the marketing literature viewed brands and products as identifiers embedded with brand value, as the fundamental unit of exchange.
- 1930-1990: The value-focus brand era, when brands were seen as images: perceptions that companies create to enhance their competitive advantage.

³²⁶ Nebojsa, Davcik; Vinhas Da Silva, Rui; Hair, Joe. "Towards a unified theory of brand equity: conceptualizations, taxonomy and avenues for future research." *Journal of Product & Brand Management*. Vol. 24, (2015), no 1, p. 3-17.

³²⁷ Bertilsson (2009) p. 3

³²⁸ Merz, He & Vargo (2009) p. 330-338

- 1990-2000: The relationship-focus brand era, with Aaker, Kapfer, Keller, De Chernatony and King as the main academics of the period, where the customer is seen as a significant element in the brand value creation process.
- 2000 – currently: Can be defined as the stakeholder-focus brand era: Brand as a dynamic and social process. Not only individual customers but also brand communities and all stakeholders constitute operant resources for the brand. In this era, the brand creation process is a continuous, social and highly dynamic and interactive process between the company, the brand and all stakeholders.

According to Merz, “the meaning of brand and branding have been evolving over the last decades. This evolution is converging on a new conceptual logic, which views brand in terms of collaborative, value co-creation activities”.³²⁹

³²⁹ Merz, He and Vargo (2009) p. 328

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3.3.1 Brand definitions

Kotler, Keller et al. presented a definition of branding for the American Marketing Association, which has remained relatively unchanged for some time now as:

A name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors". These individual brand components are here called "brand identities" and their totality "the brand."³³⁰

In a 1998 study based on the literature review and interviews with 20 leading brand consultants, De Chernatony, and Dall'Olmo identified numerous definitions of the brand which were synthesised into twelve main themes that represent a categorisation of the most important propositions in branding literature: Brand as i) legal instrument, ii) logo, iii) company, iv) shorthand, v) risk reducer, vi) identity system, vii) image in consumer's mind, viii) value system, ix) personality, x) relationship, xi) adding value, and xii) evolving entity.

De Chernatony and Dall'Olmo used these twelve themes to set the boundaries of their own brand construct: "as a multidimensional construct, matching a firm's functional and emotional values with the performance and psychosocial needs of consumers".³³¹ The implications of this definition are numerous for managers: Building brands as value systems necessitates going beyond short-term promotions, increasing awareness and looking for temporary gains in market share. It requires a longer-term commitment to build on values that are fine tuned to match consumers' needs.

From an economic perspective, D. Aaker explains that brands "represent enormously valuable pieces of legal property, capable of influencing consumer

³³⁰ Kotler et al. (2009) p. 861.

³³¹ De Chernatony and Dall'Olmo Riley (1998) p. 417

behaviour, being bought and sold, and providing the security of sustained future revenues to their owner".³³² From the same perspective, Arvidsson describes brands as "forms of immaterial capital that are placed on the balance sheet as an intangible asset that may generate or add to the company".³³³

Al Ries, writer of the important marketing management books "Positioning, the battle for your mind" and "The 22 immutable laws of branding", defines what makes a brand from the positioning point of view: "*A singular idea or concept that you own inside the mind of the prospect.*"

Similarly, according to Dyson et al.³³⁴ "brands exist in the minds of their potential consumers and what those consumers think of a particular brand determines the value it has to its owner". A brand's foundations are, therefore, composed of peoples' intangible mental associations about it. In placing a value on a brand, we are placing a value on the strength and resilience of those associations.

For De Chernatony, a brand can be regarded as a cluster of functional and emotional values that promises a unique and welcomed experience.³³⁵ Brand is regarded as a promise of the next experience a person will have with a product or service.³³⁶ Moreover, for Keller "differences between brands may be functional, rational or tangible - related to product performance of the brand. They may also be more symbolic, emotional or intangible - related to what the brand represents".³³⁷

³³² Aaker (1996)

³³³ Arvidsson, A. "Brands: A critical perspective", *Journal of Consumer Culture*. Vol. 5 (2005), p. 235

³³⁴ Dyson, Paul; Farr, Andy; Hollis, Nigel S. "Understanding, measuring, and using brand equity". *Journal of Advertising Research*. Vol. 36 (1996), no. 6, p. 9-22.

³³⁵ De Chernatony and McDonald (1992) p. 4

³³⁶ Wintrob (2016) p. 2

³³⁷ Keller, Kevin Lane. "Brand synthesis: The multidimensionality of brand knowledge." *Journal of Consumer Research*. Vol. 29 (2003), no. 4, p. 596.

For Ruževičiūtė, the brand is not just a static combination of different attributes allowing an identification of goods, but also the physically implicit emotional factor.³³⁸

Agres and Dubitsky³³⁹ link brand to value for the consumer: “The brand is a set of differentiating promises that links a product to its customers. The brand assures the customer of consistent quality plus superior value”.

Franzen and Bowman establish a definition that can act as a bridge between branding and neuroscience: “a brand is a network of associations with a (brand) name in the brain of a person. According to this perspective, brands “are pieces of information, meanings, experiences, emotions, images, intentions, etc., interconnected by neural link of varying strength”.³⁴⁰

Brand can also be understood as a “relational partner” for the consumer.³⁴¹ From this perspective, brands have an intrinsic role in the customer’s life and in the relationship they form with customers. This focus contributes to an understanding that brand value co-creation is relational and thus requires a process orientation, rather than an output orientation, similar to S-D logic, as it will be explained in further sections of this work.³⁴²

³³⁸ Ruževičiūtė and Ruževičius (2010) p. 719

³³⁹ Agres, Stuart J., and Tony M. Dubitsky. "Changing needs for brands." *Journal of Advertising Research* 36, no. 1, (1996) p. 21-30.

³⁴⁰ Franzen, Giep, and Margot Bouwman. *The mental world of brands: Mind, memory and brand success*. Henley-on-Thames, Oxfordshire: World Advertising Research Centre, 2001.

³⁴¹ Fournier (1998)

³⁴² Merz, He and Vargo (2009) p. 335

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3.3.2 Importance of brands and branding

Corporate attention to branding has increased steadily and significantly since the publication of Aaker's (1991) seminal work on the power of brands.³⁴³ Brands are recognized as a "firm's most valuable assets"³⁴⁴ and "key organizational assets"³⁴⁵ and therefore managers are urged to intensify the level of resources directed towards building them.³⁴⁶ Companies are increasingly recognizing that brands are among their most valuable assets³⁴⁷ and are, therefore, intensifying the level of resources directed toward building them. This is causing marketing scholars to rethink the logic of brand and branding.³⁴⁸

Aaker writes that: "powerful forces are fuelling the continuing interest in brands. Overcapacity, vicious price competition, the proliferation of similar products, and powerful retailers are only some factors that make brand building imperative".³⁴⁹

At a time of global economical integration and competition becoming stronger, effective management of quality and its means of identification (trade and quality marks, brands, etc.) becomes one of the most important factors of company activity success in national, regional and world markets.³⁵⁰

As Philip Kotler, professor of international marketing at the Kellogg School of Management of Northwestern University and one of the leading authors in marketing argues: "The art of marketing is the art of brand building. If you are not a brand you are a commodity. Then price is everything, and the low-cost producer is the only winner".³⁵¹

³⁴³ Doyle, Peter. *Marketing Management and strategy*. 2on Ed. London: Prentice Hall, 1998. p. 384

³⁴⁴ Simon and Sullivan (1993)

³⁴⁵ Louro and Cunha (2001) p. 849

³⁴⁶ Merz, He and Vargo (2009) p. 328

³⁴⁷ Simon and Sullivan (1993) p. 28

³⁴⁸ Vargo and Lusch (2004) p. 11

³⁴⁹ Aaker and Joachimsthaler (2000) p. ix

³⁵⁰ Ruževičiūtė and Ruževičius (2010) p. 719

³⁵¹ Kotler, Philip. *Kotler on Marketing*. New York: Simon & Schuster (2012) p. 63.

The primary capital of many businesses is their brands. The notion that a brand has an equity that exceeds its conventional asset value can be confirmed by the money paid to acquire strong brand names (e.g. Procter and Gamble paid 2.6 times Richardson-Vicks' book value, Nabisco was for 3.2 times of the book value and General Foods was sold for 3.5 times of book value).³⁵²

In her article "Brand valuation", Rita Clifton, former Chairman of Interbrand and former president of the Market Research Society (among other significant positions) declares: "Looking at the economic importance of brands on an international stage, the 100 most valuable brands in 2008 were worth over \$1.2 trillion, which would make them the 11th biggest 'country' in the world by Gross Domestic Product (GDP), ahead of India and just behind Brazil".³⁵³

The brand for a company is the source of surplus value and competitive advantage.³⁵⁴ This is why it is necessary to execute permanent and systematic brand management that encompasses a deep understanding of versatile brand concepts along with the factors determining the overall brand equity.

The view that building strong brands is a crucial strategic issue for companies aiming for excellence, stems also from the realization that products are made in a factory, that they may be imitated or copied by a competitor, and can be swiftly out-dated, while a brand is unique and can be timelessly successful.³⁵⁵ Brand managers realize that parity exists in most categories as a result of "copy cat" or look-a-like advertising and the proliferation of me-too brands.^{356,357} Therefore,

³⁵² Motameni, Reza; Shahrokhi, Manuchehr. "Brand equity valuation: a global perspective". *Journal of product & brand management*. Vol. 7 (1998), no 4, p. 275-290.

³⁵³ Clifton, Rita. "Brand Valuation: From Marketing Department to Boardroom". *Market Leader*. Vol. 2 (2009), no. March, p. 1-6.

³⁵⁴ Ruževičiūtė and Ruževičius (2010) p. 719

³⁵⁵ Stephen King WPP Group London in Aaker (1991) p. 7

³⁵⁶ Aaker (1991)

³⁵⁷ Cobb-Walgreame et al, (1995)

differentiation and creation of brand value is becoming increasingly more relevant.

Benefits of brands

There is an extensive academic literature on the benefits of brands:

- Risk reduction (Keller).³⁵⁸
- Reduction of search cost (Backhaus et al.).³⁵⁹
- Signalling quality (Erden and Swait).³⁶⁰
- Providing symbolic value (Fournier).³⁶¹
- Product divergence through differentiation (Urde).³⁶²
- Media cost reduction through developing a relevant positioning
- Markets integration by easing the way to internationalization (Urde).³⁶³
- Evokes status (Backhaus).³⁶⁴

Louro and Cunha³⁶⁵ identify that brands are valuable functions to firms in their analysis of previous research on branding such as:

- Allow the adoption of differentiation-based positioning strategies (Ambler and Styles 1995);
- Increase the efficiency of its marketing activities through economies of scale (Demsetz 1973) and scope (Wernerfelt 1988);

³⁵⁸ Keller (1998)

³⁵⁹ Backhaus, Steiner and Lügger (2011)

³⁶⁰ Erden and Swait (1998)

³⁶¹ Fournier (1991)

³⁶² Urde (1994) p. 20

³⁶³ Urde (1994) p. 20

³⁶⁴ Backhaus, Steiner and Lügger (2011)

³⁶⁵ Louro (2001) p. 852

- Create shareholder value (Kerin and Sethuraman 1998);
- Protect their market position by increasing barriers to entry (Karakaya and Stahl 1989);
- Support growth (Broniarczyk and Alba 1994) and innovation (de Chernatony and Dall'Olmo Riley 1998);
- Facilitate decision-making (Jacoby and Kyner 1973);
- Attenuate search cost (Jacoby, Szybillo and Busto-Scach 1977).

New challenges in branding

The brand manager's duty is the creation of brand equity from selected marketing mix elements and other managerial actions and processes. Therefore it is of great importance to know which marketing mix elements and processes contribute the most to this value. New technologies and the 2.0 consumers represent both challenges and tools to expand the sources of brand value creation. This new situation forces brands to remain relevant in an increasingly connected and competitive environment. 2.0 consumers will be explained in further sections of this work.

3.4 Brand value and brand equity

What are the differences between brand equity and brand value? Most of the literature illustrates both concepts as being synonymous: however, this study will put the important differentiations forward. As a start, according to Neal and Strauss³⁶⁶ “although for most people brand value and brand equity are interchangeable and equal entities, they are not”.

Brand equity is understood as one of the components of brand value. To understand the correspondence between brand value and brand equity we take the brand value equation from Neal.³⁶⁷ Figure 8 illustrates brand equity as one of the components of brand value, and the main component to be co-created with other stakeholders. Although stakeholders can be included in the co-creation of new products; price, product, service benefits and channel benefits remain mostly in control of the company.

This brand value equation provides a preference structure for guiding the customer in making a choice between a competitive set of offerings. This represents a strategic framework for successfully competing in the marketplace.

It also helps to understand which aspect of the brand value equation weigh more in the final consumer's final choice criteria. For example, for some categories of product, price is the main buying criteria, in others, the product / service itself is the main criteria. For less utilitarian and more symbolic product, brand equity is the main criteria for brand choice.

³⁶⁶ Neal and Strauss (2008)

³⁶⁷ Neal and Strauss (2008) p. 9

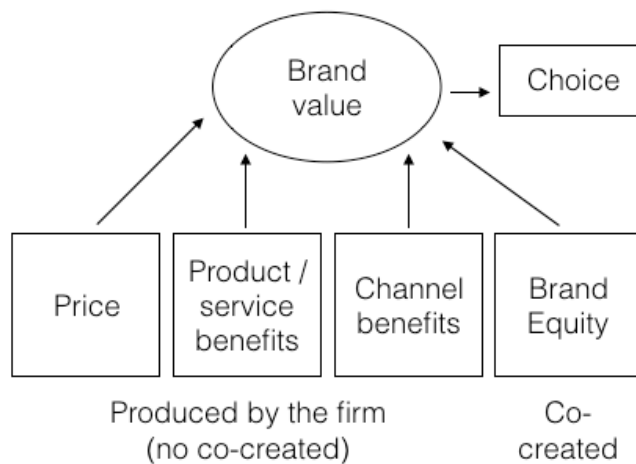


Figure 8. The brand value equation (adapted from Neal)

Taking Neal's framework as a starting point, we can define brand value as "the perceived brand utility relative to its costs, assessed by the consumer and based on simultaneous considerations of what is received and what is given up to receive it"³⁶⁸ and as "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given".³⁶⁹

In opposition to brand value, brand equity "denotes the added value endowed by the brand to the product as a result of past investments in the marketing for the brand".³⁷⁰

Brand value chain

Keller³⁷¹ recently updates his article "Conceptualizing, Measuring and Managing Customer-Based Brand equity" published in 1993 with a publication in 2016 that also reviews the brand value chain model developed with Don Lehmann in

³⁶⁸ Lassar, Mittal and Sharma (1995) p. 11

³⁶⁹ Zeithaml, V. A. "Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence". *Journal of Marketing*. Vol. 52 (1988), no. 3, p. 14

³⁷⁰ Keller (2003) p. 44

³⁷¹ Keller (2016)

2003.³⁷² This model was designed to help marketers to trace the value creation process to better understand the financial impact of marketing expenditures and investments to create loyal customers and strong brands.

This model was built on some fundamental premises originally introduced in 1993's article as how the value of a brand ultimately resided with consumers.

According to Keller and Lehmann model, the brand value creation begins when the company targets actual or potential customers by investing in a marketing program to develop the brand, including product research, development and design, and communications. This marketing activity changes customers' mindsets (what customers think and feel and all the associations linked to the brand). Next, these customer's mindsets affect buying behaviour and how they respond to all subsequent marketing activity (pricing, channels, communication and the product itself). Finally, the investment community considers this market performance of the brand.³⁷³ (See figure 9).

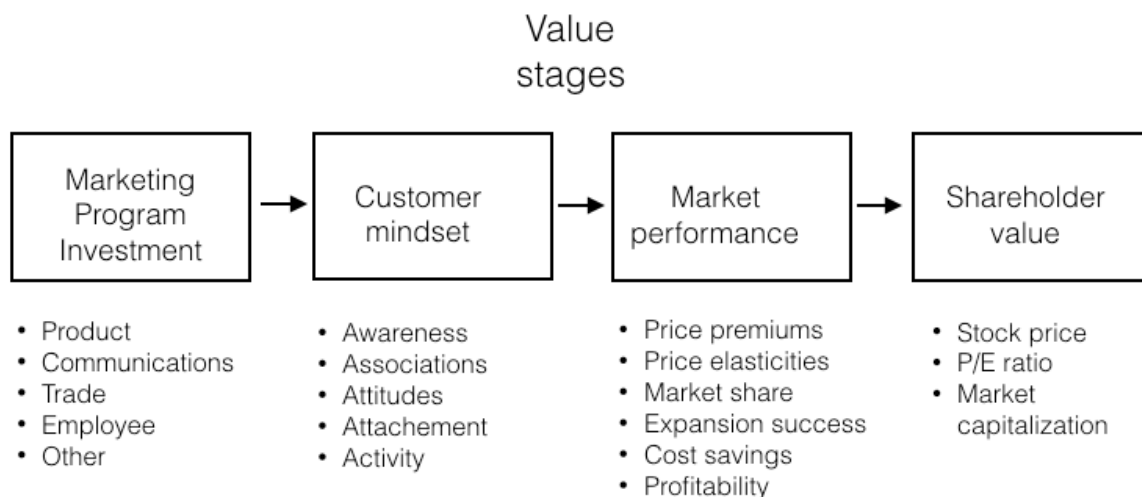


Figure 9. The brand value chain model (adapted from Keller and Lehmann)

³⁷² Keller, Kevin Lane; Lehmann, Don. "How do brands create value". *Marketing Management*. Vol. 3, (2003) p. 27-31.

³⁷³ Keller (2016) p. 5

This model also assumes that there are filters that increase or decrease the value between stages:

- a) The quality of the program investment determines its ability to actually affect the customer mindset.
- b) The value created in the minds and hearts of the customers is affected by factors such as competitive superiority, channel and other intermediary support developed by the company.
- c) The market performance of a brand depends on the actions of financial analysts and investors.

3.4.1 Definitions of brand equity

The concept of brand equity is defined ambiguously in academic literature.^{374, 375} Although there is no universally accepted definition of brand equity, Aaker's definition is perhaps the most widespread: "A set of brand assets and liabilities linked to a brand, its name and symbol that add to or abstract from the value provided by a product or service to a company and/or to that company's customer".³⁷⁶ In the posterior publication, Aaker defines brand equity by introducing the relational aspect: "brand equity is an essential asset in marketing which can "engender" a desired and unique relationship between the company and its stakeholders, encouraging a consumer behaviour in the long term".³⁷⁷

Different interpretations of brand equity is linked to different perceptions about the nature of the brand. Argyriou puts forward three main research streams:³⁷⁸

1. The extreme **resource-based view** (RBV), where brand equity expresses the formal economic relationship between the brand and the customer, yet excludes two important aspects: the impact of a company's partner on existing brand relationship and the affective brand–customer relationship argued in contemporary brand equity research.³⁷⁹

2. The **network perspective**, which takes a broader view of the firm, suggesting that relationships extend beyond economic tangible benefits and includes intangible and non-utilitarian benefits. The important limitation of this perspective is that the role of the customer as an active participant in the network is ill defined, thus the model is applicable only in business-to-business research.

³⁷⁴ Ruževičiūtė and Ruževičius (2010) p. 719

³⁷⁵ Yoo and Donthu (2001)

³⁷⁶ Aaker (1991) p. 15

³⁷⁷ Aaker, D. (1991) p. 24

³⁷⁸ Argyriou, E; Kitchen, Philip J.; Melewar, T. C. "The Relationship between Corporate Websites and Brand Equity". *International Journal of Market Research*. Vol. 48, (2006), no. 5, p. 575.

³⁷⁹ Fournier (1991) p. 343

3. The **relationship marketing** (RM) perspective realises the global competition between networks and the role of brand as a symbol of the firm's relationship with all stakeholders. Thus, in RM literature, branding is a two-way process, independent of the brand, referring to an individual product line or the corporate entity.³⁸⁰ Thus, branding can be thought of as parallel to the notions of RM.³⁸¹ Consumer-relevant relationship themes cut across the artificial boundaries of brands and products to reveal purposive constructs employed in making sense of one's daily life.³⁸²

The conceptual definition of brand equity for this study is grounded on the relational marketing perspective (RM) because it acknowledges the role of the consumers and their relationships to the brand as an important part of the value creation process. This perspective defines brand equity as a relational market-based asset. Relational assets are based on factors such as trust and reputation and are therefore difficult to imitate. They are external to the firm, often just available to the firm, and not owned.³⁸³

In a related study analysing different interpretations of brand equity, Feldwick identified three different ways in which the term 'brand equity' has been used: first to signify the total value of a brand as a separate asset – when it is sold or included on a balance sheet; second, as a measure of the strength of consumers' attachment to the brand; and, third, as a description of the associations and beliefs the consumer has about the brand. While the first sense of the term is associated with company-based brand equity, the other two senses reflect customer-based brand equity.³⁸⁴

Contemporary writers propose an updated definition of brand equity which encompasses the co-creation of value. In his model of retail brand equity for

³⁸⁰ Fournier (1991) p. 343

³⁸¹ Christodoulides and De Chernatony (2010) p. 43

³⁸² Fournier (1991) p. 343

³⁸³ Srivastava, R.; Shocker, A. *Brand Equity: A Perspective on its Meaning and Measurement*. Working Paper MSI (1991) p. 91.

³⁸⁴ Feldwick, P. "What is brand equity anyway, and how do you measure it?". *Journal of the Market Research Society*. Vol. 38 (1996) no. 2, p. 85.

online companies, Christodoulides introduces a definition of online retail service brand equity as “a relational type of intangible asset that is co-created through the interaction between consumers and the e-tail brand”.³⁸⁵

Comprehending the full meaning of brand equity is incomplete without a more thorough review of the literature regarding this topic. Here is a summary of brand equity’s definitions and dimensions identified and presented from the literature review:

- Farjam: “Brand equity has been described as the added value endowed by the brand to the product”.³⁸⁶
- Aaker: “Set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers”.³⁸⁷
- Keller: “The differential effect of brand knowledge on consumer response to the marketing of the brand” or defines it “ the marketing effects uniquely attributable to the brand”.³⁸⁸
- Simon and Sullivan “Cash flow differences between a scenario where the brand name is added to a company and another scenario where the same product does not have brand name”.³⁸⁹
- Lassar, Mittal and Sharma: “The enhancement in the perceived utility and desirability a brand name confers on a product”.³⁹⁰
- Park and Srinivasan “The difference between overall brand preference and multi-attributed preference based on objectively measured attribute levels; also, the incremental utility of value added to a product by its brand name”.³⁹¹

³⁸⁵ Christodoulides, G. et al. “Conceptualising and Measuring the Equity of Online Brands”. *Journal of Marketing Management*. Vol. 22 (2006), no. 7-8, p. 799.

³⁸⁶ Farquhar, Peter. H. “Managing Brand Equity”. *Marketing Research*. Vol. 1 (1989), no. 3, p. 24-33.

³⁸⁷ Aaker (1991)

³⁸⁸ Keller (1993)

³⁸⁹ Simon and Sullivan (1993)

³⁹⁰ Lassar, Mittal and Sharma (1994)

³⁹¹ Park, Chan Su; Srinivasan, Vern. “A Survey-Based Method for Measuring and Understanding Brand Equity and its Extendibility”. *Journal of Marketing Research*. Vol. 3 (1994) no. 2, p. 271.

- Yoo et al.: “The difference in consumer choice between a branded and unbranded product, given the same level of features”.³⁹²
- Vázquez et al.: “The ‘overall utility that the consumer associates to the use and consumption of the brand; including associations expressing both functional and symbolic utilities’ highlighting ex-post (i.e. utilities obtained by consumers following a brand's purchase) as opposed to ex-ante utilities (i.e. utilities obtained prior to purchase), the latter being the focus of investigation under the information economics paradigm”.³⁹³
- Ailawadi et al.: “Outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name”.³⁹⁴
- Baldauf et al.: “Reflection of the premium price the firm charges for a strong brand combined with the sales it is able to attract compared to other average brands in the same product category”.³⁹⁵
- Kotler: “A bridge between the marketing’s investments in the company’s products to create the brands and customer’s brand knowledge”.³⁹⁶
- Simon and Sullivan: “The incremental cash flow, which accrues to branded products over unbranded.”³⁹⁷
- Keller and Lane: “Brand equity is the link between the present and the future. Serves as a bridge that links what happened to the brand in the past and what should happen to the brand in the future”.³⁹⁸
- Ambler: “Repository of future profits or cash flows that results from past marketing investment”.³⁹⁹

³⁹² Yoo (2000) p. 196

³⁹³ Vázquez, Rodolfo; Del Río, A. Belen; Iglesias, Víctor. “Consumer-Based Brand Equity: Development and Validation of a Measurement Instrument”. *Journal of Marketing Management*. Vol. 18 (2002) no. 1/2, p. 28-48.

³⁹⁴ Ailawadi, Kusum.L.; Lehmann, Donald.R.; Neslin, Scott A. “Revenue premium as an outcome measure of brand equity”. *Journal of Marketing*. Vol. 67 (2003), no 4, p. 1-17.

³⁹⁵ Baldauf et al. (2003)

³⁹⁶ Kotler et al. (2009)

³⁹⁷ Simon and Sullivan (1993) p. 28

³⁹⁸ Keller (2003) p. 1

³⁹⁹ Ambler, Tim. *Marketing and the Bottom Line: Creating the Measures of Success*. London: Financial Times/Prentice Hall, 2003, p. 4.

- Yiga: “The net present value of the profit stream a brand will generate over time”.⁴⁰⁰
- Srivastava and Shocker: “A set of associations and behaviours on the part of a brand's consumers, channel members and parent corporation that enables a brand to earn greater volume or greater margins than it could without the brand name and, in addition, provides a strong, sustainable and differential advantage”.⁴⁰¹
- Lassar: “The perception of the overall superiority that defines brand equity as “the enhancement in the perceived utility and desirability a brand name confers on a product”.⁴⁰²
- Argyriou: “A long-standing construct for measuring brand strength in the consumer mind space or the marketplace”.⁴⁰³

⁴⁰⁰ Yiga, E. *Brand Value Creation: Three Pillars of Success*. WARC Exclusive, June 2010, p. 2.

⁴⁰¹ Srivastava and Shocker (1991) p. 1

⁴⁰² Lassar, Mittal and Sharma (1995) p. 10

⁴⁰³ Argyriou, Kitchen and Melewar (2006) p. 575

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3.4.2 Importance of brand equity

Brand equity has been increasingly regarded as one of the most important competitive devices as it offers a crucial point of differentiation by providing additional values and helping to cope with price pressure in the age of globalization and information.⁴⁰⁴

Brand equity is an essential concept for the modern organization, and since the publication of Aaker's book *Managing Brand Equity* in 1991, it has been the subject of interest and academic investigation for over two decades.

Although brand equity could seem to be an old-fashioned concept, it is still relevant this day. *The Journal of Product and Brand Management's* call for papers specified in 2016 that brand equity is still a main issue to research.⁴⁰⁵

The accountability problem

Due to the economic turnover and the increased pressure on the return of investment (ROI), the justification of the impact of marketing activities is present in every company's boardroom. It has caused a renewed interest in marketing performance measurement (MPM).⁴⁰⁶ Nonetheless, the Marketing Science Institute (MSI) indicatively placed accountability and return on investment of marketing expenditure at the top of its research priorities for 2008–10⁴⁰⁷ and also, in the recent 2016-2018 edition.⁴⁰⁸

For decades, the value of a company was measured in terms of its tangible assets (buildings, land, plants and equipment) and performance indicators would

⁴⁰⁴ Zhang and He (2014) p. 44

⁴⁰⁵ Emerald Group. "Journal of Product & Brand Management call for papers" [On line] <<http://www.emeraldgroupublishing.com/products/journals/journals.htm?id=JPBM>> [Accessed: March 12, 2016]

⁴⁰⁶ O'Sullivan, D.; Abela, A.; Hutchinson, M. (2007), p. 79-80

⁴⁰⁷ Marketing Science Institute (2008) p. 2

⁴⁰⁸ Marketing Science Institute (2016) p. 5

focus on aggregated financial-based measures such as cash flow and short-term profits⁴⁰⁹. This is one of the main reasons why financial brand valuation is a straightforward indicator of confirming the importance of brands. However, as the market moves from manufacturing to service and information-based economy, it has been accompanied by a rebalancing of corporate assets.

“It is only recently that we have realised that its [referring to brands] real value lies outside, in the minds of potential costumers”.⁴¹⁰ As Seddon stated referring to Millward Brown Optimor’s analysis: “as recently as 1980, the majority of corporate value was tangible value and the mergers and acquisitions wave of this period, about 20% of most bid prices were motivated by the value of brands.⁴¹¹ Today, the figure is closer to 70% in some sectors”⁴¹² or, according to Walvis, “strong brands can be worth up to 75% of the entire market value of listed companies”⁴¹³. Intangible assets account for over 70% of the value of the Fortune 500 list. Among these intangible assets, brand is one of the most valuable assets, accounting for around 30% of global corporate value”.⁴¹⁴

Due to the importance of intangible assets, their measurement is attracting more attention from corporations and academics.^{415, 416, 417}

For some academics, intangible market-based measures are better indicators of understanding marketing performance. According to Mizik and Jacobson⁴¹⁸

⁴⁰⁹ Srivastava and Shocker (1991) p. 91

⁴¹⁰ Kapferer (2008) p. 10

⁴¹¹ Seddon, Joanna. “Firms that Build Brand Value Will Be Recession Survivors”. *Admap* (2009) no. 505, p. 1

⁴¹² Sampson, J. “Brand Valuation Today and Tomorrow” In: Perrier R. (ed.) *Brand Valuation*. London: Interbrand. (1997) p. 175–99.

⁴¹³ Walvis (2010)

⁴¹⁴ Seddon (2009) p. 1

⁴¹⁵ Keller (1993) p. 1-2

⁴¹⁶ Aaker (1996) p. 6

⁴¹⁷ Baldauf, Cravers and Binder (2003) p. 220

⁴¹⁸ Mizik, N.; Jacobson, R.; “The Financial Value Impact of Perceptual Brand Attributes”. *Journal of Marketing Research*. Vol. 45 (2008) 45 no. 1, p. 15

financial measures (e.g. sales and profit) provide only partial indicators of marketing performance due to their historical orientation and typically short-term horizon. Additionally, Ambler believes that intangible market-based assets provide a richer understanding of marketing performance as well as reconciling short- and long-term performance.⁴¹⁹ For Srivastava, intangible market-based assets bring together marketing and shareholder value.⁴²⁰

The fact that an important number of well-established brand equity models are developed by consulting and research companies that seek to identify the scale and sources of brand equity, can be counted as evidence of the importance of brand equity for the business world. Such equity models include: Equity Enginesm developed by Research International, Equity Builder, developed by the Ipsos Group, Brandasset[®] Valuator, developed by Young & Rubican, Branddynamicstm, developed by Millward Brown, Winning B&andtm, developed by ACNielsen,⁴²¹ among others.

In the literature review on brand equity, the two main motivations in studying brand equity have been shown. The first one is related to accounting purposes, where the estimation of the value of a brand is important in terms of asset valuation for the balance sheet or for merger, acquisition or divestiture equity purposes. This motivation is related to the company-based brand equity.⁴²²

The second one is to have information to be able to improve marketing productivity. Given higher costs, greater competition, and flattening demand in many markets, companies seek to increase the efficiency of their marketing expenses. As a consequence, marketers need a more thorough understanding of consumer behaviour as a basis for making better strategic decisions about target

⁴¹⁹ Ambler (2003) p. 10

⁴²⁰ Srivastava and Shocker (1991) p. 91

⁴²¹ Knowles, Johathan, Wolff, Olins. "In Search of a Reliable Measure of Brand Equity". *MarketingNPV Journal*. Vol. 2 (2005), no. 3, p. 18

⁴²² Keller (1993) p. 1

market definition and product positioning, as well as better tactical decisions about specific marketing mix actions. This motivation is related to the customer-based brand equity and is a better fit for the purpose of this research, which is the understanding of the output of the marketing activities created by the firm (top-down approach) as well as the value co-created by the consumers (bottom-up perspective).

The underlying conceptual logic of brand equity is that it is an asset, which is expected to enhance customer value and increase the customer's purchase intentions, and the organization's market performance.⁴²³

Baldauf,⁴²⁴ building on Aaker's studies⁴²⁵ provides some evidence of the performance consequences of brand equity along with competition, pricing and expense effects. According to Baldauf the three brand equity dimensions, namely brand awareness, perceived quality and brand loyalty are significant predictors of brand profitability performance. His research also shows the positive relation between brand awareness, perceived quality and brand loyalty to brand market performance and brand customer value.⁴²⁶

Aaker also describes how brand equity enhances value to customers in terms of their processing and interpretation of information, confidence in the purchasing decision and use satisfaction. He goes on to argue that brand equity provides value to the company by enhancing "efficiency and effectiveness of marketing programs, brand loyalty, prices/margins, brand extensions, trade leverage, and competitive advantage".⁴²⁷

Following this line of thought, it is not that surprising that Keller sees brand equity as the most important asset for improving marketing productivity: "Perhaps a

⁴²³ Baldauf, Cravers and Binder (2003) p. 220

⁴²⁴ Baldauf, Cravers and Binder (2003) p. 220

⁴²⁵ Aaker (1991) p. 7

⁴²⁶ Baldauf, Cravers and Binder (2003) p. 220

⁴²⁷ Aaker (1991) p. 7

company's most valuable asset for improving marketing productivity is the knowledge that has been created about the brand in consumer's minds from the company's investment in previous marketing programs".⁴²⁸

Muhtar Kent, Coca Cola's chief executive, presents a real case study:

We will invest in emerging markets, corporate social responsibility and building brand equity as it seeks to drive growth. Our brand equity is growing stronger around the world as evidenced by a measurable increase in consumer preference for our brands this quarter, as well as more potent global growth for our flagship brand, Coca-Cola. This performance is not a new turn of events or simply due to price discounting, but rather the results of clear, consistent and competitively sustainable strategy focused on innovation, consumer engagement as well as brand building. This is the power of valuable brands and strong system execution working together in the marketplace.⁴²⁹

Consumer-based brand equity versus firm-based brand equity

The differentiation between company-based and consumer-based brand equity reflects two major approaches in the literature.^{430, 431, 432} Some authors focus on the financial perspective of brand equity; whereas Farquhar⁴³³ and others focus on the customer-based perspective.^{434, 435, 436, 437} (See figure 10. Antecedents and consequences of brand equity.⁴³⁸

⁴²⁸ Keller (2003) p. 46

⁴²⁹ WARC. Coca-Cola seeks to boost brand equity [On line] WARC. 21 October 2010 <<http://www.warc.com/cocacolaseeks>> [accessed 21 October 2010]

⁴³⁰ Lassar, Mittal and Sharma (1995) p. 11

⁴³¹ Christodoulides and De Chernatony (2010) p. 45

⁴³² Ruževičiūtė and Ruževičius (2010) p. 719

⁴³³ Farquhar (1989) p. 24

⁴³⁴ Aaker (1991) p. 7

⁴³⁵ Keller (2003) p. 45

⁴³⁶ Christodoulides et al. "Conceptualising and Measuring the Equity of Online Brands". *Journal of Marketing Management*. Vol. 22 (2006) no. 7-8, p. 799.

⁴³⁷ Yoo, Boonghee; Donthu, Naveen. "Developing and Validating a Multidimensional Consumer-Based Brand Equity Scale". *Journal of Business Research*. Vol. 52 (2001), p. 1

⁴³⁸ Baldauf, Cravers and Binder (2003) no. 4 p. 220

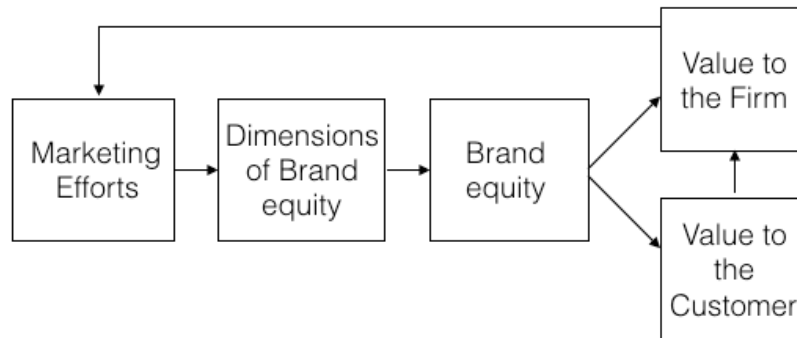


Figure 10. Antecedents and consequences of brand equity

Firm-based brand equity (FBBE)

Under the financial perspective, brand equity can be described as “total value of a brand which is a separable asset – when it is sold or included in the balance sheet”. Under this perspective, it is useful to give a monetary value to the brand in case of merger, acquisition or divestiture, but it does not help marketers to understand the process of building brand equity.⁴³⁹

The financial value of the brand equity covers two major brand equity valuation trends:

The first one is about a direct brand valuation, which takes all expenditure on creating and developing a brand into consideration. This macro approach assigns an objective value to a company's brands and relates this value to the determinants of brand equity.

The second trend entails price comparison with similar products in the same category. This micro approach isolates changes in brand equity at the individual

⁴³⁹ Farjam, Sanaz; Hongyi, Xu "Reviewing the Concept of Brand Equity and Evaluating Consumer-Based Brand Equity (CBBE) Models." *International Journal of Management Science and Business Administration*. Vol. 1 (2015), issue 8, p. 14-29.

brand level by measuring the response of brand equity to major marketing decisions.⁴⁴⁰

Although this approach can be convenient to use in the balance sheet of an organisation, it does not evaluate intangible attributes.

Consumer-based brand equity (CBBE)

Lassar et al. defines consumer-based brand equity as ‘the enhancement in the perceived utility and desirability a brand name confers on a product.’⁴⁴¹

According to Wood,⁴⁴² consumer-based brand equity approach can help marketers to understand how the brand works in customer’s minds and to design effective marketing programs to build the brand.

Keller looks at customer-based brand equity strictly from a consumer psychology perspective and defines it as ‘the differential effect of brand knowledge on consumer response to the marketing of the brand’.⁴⁴³ According to this conceptualisation, a brand has a positive (or negative) value if the consumer reacts more (or less) favourably to the marketing mix of a product of which he/she knows the brand name than to the marketing mix of an identical yet unbranded product. Consumer response to the marketing mix of a brand can be translated at various stages of the purchase decision-making sequence, such as preference, choice intentions and actual choice.

In his book *Strategic Brand Management: Building, Measuring and Managing Brand Equity*, Keller illustrates the “Customer-based brand equity pyramid where six “brand building blocks” are established, namely consumer brand resonance, consumer judgements, consumer feelings, brand performance, brand imagery

⁴⁴⁰ Simon and Sullivan (1993) p. 28.

⁴⁴¹ Lassar, Mittal and Sharma (1995) no. 4, p. 10

⁴⁴² Farjam (2015)

⁴⁴³ Keller (2003) p. 219

and brand salience. Only if the right building blocks are put in place, can the pinnacle of consumer-based brand equity be reached.⁴⁴⁴

The consumer perspective is about intangible attributes, and according to Aaker,⁴⁴⁵ they are the most important in the brand equity development process. This is considered to be the driving force of increased market share and the profitability of the brand, and is based on the market's perceptions (consumer-based brand equity).⁴⁴⁶ Brand equity treated by consumer-based perspective, analyses consumer perception and behaviour models that have an influence on a final purchase decision.^{447, 448}

For this research, brand equity will be studied under the customer-base brand perspective. Conceptualizing brand equity from this perspective is useful because:

- It suggests both specific guidelines for marketing strategies and tactics and areas where research can be useful in assisting managerial decision making⁴⁴⁹ which is the final aim of this research.
- Only when consumer-based brand equity is fully understood, can the brand's financial value be effectively measured.⁴⁵⁰

⁴⁴⁴ Keller (2003) p. 76

⁴⁴⁵ Aaker (1991) p. 7

⁴⁴⁶ Christodoulides et al. (2006) p. 799

⁴⁴⁷ Keller (2003) p. 45

⁴⁴⁸ Kotler (2009) p. 861

⁴⁴⁹ Keller (2003) p. 45

⁴⁵⁰ Ruževičiūtė and Ruževičius (2010) p. 719

3.4.3 Dimensions of Brand Equity

Aaker's brand equity model

Aaker identifies the conceptual dimensions of brand equity as brand awareness, brand associations, perceived quality, brand loyalty, and other proprietary brand assets such as patents, trademarks and channel relationships.⁴⁵¹ (See figure 11).

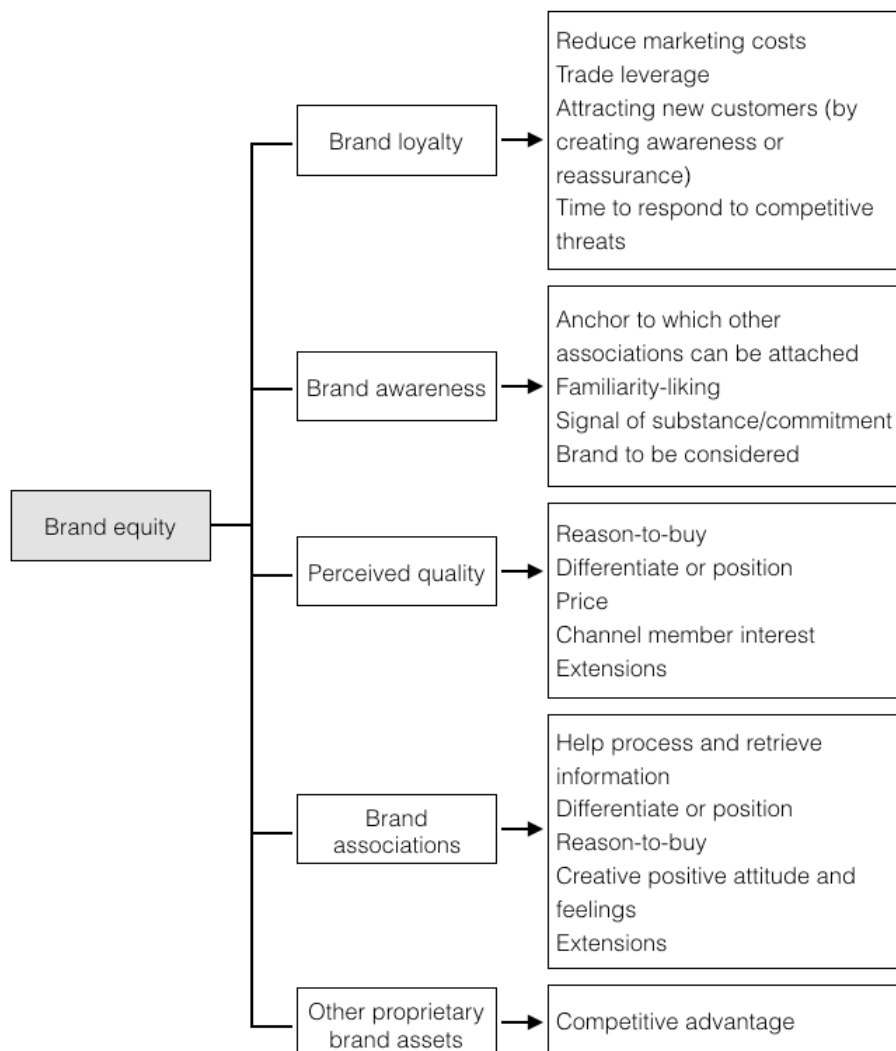


Figure 11: Aaker' brand equity model

⁴⁵¹ Aaker (1991) p. 29

Figure 11 illustrates that each brand equity asset generates value for the customer and the firm in a variety of ways, including, the creation of competitive advantage.

Aaker's exhibit also shows that brand equity provides value to the customer as well as the firm. It provides value to consumers by enhancing customers' interpretation or processing of information; confidence in the purchase decision; and use satisfaction. On the other hand, it enhances firm's value by providing the efficiency and effectiveness of marketing programs; brand loyalty; prices and margins; brand extension; trade leverage; and competitive advantage.

For Baldauf the core equity dimensions are awareness, loyalty and perceived quality, which are expected to be relevant predictors of value (value to the company and value to the customer).

Brand equity dimensions

Brand awareness

The first concept that distinguishes brand knowledge is brand awareness.⁴⁵² It is related to the likelihood that a consumer associates a brand with its specific product category, and the ease with which he or she does so. For Keller, brand awareness consists of brand recognition and brand recall performance:

Brand recognition is related to a consumer's ability to confirm prior exposure to the brand when given the brand as a cue. In other words, brand recognition requires that consumers correctly discriminate the brand as having been seen or heard previously. Brand recall is related to a consumer's ability to retrieve the brand when given the product category, the needs fulfilled by the category or some other type of probe as a cue. It requires that consumers correctly generate the brand from memory.⁴⁵³

⁴⁵² Keller (1993) p. 1

⁴⁵³ Keller (1993) p. 1

Similarly, Aaker defines brand awareness as “the ability for a buyer to recognize or recall that a brand is a member of a certain category”⁴⁵⁴ as it creates value while providing a sense of familiarity and a signal of substance and commitment. The same writer evolves this definition in his 1996’s work, defining the brand equity dimension as: “the strength of a brand’s presence in the consumer’s mind”.⁴⁵⁵ Pappu et al.⁴⁵⁶, also refers to “customer’s ability to recognize or recall a brand in its product category”.

A major goal of brand management is developing and maintaining brand awareness because of the impact of brand awareness on consumer decision-making and the overall effect on companies’ values. Brand awareness plays an important role in consumer decision making for three reasons:

1. It is important that consumers think of the brand when they think about the product category. Raising brand awareness increases the likelihood that the brand will be a member of the consideration set.
2. In low involvement decision settings, a minimum level of brand awareness may be sufficient for product choice, even in the absence of a well-formed attitude. Consumers may base choices on brand awareness where there is a) lack of consumer motivation or b) lack of consumer ability.
3. Brand awareness influences the formation and strength of brand associations in the brand image. A necessary condition for the creation of a brand image is that a brand node has been established in memory, and the nature of that brand node should affect how easily different kinds of information can become attached to the brand in memory.⁴⁵⁷

Wayne also confirms the effect of brand awareness on consumer choice by arguing that brand awareness is a prevalent choice tactic among inexperienced consumers facing a new decision task.⁴⁵⁸

⁴⁵⁴ Aaker (1991) p. 5

⁴⁵⁵ Aaker (1996)

⁴⁵⁶ Pappu, R.; Quester, G.P.; Cooksey, W.R. Consumer-based brand equity: improving the measurement – empirical evidence. *Journal of Product & Brand Management*. Vol. 14 (2005), no. 3, p. 143-154.

⁴⁵⁷ Baldauf, Cravers and Binder (2003) p. 220.

⁴⁵⁸ Wayne D.; Brown, Steven. "Effects of brand awareness on choice for a common, repeat-purchase product." *Journal of consumer research*. Vol. 17 (1990), no. 2, p. 147.

Therefore generating and maintaining brand awareness is important, as only brands that have already created a certain level of customer awareness will be purchased compared to their competitors. Hence, only brands that can be identified by customers will be categorized and ultimately purchased.

Brand awareness can provide the brand with a sense of the familiarity as well as a signal of substance, commitment and awareness. At the recall level, it further affects choice by influencing what brands get considered and selected.⁴⁵⁹

Brand knowledge

According to Keller brand knowledge is a key antecedent of consumer-based brand equity.⁴⁶⁰

Keller conceptualizes brand knowledge based on the associative network memory model, which consisting of a brand node tied to memory to which a variety of associations are linked. Brand knowledge is then deconstructed into two separate notions: brand awareness and brand image (associations).

According to Christodoulides:

To cope with the deluge of available marketing information, the mind aggregates bits of information into larger groups, or “chunks”, which contain more information. The task facing the marketer is to facilitate the way consumers process information about brands, such that ever larger chunks can be built in the memory which, when fully formed, can then be rapidly accessed through associations from brand names.⁴⁶¹

Some basic memory principles can be used to understand knowledge about the brand and how it relates to brand equity. The importance of knowledge already existent in memory to consumer decision-making has been well documented.⁴⁶²

Understanding the content and structure of brand knowledge is important

⁴⁵⁹ Farjam (2015)

⁴⁶⁰ Keller (1993) p. 1

⁴⁶¹ Christodoulides and De Chernatony (2010) p. 43.

⁴⁶² Alba, Joseph; Hutchinson, Wesley; Lynch, John G. “Memory and Decision Making”. In: Robertson, Thomas S.; Kassarian, Harold H., eds. *Handbook of Consumer Theory and Research*. Englewood Cliffs, NJ: Prentice-Hall, 1991, p. 1.

because they influence what comes to mind when a consumer thinks about a brand for example, in response to marketing activity for that brand.⁴⁶³

Most widely accepted conceptualizations of memory structure involve some type of associative model formulation.⁴⁶⁴ For example the "associative network memory model" views semantic memory or knowledge as consisting of a set of nodes and links. Nodes are stored information connected by links that vary in strength. A "spreading activation" process from node to node determines the extent of retrieval in memory. A node becomes a potential source of activation for other nodes when external information is being encoded or when internal information is retrieved from long-term memory.⁴⁶⁵

When the activation of another node exceeds the threshold level, the information contained in that node is recalled. Thus, the strength of the association between the activated node and all the linked nodes determines the extent of this "spreading activation" and the particular information that can be retrieved from memory.⁴⁶⁶

Management theory on brand knowledge affecting brand equity exemplified by Keller's work had been criticized by several academics from the Consumer Culture Theory stream. According to Bertilsson:

Keller's conception of brand knowledge is limited since it only deals with the information consumers' store in their memory about the brand regarding its attributes, the benefits it provides, the feelings and experiences it generates among the consumers. In addition he has a strict cognitive perspective of the knowledge consumers form and have about brands, where this knowledge is regarded to be part of the consumers' mental map and not as a part and result of their social interaction.⁴⁶⁷

Perceived quality

⁴⁶³ Keller (1993) p. 1

⁴⁶⁴ Anderson, J. *The Architecture of Cognition*. Cambridge, MA: Harvard University Press, 1983, p. 24.

⁴⁶⁵ Keller (2003) p. 1

⁴⁶⁶ Keller (2003) p. 1

⁴⁶⁷ Bertilsson (2009) p. 13

It has been noted that product quality is a company's essential resource for achieving competitive advantage. Perceived quality is defined as the consumer's judgment (perception) about a product's overall excellence or superiority with reference to substitutes.⁴⁶⁸ Hence, perceived quality is the "perceived ability of a product to provide satisfaction 'relative`to the available alternatives". Since the selection of important attributes and comparison standards for a product are chosen by an individual, quality is not an objective measure. Consequently, quality assessment is subjective.⁴⁶⁹

Aaker explained that perceived quality provides value by proposing a reason to buy, differentiate the brand, attract channel member interest, as well as being the basis for line extensions, and supporting a higher price.⁴⁷⁰ The consumer's judgment is about a product's overall excellence or superiority.⁴⁷¹

In a 1987 study by Jacobson and Aaker, it was confirmed that perceived quality was the single most important contributor to return on investment.⁴⁷² In this study, 250 business managers were asked to identify the sustainable competitive advantage of their firms, and the top-rated asset was perceived quality. Brand awareness was also pivotal, as it was the third most mentioned asset, and it also underlines the strength of successful brands.

Brand loyalty

Ruževičiūtė,⁴⁷³ Aaker,⁴⁷⁴ Keller⁴⁷⁵ and Kapferer⁴⁷⁶ unanimously accept loyalty as a major attribute of consumer-based brand equity.

⁴⁶⁸ Aaker (1991) p. 6

⁴⁶⁹ Zeithaml (1988) p. 2

⁴⁷⁰ Aaker (1991)

⁴⁷¹ Farjam (2015)

⁴⁷² Jacobson, Robert; Aaker, David. "The strategic role of product quality". *Journal of Marketing*. October (1987) p. 31-44.

⁴⁷³ Ruževičiūtė and Ruževičius (2010) p. 719

⁴⁷⁴ Aaker (1991), p. 6

⁴⁷⁵ Keller (2003) p. 1

⁴⁷⁶ Kapferer (2008) p. 4

The view of loyalty adopted here can be seen as favourable beliefs and attitudes for the brand as manifested in repeated buying behaviour.⁴⁷⁷

According to Aaker, brand loyalty translates into a profit stream for brands; and therefore it is key to place value on a brand.⁴⁷⁸

Brand loyalty is reflected when consumers select the brand as their first choice.⁴⁷⁹ How does brand loyalty creates value? It creates a barrier to competitors, as competitors have difficulties in communicating with satisfied customers as they have little motivation to learn about alternatives, and also entice others by using the product or advising others to use it.⁴⁸⁰

Brand loyalty is a significant source of advantage in many markets as it builds up switching costs, which makes individuals reluctant to try new brands.⁴⁸¹

Brand associations

Brand associations consist of multiple ideas, episodes, instances and facts that comprise a network of brand knowledge.⁴⁸² Brand associations are key elements in brand positioning and differentiation practices, which are the base of sustainable competitive advantage⁴⁸³ as well as to create positive attitudes towards brands.⁴⁸⁴

Brand associations include product attributes, customer benefits, uses, users, life-styles, product classes, competitors and countries. Associations can help customers to process or retrieve information, be the basis for differentiation and

⁴⁷⁷ Keller (2003) p. 8

⁴⁷⁸ Aaker (1992) p. 28

⁴⁷⁹ Yoo and Donthu (2001)

⁴⁸⁰ Aaker (1992) p. 30

⁴⁸¹ Aaker (1992)

⁴⁸² Yoo and Donthu (2000)

⁴⁸³ Porter (1985)

⁴⁸⁴ Low, George S., Lamb, Charles W. Jr. "The measurement and dimensionality of brand associations." *Journal of Product & Brand Management*. Vol. 9 (2000), no. 6, p. 350-370.

extensions, provide a reason to buy, and create positive feelings related to the brand.

Consumers use brand associations to process, organize, and retrieve information in memory and this helps them to make purchase decisions. In order to build strong brand equity in the marketplace, it is fundamental to understand the core dimensions of brand image, which is brand personality.⁴⁸⁵

⁴⁸⁵ Farjam (2015)

3.4.4 Theoretical approach to branding for this research

Customer-based brand equity is the perspective taken in this research to understand and to explain brand equity, as the main aim is to focus on the consumer's response to the marketing of a brand in order to understand how to improve such responses.

The literature review presented identifies two streams of research in regard to consumer-based brand equity conceptualisation: the dominant stream derives from cognitive psychology, while a secondary stream draws on signalling theory from information economics. Although cognitive psychology and information economics perspectives are complementary rather than competing accounts of brand equity, the differences in perspective and focus leads to a number of contrasting conclusions.

In the information economics view, the reduction in perceived risk and information costs attributable to brands are antecedents to brand equity, whereas in the cognitive psychology view these reductions are the consequences of brand equity.⁴⁸⁶

In light of these findings, we propose a definition of consumer-based brand equity that contains elements from both, cognitive psychology and information economics. This is important since “a set of perceptions, attitudes, knowledge, and behaviours on the part of consumers that results in increased utility and allows a brand to earn greater volume or greater margins than it could without the brand name”.⁴⁸⁷ We also include the Consumer Culture Theory dimension as proposed by Bertilsson since it provides “a more dynamic and therefore fruitful

⁴⁸⁶ Erdem and Swait (1998) p. 133.

⁴⁸⁷ Christodoulides and De Chernatony (2010) p. 48

perspective of the consumers' understanding of brands"⁴⁸⁸ and, to reduce the process to "narrowly cognitive decision-marking".⁴⁸⁹

The perspectives on brand equity have therefore been collected from three different theories namely; management theory, information economics and consumer culture theory. These have then been integrated into a conjoined theoretical perspective in order to capture the dynamic nature of the empirical material.

By using this holistic approach on brand equity we are aiming to have a broad frame of reference, which will allow for the incorporation of co-creation of value theory.

⁴⁸⁸ Bertilsson (2009) p. 7

⁴⁸⁹ Fournier (1991) p. 343

3.5 Brand value co-creation

Brand value

Brand value is important at two levels.⁴⁹⁰ At the macro or company level, it affects the perception of investors and financial analysis, and subsequently plays a role in determining the stock prices of firms. At the micro or consumer level, it positively affects behavioural outcomes, including purchase intent.⁴⁹¹

Neal⁴⁹² defines brand value as:

Brand value = Product benefits + service benefits + channel benefits + brand equity - cost

Brand equity is all the intangible benefits that are communicated to the consumer by a brand name. It is a brand promise. It implies a contract between the producer and user.

The customer and financial value for the firm are two sides of the value creation coin. For this research, we focus specifically on value creation for the customer as the theoretical framework and also draw upon the relational aspect of the value creation process between the two parties.

Introduction to brand co-creation

Modern marketing logic, as derived from the discipline of economics, presents the customer as exogenous to the firm and a passive recipient of the firm's active

⁴⁹⁰ Chu, Singfat; Keh, Hean Tat. "Brand value creation: Analysis of the Interbrand-Business Week brand value rankings." *Marketing Letters*. Vol. 17 (2006), no. 4, p. 323-331.

⁴⁹¹ Cobb-Walgreme et al. (1995)

⁴⁹² Neal (2008) p. 6

value creation efforts. According to this view, value is created in a factory, with little interaction with consumers.⁴⁹³ A different perspective is emerging in recent years. Current research streams (from service-dominant logic to consumer culture theory) leads to the view that consumers can co-create value and co-create competitive advantage. However, most of the initial studies in the service-dominant logic did not include the concepts of branding under the concept of co-creation of value. They focused on a learning experience shared with consumers in different phases of the process such as design, production, consumption, after-service, etc. Innovation and sharing experiences are their key components.

One area of business where co-creation can return significant dividends is on branding.⁴⁹⁴ The evolution of brands and branding over the last decades is converging on a new conceptual logic, which views the concept of brand in terms of collaborative, value co-creation activities and brand value as the result of what consumers collectively perceive and experiment as value-in-use. This new logic reflects the evolving Service-dominant logic in marketing.⁴⁹⁵

As a result, in the early 2000s, brand academics started to examine the collective and dynamic processes that underline brand consumption.⁴⁹⁶ They adopted a stakeholder perspective to branding, which viewed brand as a continuous social process⁴⁹⁷ where brand value is co-created through stakeholder-based negotiations.⁴⁹⁸ Avoiding the firm and product/service-centric view of value creation, which has previously been the dominant logic for marketing and strategy (with Kotler or Porter as main authors) and moving on to an experience-

⁴⁹³ Schau, Hope. Jensen; Muñiz, Albert. M; Arnould, Eric J. "How Brand Community Practices Create Value". *Journal of Marketing*. Vol. 73 (2009), no. Sept, p. 30

⁴⁹⁴ Paul (2016) p. 192

⁴⁹⁵ Merz, He and Vargo (2009) p. 328

⁴⁹⁶ Merz, Yi and Vargo (2009) p. 338

⁴⁹⁷ Muñiz, Albert, M.; O'Guinn, Thomas. "Brand Community". *The Journal of Consumer Research*. Vol. 27 (2001), no. 4, p. 418.

⁴⁹⁸ Brodie (2006)

centred co-creation view, new opportunities unfold which challenge deeply the held assumption about marketing staples, such as the meaning of a brand.⁴⁹⁹

Although the fathers of the S-D logic Lusch and Vargo argued that co-creation will ultimately induce firms to collaborate with customers to co-create the entire marketing program,⁵⁰⁰ initially, they did not pay attention to the brand concept. Analysing the first works of some of most relevant authors of the Service-Dominant logic perspective, Vargo and Lusch,⁵⁰¹ Prahalad and Ramaswamy⁵⁰² and using a simple text search by the words “brand” and “branding” these concepts had a residual importance. Value was considered to be out of branding. Brodie et al. also pointed out that S-D logic had paid too little attention to the brand experience in the value process⁵⁰³. Fyrberg and Jürriado confirm that the importance of the brand is rarely discussed within S-D logic.⁵⁰⁴

Sherry was one of the first writers that pointed out the existence of brand co-creation. He identified the Nike brand as "derived from an act of co-creation transacted by the firm's stakeholders".⁵⁰⁵

It was not until the publication of the academic article “The evolving brand logic: a Service-Dominant logic perspective”⁵⁰⁶ that the concept of branding was fully incorporated into the co-creation logic.

⁴⁹⁹ Prahalad In: Day et al. "Invited commentaries on “Evolving to a new dominant logic for marketing”". *Journal of Marketing*. Vol. 68 (2004), no. 1, p. 23.

⁵⁰⁰ Lusch, Vargo and Stephen (2006)

⁵⁰¹ Vargo and Lusch (2004, 2008)

⁵⁰² Prahalad and Ramaswamy (2004) p. 4-9

⁵⁰³ Brodie et al. (2006)

⁵⁰⁴ Fyrberg and Jürriado (2009)

⁵⁰⁵ Sherry (1998) p. 138

⁵⁰⁶ Merz, He and Vargo (2009)

Brodie et al. are one of the first writers to confirm the brand as an essential element of the S-D logic approach. For them, the brand is a sign system symbolising the value process and thus functions as a symbolic resource.⁵⁰⁷

Definitions and dimensions of brand value co-creation

The logic of co-creation for branding purposes is described by Merz, He and Vargo as follows: "marketing managers might benefit from investing resources in building strong brand relationships with all of their stakeholders and a service-dominant firm philosophy built around brand value-creation."⁵⁰⁸ As identified by Hatch and Schultz,⁵⁰⁹ Merz and Vargo,⁵¹⁰ Christodoulides⁵¹¹ among other researchers conceptualize the phenomenon as a new branding paradigm,⁵¹² and equated co-creation with the stakeholder-focused branding.

Brand co-creation is defined as a collaborative activity in which customers actively contribute to the creation of brand identity and image as well as an idea offered under a particular brand. Participation of customers in brand co-creation leads to an increased level of self-brand connection and thus, may become a valuable strategy as well as a unique and meaningful consumer brand experience. On the other hand, it may spread positive word-of-mouth and accelerate the speed of brand growth.

The new paradigm shifts the traditional company-centric approach to management generally⁵¹³ and brand management in particular.⁵¹⁴ A main

⁵⁰⁷ Brodie et al. (2006)

⁵⁰⁸ Merz, He and Vargo (2009) p. 328

⁵⁰⁹ Hatch and Schultz (2010)

⁵¹⁰ Merz and Vargo (2009)

⁵¹¹ Christodoulides (2010)

⁵¹² Hatch and Schultz (2010) p. 592

⁵¹³ Prahalad and Ramaswamy (2004)

⁵¹⁴ Hatch and Schultz (2010)

challenge of branding co-creation is how to incorporate multiple stakeholders into the new model of brand management.^{515,516}

This shift in thinking about the nature of the brand value co-creation was driven by the brand community literature.^{517,518} Multiple researches demonstrate that brand value is co-created by community-based negotiations and symbolic interpretations of brand-related information, as well as personal narratives based on personal or impersonal experiences with the brands.⁵¹⁹

Although the focus of these studies is on how brand community members participate in dialogue and interact with one another, the findings of brand community studies are equally relevant to brand co-creation.⁵²⁰

How does brand value co-creation work

Brand co-creation starts with dialogues between internal and external stakeholders, with the brand being a point of access to the inner working of the organization. Through these dialogues, the stakeholders co-create and define brand identity for themselves.⁵²¹ Following the same path of thought, Coupland et al. demonstrates that “the consumer is an active partner with the marketer in brand-meaning formation”. Additionally, Brown et al. noted “the brand is a milieu where marketing management and consumer commitments co-exist”.⁵²²

⁵¹⁵ Merz, Yi and Vargo (2009)

⁵¹⁶ Hatch and Schultz (2010) p. 591

⁵¹⁷ Merz, Yi and Vargo (2009) p. 338

⁵¹⁸ Hatch and Schultz (2010) p. 591

⁵¹⁹ Muñoz and O'Guinn (2001) p. 412-432

⁵²⁰ Hatch and Schultz (2010) p. 592

⁵²¹ Dean, Dianne et al. “Internal brand co-creation: The experiential brand meaning cycle in higher education”. *Journal of Business Research*. Vol. 69 (2016), no. 8 p. 3042

⁵²² Brown, Stephen; Kozinets, Robert V.; Sherry, John. F. “Teaching old brand new tricks: retro branding and the revival of brand meaning”. *Journal of Marketing*. Vol. 67 (2003), no. 3 p. 30

Brand value is co-created then through an affective relationship that customers form with their brands and is determined through direct (i.e. through usage or consumption) or indirect (i.e. through pure perception) contact with the brand.⁵²³

From this view, knowledge, information and experiential resources –or cultural capital- associated with the brand are co-created within the co-consuming group.⁵²⁴

The link between brands and co-creation can be explained by the social and relational component of the brand. As Muñiz identified, brands are social objects and are socially constructed, so consequently, consumers are actively involved in brand creation.⁵²⁵ From this perspective, the consumer is an active counterpart of the marketer in brand-meaning formation.

According to Pongsakornrungrungsilp and Schroeder,⁵²⁶ there are three key elements in brand value co-creation: engagement, embodiment and enlargement.

To brand value co-creation to be successful, brand managers need to create strong relationships and dedicate time, resources, experience and knowledge to interactions with the brands and other consumers.

Implications of brand value co-creation

For a brand manager, a deep understanding of their own brand's value as well as their competitor's brands is highly essential in order to increase competition

⁵²³ Merz, He and Varg (2009) p. 335

⁵²⁴ Pongsakornrungrungsilp (2011)

⁵²⁵ Muñiz (2001) p. 427

⁵²⁶ Pongsakornrungrungsilp and Schroeder (2017)

positively.⁵²⁷

Ind et al. proposes that co-creation has implications for the management of brand-customer relationships across broader social media and online channels. As these channels operate in a similar way to a community. This approach to social media management requires a belief in the value of participation built around explicit participatory benefits. By making participation central to the brand thinking, it can help to ensure the relevance of the brand to consumers and also remind people inside the organization of the importance of connecting and sharing the brand with all stakeholders.⁵²⁸

Managing co-creation implies a more open and participative approach to leadership. In the traditional perspective, more attention is paid to incorporating the experience of the outside world within the organization. It sees the world with the organization's vision and therefore underplays the social and communicative aspects of a brand relationship. With a co-creation approach, many of the barriers between the inside and the outside can be disappear. Consumers can be invited to help build brands. Therefore managers should develop a more participatory leadership style to help consumers "to live the brand" which would ideally emphasize sharing and embracing consumer's input. As a result, managers will need to improve their own strengths and weakness and to demonstrate the humility that comes with the acceptance that others may have better insights and solutions that those inside the organization.

Managers will still enjoy considerable influence, but as brands become more participative, decision-making processes must become more consultative and collective. It is no longer enough to take consumers' needs and desires into account when thinking about brand building, but rather recognizing, as some businesses have, that consumers need to be incorporated into all stages of brand

⁵²⁷ Myers, Chris A. "Managing brand equity: a look at the impact of attributes". *Journal of Product & Brand Management*. Vol. 12 (2003), no. 1 p. 40.

⁵²⁸ In et al. (2013) p. 22-23

thinking and implementation. This represents an increased responsibility but it is also an opportunity to generate a more participative approach to leadership.

Hatch and Schultz proposed the concept of “enterprise branding”, as a result of the brand co-creation phenomenon based in networks of different and constantly changing stakeholders configurations. In this view, “the enterprise brand not only emerges as a co-creation of all stakeholders, but is also driven by the identity they create together and define for themselves, supported by the interdependent activity that ranges from buying and selling products and services, to dialoguing about dreams, plans hopes and fears”.⁵²⁹

According to Barin,⁵³⁰ the transition from a company focused on economic competition to a company focused more on the interests of multiple stakeholders, is a complicated process. The successful inclusion of stakeholders in the creative and innovation processes around the brand requires that brand managers understand the challenges, motivations and priorities of these actors to involve themselves in this process.

The application of the co-creation concept to the branding literature is at an early stage, and thus the consequences for such are as of yet not clearly known, since scholars have paid limited attention to the co-creation process that involves customers being active participants in brand development.⁵³¹

⁵²⁹ Hatch and Schultz (2010) p. 592

⁵³⁰ Barin et al. (2006) p. 880

⁵³¹ Gyrd-Jones and Kornum (2013)

3.6 Brand management tools

As stated in the disposition section of this work, the introduction of a myriad of online practices provides communication and marketing professionals with new tools to increase brand value. This implies not only more complexity in marketing but also an unprecedented new active role for the consumer in the process.

Advances in information technology allow consumers to digitally interact with other consumers through global social networks, and create platforms for participating, interacting, discussing and “curating” their consumption, including evaluation of brands. As a result, the foundation of branding theory has shifted to acknowledge a new consumer role in branding processes and value creation.⁵³²

Academics and the business community have been especially interested in how these new developments can benefit (or harm) consumer-brand engagement through the co-creation of the total customer experience.

Although the co-creation of the brand value remains a key element of branding, only a few academic studies have been identified about the impact of Internet marketing activities focusing on brand value creation.^{533,534,535,536} Such a scarcity of the studies on different sources of brand value creation in the online sphere triggers the need for an exploratory approach in order to discover the possible “unrevealed” sources.

Both academics and practitioners need to understand how these tools can help create brand value. It is essential to incorporate the usage of online practices as new sources of brand value into firms.

⁵³² Pongsakornrungrungsilp and Schroeder (2017)

⁵³³ Rios and Riquelme (2010) p. 214

⁵³⁴ Payne (2009) p. 379

⁵³⁵ Vallaster and Wallpach (2012) p. 4

⁵³⁶ Skålén and Cova (2015) p. 591

The objective of this section is to identify sources of value creation in online practices that can be included in our proposed framework. The tools selected for the analysis include:

- Internet and communication technologies
- Social Media
- Brand communities

The reason why these three tools have been chosen for this study is that they reportedly have the highest impact on brand management in recent years.^{537,538,539} We acknowledge the possible bias in the selection of these tools, and the exclusion of less relevant alternatives. However, the incorporation of the current most important factors of change in branding theory will provide us with a broad perspective of current sources for brand value creation.

It is also important to mention that the three selected tools are interconnected and the differentiation is artificial (e.g. brand online communities can be part of social media, and both social media and brand online communities use both Internet and communication technologies).

⁵³⁷ Berthon, Pierre et al. "Marketing meets Web 2.0, social media, and creative consumers: implications for international marketing strategy". *Business Horizons*. Vol. 55 (2012), no. 3, p. 261-271.

⁵³⁸ Pongsakornrungrungsilp (2010)

⁵³⁹ Muniz and O'Guinn (2001)

3.6.1 The Internet and communication technologies

Web 2.0

The 21st century has brought both opportunities and challenges for firms in our global, boundary-free world. The Internet created a technological and social tsunami at the end of the 20th century. Moreover, a new wave of technologies including Web 2.0 has changed cultural and social norms even further and rendered many firm managers “confused and helpless”.⁵⁴⁰

Web 2.0, social media and creative consumers are closely related terms that need to be understood thoroughly, as they influence brand building and the whole strategy of firms. A schema explaining the relationship between the three concepts is illustrated by Berthon.⁵⁴¹ (See figure 12).

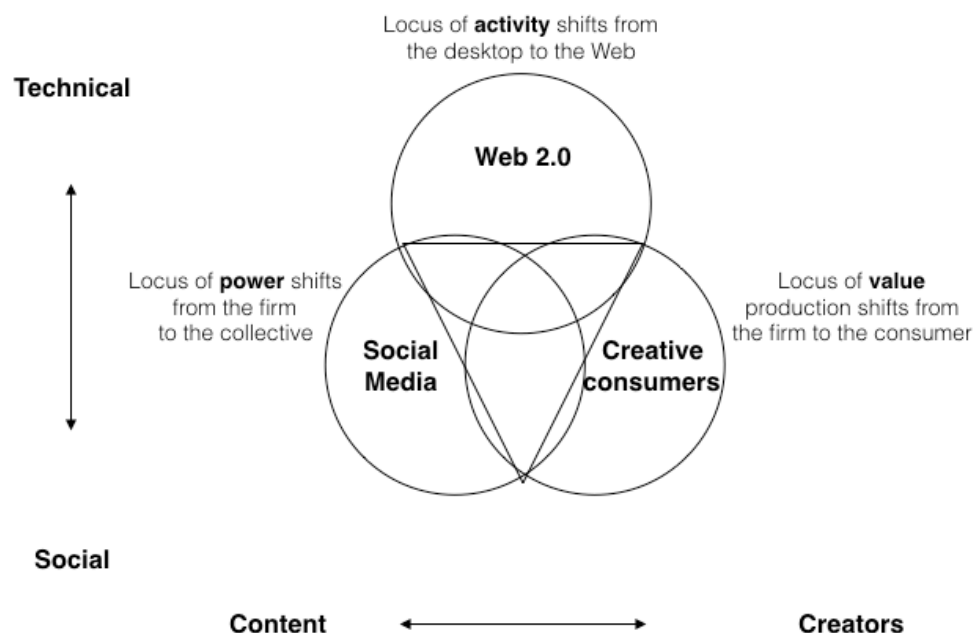


Figure 12: Web 2.0, social media and creative consumers (Berthon)

⁵⁴⁰ Berthon (2012) p. 262

⁵⁴¹ Berthon (2012) p. 263

As figure 12 illustrates, Web 2.0 has caused three tremendous effects on marketing: a shift in the locus of activity from the office desktops to the Web; a shift in the locus of value production from the firm to the consumer; and a shift in the focus of power away from the firm to the consumer.⁵⁴² The technological innovation that has supported Web 2.0 has also facilitated inexpensive content creation, interaction and inter-operability and has put the user, rather than the firm, at the centre in terms of design, collaboration and community on the World Wide Web. It has enabled a shift from firm-focused to consumer-focused strategies, from individuals to communities, from nodes to networks, from publishing to participation, and from intrusion to invitation. Its effects are not just merely technological but sociological and revolutionary for business.

Tim O'Reilly (founder of O'Reilly Media and supporter of the free software and open source movements) defines the term Web 2.0 as:

The network as platform, spanning all connected devices; Web 2.0 applications are those that make the most of the intrinsic advantages of that platform: delivering software as a continually-updated service that gets better the more people use it, consuming and remixing data from multiple sources, including individual users, while providing their own data and services in a form that allows remixing by others, creating network effects through an "architecture of participation," and going beyond the page metaphor of Web 1.0 to deliver rich user experiences.⁵⁴³

The power of Web 2.0 is overwhelming and affects an increasing number of people across the world. According to the Internet World Stats in September 2016 the Internet had 3,611,375,813 unique users, which represents 49,2% of the world's population,⁵⁴⁴ as well as 1.13 billion active daily users accessing

⁵⁴² Berthon (2012) p. 262

⁵⁴³ O'Reilly, Tim. *Web 2.0: Compact Definition?* 01/10/2005, [Online]<<http://radar.oreilly.com/archives/2005/10/web-20-compact-definition.html>> [Accessed May 2011]

⁵⁴⁴ Internet World Stats. "World internet users statistics usage and world populations stats" [On line] <http://www.internetworldstats.com/stats.htm>. [Accessed 29th September 2016]

Facebook, one of the most popular social networks, on average.⁵⁴⁵ Brands seek to connect with customers and enhance their brand communication using these social media channels.

Creative consumers

The “creative consumer” phenomenon refers to the fact that there are consumers worldwide who adapt, modify, or transform a firm’s proprietary offering. Although creative consumers have always existed, the age of Web 2.0 and social media have placed the phenomenon into hyper drive.

Creative consumers are the new locus of value in Web 2.0. It is them, and not the company, who produce much of the value-added content in social media and create the social networks where brands live and flourish. Consumers have become involved in the promotion (or demotion) of brands through their contents and interactions with other users. As Joe Tripodi, former Chief of Marketing and Commercial Office of The Coca-Cola Company stated: “Companies don’t own your brands, your consumers do”.⁵⁴⁶

All of this exemplifies the shift of power away from the firm towards individuals and communities, as well as the fact that companies are not the sole creator of value as they once were.⁵⁴⁷

The Internet and communication technologies

Since 2000, the newly developed Internet and communications technologies created opportunities to connect, share and generate content for both consumers and brands. This has radically changed consumer behaviour. The Internet is

⁵⁴⁵ Facebook. “Facebook Reports Second Quarter 2016 Results”. [Online] <http://newsroom.fb.com/company-info/> [Accessed: 29th September 2016]

⁵⁴⁶ Tripodi, Joe. "Coca cola marketing shifts from impressions to expressions." *Harvard Business Review*. Retrieved, August (2013).

⁵⁴⁷ Berthon (2012) p. 263-264

gradually shaping brand communication into a co-created one that was previously controlled and administered by marketers.⁵⁴⁸ As a result, the traditional one-way communication is now multi-dimensional, two-way and peer-to-peer.⁵⁴⁹ Chiou and Cheng even argued that new interactions have a much stronger impact than traditional forms of marketing and advertising.⁵⁵⁰

Today more than 4 billion people around the world use the Internet to share knowledge, conduct business and create value. New information and communication technologies (ICTs) have been the initiators of the digital culture. All type of organizations “collaborate, cooperate and co-create for value generation, distribution and consumption”.⁵⁵¹

The rise of Web 2.0 technologies has led to a plethora of social media websites (YouTube, Twitter, Facebook, Instagram among others). These platforms provide many opportunities for Internet users to share and create content about anything including brands.

The introduction of a myriad of online practices provides communication and marketing professionals with new tools to increase the brand value of their clients. However, as states before, the measurement of the effects of these actions is, for the most part, unresolved.

Implications: The empowered consumer

⁵⁴⁸ Schivinski, Bruno; Dabrowski, Dariusz. “The impact of brand communication on brand equity through Facebook”. *Journal of Research in Interactive*. Vol. 9 (2015), no. 1, p. 32.

⁵⁴⁹ Berthon et al. (2012) p. 261

⁵⁵⁰ Chiou, Jyh-Shen; Cathy Cheng. "Should a company have message boards on its web sites?." *Journal of Interactive Marketing*. Vol.17 (2003), no. 3, p. 50-61.

⁵⁵¹ Lee, Olson and Trimi (2012) p. 817-831

The shift of power from the producer to the consumer brought on by the new technologies has implications for organisations, and the extend of control they have over their brands.

It was revealing that Time Magazine announced its Person of the Year in 2006 as 'You'. The reason why the editors of Time chose 'You' was that in 2006 the World Wide Web became a tool for bringing together the small contributions of millions of people and making them matter.⁵⁵² For first time, technology enabled people to effectively challenge and bypass the privileges of organisations as producers of content.

The brand consultant Esperanza Cambuj in her article published in April 2011 'Red 2.0: Si derroca gobiernos, ¿qué puede hacer con una empresa?' describes:⁵⁵³

El régimen de Egipto ha cambiado de manera inesperada. Una maquinaria de poder de muchos años ha saltado por los aires a golpe de teclado. Armados con ordenadores y teléfonos, los jóvenes han logrado lo que no se había podido conseguir en años: derrocar a un régimen desconectado del pueblo. La Red 2.0 se ha confirmado como una poderosa y eficaz herramienta de comunicación, inmune a la censura y de efectos imparables. Si derroca gobiernos, ¿qué podría hacer con la imagen de una empresa?⁵⁵⁴

⁵⁵² Time. Person of the Year 2006. [On line].

<http://content.time.com/time/specials/packages/0,28757,2019341,00.html> [Accessed 1st January 2017].

⁵⁵³ Cambuj, Esperanza. *Red 2.0: Si Derroca Gobiernos, ¿qué Puede Hacer Con Una Empresa?* Blog de Esperanza Cambuj.[On line] 16 May 2011 <<http://comunicacion-rrpp-publicidad.com/2011/02/red-2-0-si-derroca-gobiernos-¿que-puede-hacer-con-una-empresa/>>. [Accessed 16 May 2011].

⁵⁵⁴ Translation of the writer: The Egyptian regime has changed in a most unexpected manner. The machine establishment that has been in power for many yers has been thrown out by a coup carried out over computer keyboards. Armed with computers and telephones, the young people have achieved something which had not been possible for years: the overthrow of a regime that was not connected to its people. Web 2.0 has been confirmed as a powerful and effective communication tool, immune to censorship and attempts to halt it. If it can overthrow governments what could it do to a company's image?

Arnaboldi and Coget⁵⁵⁵ shares the same idea as Cambuj:

Think of the Arab Spring. Populations from countries such as Tunisia, Egypt, Libya and Syria have taken action against government forces that oppressed them for decades and more. Social media has been crucial as a tool to empower these uprisings, providing rebels with a means of mass communication that could not be controlled by their governments. [...] Social media has the power to change society profoundly.

The idea of co-creation is a strong element behind the new empowered consumer. There is a profound transformation and a shift of power from producer to consumers that results in the blurring of the traditional boundaries between firms and consumers and the sources of brand meaning.^{556,557,558}

The Internet as a new field for a brand's value creation

The Internet is not just a distribution and communication channel, but also a new marketing tool with unique characteristics according to Ramaswamy.⁵⁵⁹ This writer links the Internet and a new value proposition of the brand as such:

Consumers are not only recipients for the value proposition of the brand. Consumers are informed, connected, relational, and have reinforced their power to a never seen before scale, thanks to search engines, online groups of shared interest, broad band spread and technologies allowing social interactions. Companies are looking for opportunities in the new background and are engaging their consumers in the co-creation of value. In this process, new competences and business practices are being created.

For Mayumi, digital technology changed radically the way we build communicational knowledge. The communication paradigm of a unique sender and multiple receptors is not valid anymore.⁵⁶⁰ He argues that:

⁵⁵⁵ Arnaboldi, Michela; Coget, Jean-Fracois. "Social media and business." *Organizational Dynamics*. Vol. 45 (2016) no. 1, p. 47.

⁵⁵⁶ Pongsakornrungrungsilp and Schroeder (2011)

⁵⁵⁷ Vallaster and Wallpach (2013)

⁵⁵⁸ Kristal (2016) p. 246

⁵⁵⁹ Ramaswamy, Venkat. "Co-Creating Value through Customers' Experiences: The Nike Case". *Strategy & Leadership*. Vol. 36 (2008), no. 5 p. 9.

The "truth" is the result of the consensus of multiple opinions and knowledge follows the roles of Wikipedia, which is to be built in a collective manner. As brands are perceptions blocks, to better define the brand strategy we need to capture the current rules of thought and emotions.

The latest digital media provide marketers with custom platforms and interaction models that acknowledge where consumers are and what they are doing at every moment, and then attempt to enhance each and every one of those moments.⁵⁶¹ All these online practices are potential sources of brand equity for the companies. The contribution of the online practices to the creation of brand equity has been acknowledged. However, its measurement has a very weak academic base according to Rios and Riquelme.⁵⁶²

What is the role of the new consumer in brand value creation? How does it affect brand creation? How can we measure the relational potential that is created by consumers to increase brand value? These are the questions we will try to resolve in this research.

The Internet and the offline word

It is important to mention that the online and offline communication channels are converging, especially for those born after the 1980s, the Millennials, as for them, there are no boundaries between the online and the offline world.⁵⁶³ Co-creation is no longer exclusive to the offline world as the Web 2.0 offers new opportunities to share processes with stakeholders. Now when we refer to co-creation, both online and offline channels are included. The same can be said about brand communities, where relationships and experience go beyond the virtual and also take place offline.

⁵⁶⁰ Mayumi and Paiva (2009) p. 1

⁵⁶¹ Martin, Ken; Todorov, Ivan. "How Digital Platforms be Harnessed in 2010, and how Will they Change the Way People Interact with Brands?". *Journal of Interactive Advertising*. Vol 10 (2010), no. 2.

⁵⁶² Rios and Riquelme (2010) p. 214

⁵⁶³ Mayumi and Paiva (2009) p. 1-5

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3.6.2 Social Media

Definition of social media

Social media according to Arnaboldi and Coget refer to Web 2.0 applications that allow users to create, exchange and share content over the Internet.⁵⁶⁴ Social media are defined by Boyd as:

Web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system. The nature and nomenclature of these connections may vary from site to site".⁵⁶⁵

Implications

Social media have been a social revolution in the last 30 years.⁵⁶⁶ Social media give a voice to communities and have the power to change the society profoundly.⁵⁶⁷

The most common approach adapted to look at social media from a business point of view has been through the discipline of marketing.⁵⁶⁸ The prospect of exploiting the private networks of customers for marketing purposes has made social media very attractive to marketing people.⁵⁶⁹

Social media are influencing business and how it approaches its everyday activities. Many companies are already using these platforms to enhance

⁵⁶⁴ Arnaboldi and Coget (2016) p. 47

⁵⁶⁵ Boyd, Danah; Ellison, Nicole. "Social Network Sites: Definition, History, and Scholarship". *Journal of Computer-Mediated Communication*, vol. 13 (2007), vol. 13, no. 1, p. 1.

⁵⁶⁶ Edosomwan, Simeon, et al. "The history of social media and its impact on business." *Journal of Applied Management and entrepreneurship*. Vol. 16 (2011) no. 3, p. 81

⁵⁶⁷ Arnaboldi and Coget (2016) p. 47

⁵⁶⁸ Arnaboldi and Coget (2016) p. 49

⁵⁶⁹ Arnaboldi and Coget (2016) p. 49

customer service as well as to create a more service-minded culture. They understand that every person in the company is now a potential spokesperson and, therefore.

Some authors refer to another important aspect of social media as COBRA, which is an abbreviation for Consumer's Online Brand-Related Activities.

COBRA provides a unifying framework in which consumer activity is viewed as pertaining to brand-related content on social media platforms. It embraces other online behavioural concepts such as "Electronic-Word-Of-Mouth" (eWOM), which describes online consumer-to-consumer interactions about brands, and the term "User-Generated-Content" (UGC), the content produced and uploaded by consumers rather than companies.⁵⁷⁰ This needs to be analysed in order to identify brand-creation practices, which are being added to the new framework around co-creation of value.

Findings on social media and branding

Bruhn⁵⁷¹ investigates the effects of traditional media and social media communications on the different dimensions of brand equity. After a quantitative study of 393 data sets from different industries, the results show that both traditional and social media communications have a significant impact on brand equity. However, the traditional media had a stronger impact on brand awareness and social media had a stronger influence on brand image.

The same writer noted that the quality of peer interactions in social communications has a positive impact on functional, experiential and symbolic

⁵⁷⁰ Muntinga, Daniël G.; Moorman, Marjolein; Smit, Edith G. "Introducing COBRAs: Exploring motivations for brand-related social media use." *International Journal of Advertising*. Vol. 30 (2011), no. 1, p. 13-46.

⁵⁷¹ Bruhn, Manfred; Schoenmueller, Verena; Schäfer, Daniela B. "Are social media replacing traditional media in terms of brand equity creation?". *Management Research Review*. Vol. 35 (2012), no. 9.

brand community benefits. Bruhn goes further with his argument affirming that this positive impact leverages brand loyalty.

Social media channels offer both firms and customers new ways of engaging with each other and the opportunity to rapidly share information and content.⁵⁷²

Another important benefit for firms is that the networking of individuals through social media provides shared values that lead to a positive impact on trust, which can positively influence an individual's intention to buy.⁵⁷³

However, with a greater portion of branding activity being reverted to the Internet, "marketers are confronted with the realisation that social media were made for people, not for brands".⁵⁷⁴ Despite the high expectations this created, the reality is that social media have not lived up to its hype for increased sales, ROI and customer-based competitive advantages.⁵⁷⁵

AdvertisingAge, one of the leading media for advertising and marketing professionals, published an online article titled: "Marketers keep spending on Social Media despite lack of results".⁵⁷⁶ The article reported: "Only 11,5% of marketers can prove the quantitative impact of social media". The source of this study was a survey undertaken by Duke University's Fuqua School of Business, the American Marketing Association and Deloitte.

This survey was based on online responses from 289 marketers, which revealed that the budget for social media made up about 10.6% of the overall marketing budgets and that this proportion was expected to jump to 20.9% in five years.

⁵⁷² Schivinski (2015) p. 33

⁵⁷³ Hajli, M. Nick. "A study of the impact of social media on consumers." *International Journal of Market Research*. Vol. 56 (2014), no. 3, p. 388

⁵⁷⁴ Fournier and Avery (2011) p. 193

⁵⁷⁵ Schultz and Peltier (2013) p. 88

⁵⁷⁶ Advertising Age. "Marketers Keep Spending On Social Media Despite Lack of Results". [On line]. <http://adage.com/article/agency-news/marketers-spending-social-lack-results/302701/> [Accessed 17th February 2016].

Despite the increase in social media budget, 47.9% of marketers surveyed said that they haven't been able to detect any impact on their business so far.

According to the director of the survey, marketers are continuing to spend resources on social media because of its important role in connecting directly connecting with consumers. He also suggested "if companies really want to get the biggest bang out of social media, it has to be better connected with the rest of their marketing".

Social media and brand value (co)creation

The rapid growth of social media channels has opened unprecedented access to brands. These channels not only became part of the organization's core delivery system, but also increased the multiplicity and complexity of the brand engagement channels. These channels opened the firm to increased engagement in the co-creation of their brand meaning and provided the company with much higher levels of feedback about their brand images and products along with suggestions for improvement.⁵⁷⁷

Social media platforms enable stakeholders to exchange brand opinions and experiences. Given the multiple relationships organizations have with their stakeholders and the ways in which new social media technologies allow these stakeholders to interact, co-communicate and co-create with each other, there is a need to develop multiple stakeholder approaches to brands and brand co-creation.⁵⁷⁸

Social media platforms disseminate brand-related information and provide access to brand-related discourse, which increase the transparency of the brand. As a result, the brand's different stakeholders gain access to resources and the

⁵⁷⁷ Hatch and Schultz (2010)

⁵⁷⁸ Gyrd-Jones and Kornum (2013)

opportunity to actively use them for joint brand-related interaction,⁵⁷⁹ increase the interrelation between stakeholders, and to co-create brand meanings. Vallaster summarizes this as the following: "Social media empower stakeholders to play an active role in brand meaning co-creation".⁵⁸⁰

Due to the social media revolution and the emergence of online communities, social networks and user-generated content extrapolates the prevalent branding concepts that need to catch up with this reality.⁵⁸¹ It is a reality that social media are changing traditional approach to marketing communication.⁵⁸²

The power of the social media presents opportunities and challenges for companies and their brands. The handling of social media marketing in this challenging environment is one of the most relevant topics for executives today.⁵⁸³ The main question that seems to remain unsolved is whether or not the investments really pay off and if they actually increase the value of the brand.

The rapid growth in popularity of social media across consumers and companies has opened a vast field for scholars. Despite the growing volume of empirical research on the topic, few studies have explained the new co-creation of brand equity and its link to competitive advantage.⁵⁸⁴

⁵⁷⁹ Hatch and Schultz (2010)

⁵⁸⁰ Vallaster and Wallpach (2013) p. 1515

⁵⁸¹ Fueller (2012) p. 3218

⁵⁸² Schivinski (2015) p. 32

⁵⁸³ Barwise, Patrick; Meehan, Sean. "The One Thing You Must Get Right When Building a Brand".

Harvard Business Review. Vol. 88 (2010), no. 12, p. 80-84.

⁵⁸⁴ Schivinski (2015) p. 33

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3.6.3 Brand communities

A yearning for connection

Community is a core construct in social thought, which was analysed by social theorists, scientists and philosophers in the nineteenth and early twentieth centuries (including Durkheim, Freud, Kant, Marx, Nietzsche, Weber).

Modernity has brought what Weber called “the disenchantment of the world”⁵⁸⁵ and it is possible that community could coalesce around brands of products, which satisfy a yearning for a “reconstructed and re-mystified community”.⁵⁸⁶ In this context the stakeholder-perspective appears to provide an answer to their desire to find fulfilment and to socialize,⁵⁸⁷ changing the focus of analysis from the individual to the community itself.

At this moment in the early twenty-first century the notion of community occupies a particularly important position. For Fournier and Lee, “in today’s turbulent world, people are hungry for a sense of connection; and in lean economic times, every company needs new ways to do more with what it already has”.⁵⁸⁸

In this environment, it is more relevant than ever to understand the importance of brand communities as generators of value and marketers should devote more time to understanding the interactions within brand communities and the potential for brand-creation.

⁵⁸⁵ Weber, Max. *Economy and Society*. Berkeley: University of California Press [1922] (1978).

⁵⁸⁶ Barner (1995) in Muñiz and O’Guinn (2001) p. 428

⁵⁸⁷ Ind, Iglesias and Schultz (2013) p. 9

⁵⁸⁸ Fournier, Susan; Lee, Lara. “Getting brand communities right”. *Harvard business review*. Vol. 87 (2009), no, 4, p. 2

Enabled by Web 2.0 technologies, marketers in industries from packaged goods to industrial equipment try to build communities around their own brand, demonstrating both an interest and involvement in online communities.⁵⁸⁹

The newly configured brand communities represent an additional step. They have no geographical constraints and are informed by a mass-mediated sensibility, which is explicitly commercial. Their members, as postmodern consumers, are self-aware and self-reflexive. They are most likely to form around brands with a strong image and a rich and lengthy history, which threatens their competitors.⁵⁹⁰ In these communities, an important part of consumer's understanding of the brand is from the connection they share with one another.

Therefore the Internet represents the platform for community interaction that enables the creation of brand identity. The impact of communities on brands is strong, because communities have the power to move the essence of the brand in a different direction, despite the efforts of the marketers.

Definition of brand communities

The term brand community was coined by Muñiz and O'Guinn⁵⁹¹ "A brand community is a specialized, non-geographically-bound community, based on a structured set of social relationships among admirers of a brand". Like other communities, they are marked by a shared consciousness, rituals and traditions, and a sense of moral responsibility. Brand communities are participants in the brand's larger social construction and play a vital role in the brand's ultimate legacy.

⁵⁸⁹ Berthon et al. (2012) p. 261

⁵⁹⁰ Muñiz and O'Guinn (2001) p. 412

⁵⁹¹ Muñiz and O'Guinn (2001) p. 412

The brand communities are social entities that reflect the situated embeddedness of brands in the day-to-day lives of consumers and the ways in which brands connect the consumer to the brand, and the consumer to the consumer.⁵⁹²

Similarly, Fournier and Lee defined brand communities as a group of ardent consumers organized around a brand's lifestyle.⁵⁹³

Findings in brand communities

Through the literature review analysis, the benefits of brand communities for brands have been identified:

From the research of Cova and Cova on Salmon snowboards;⁵⁹⁴ Apple computer users by Schau, Muñiz and Arnould,⁵⁹⁵ and Star Trek fans by Kozinets,⁵⁹⁶ it can be concluded that brand communities exhibit shared values, a shared world view and social bonds.⁵⁹⁷

Muñiz came to the following conclusions on brand communities:

- Members feel an important connection to the brand but, more importantly, a stronger connection towards each another. This triangular, rather than dyadic social constellation is a central facet of brand community.⁵⁹⁸
- Brand community clearly affects brand equity. In Aaker's view the four components of brand equity are perceived quality, brand loyalty, brand

⁵⁹² Muñiz et al. (2001) p. 412; 418

⁵⁹³ Fournier and Lee (2009) p. 105

⁵⁹⁴ Cova, Bernard; cova, Veronique. "Tribal marketing: The tribalisation of society and its impact on the conduct of marketing." *European journal of marketing*. Vol. 36 (2002), no. 56-6 p. 595-620.

⁵⁹⁵ Schau, Muñiz and Arnould (2009)

⁵⁹⁶ Kozinets, Robert V. "Utopian Enterprise: Articulating the meaning of Star Trek's culture of consumption". *Journal of Consumer Research*. Vol. 28 (2001), no. 1, p. 67-88

⁵⁹⁷ Peñaloza and Venkatesh (2006) p. 309

⁵⁹⁸ Muñiz (2001) p. 418

awareness and brand associations.⁵⁹⁹ Brand communities directly affect all of them.⁶⁰⁰

Fournier and Lee conducted a study on how brand communities create value for firms and the reason behind their creation by brand managers. According to them, brand-community members buy more, remain loyal and reduce marketing costs through grassroots evangelism.⁶⁰¹

In their conclusions, they identified important lessons about how to encourage value creation through these brand communities:

- Companies generate more value when members control them and then companies create conditions in which communities can thrive.
- A brand community is not a marketing activity, it is a business strategy. It must be framed as a high-level strategy supporting business-wide goals.
- It exists to serve the people in it. People participate for several reasons, e.g.: to gain status, auto-expression, affiliation, to find emotional support and encouragement, to cultivate interests and skills.
- To create a brand community requires an organization-wide commitment and willingness to work across functional boundaries. It takes fortitude to meet consumers on their own terms, cede control and accept conflict.
- Communities defy managerial control: Brand communities are not corporate assets so control is an illusion. However, it does not mean abdicating responsibility: effective brand stewards participate as

⁵⁹⁹ Aaker (1991)

⁶⁰⁰ Muñiz (2001) p. 427

⁶⁰¹ Fournier and Lee (2009) p. 105

community co-creators, nurturing and facilitating communities by creating the conditions in which they can thrive.

- Members are united by shared goals or values, and everyone needs to have a role. Although opinion leaders and evangelists play important roles in social networks as they spread information and influence decisions, robust communities establish cultural bedrock by enabling everyone to play a valuable role.

Fournier and Lee concludes their study acknowledging that although many companies aspire to the loyalty, marketing efficiency and brand authenticity that strong communities deliver, “few understand what it takes to achieve such benefits” due to the difficulties of: a) a transforming corporate strategy to build these brand communities and b) transferring control over their members.⁶⁰²

Heding, Knudzen and Bjerre suggested that, through interaction between community and brand, as well as between the members within the community, the three-party relationships are born and the brand value is created.⁶⁰³

Gyrd and Kornum provide a qualitative interpretive Consumer Culture Theory perspective to their study in virtual brand communities. This perspective permits netnographic investigation and an explanation of the role of value creation within brand communities.⁶⁰⁴

Skålén, Pace and Cova conduct a netnographic study of the Alfa Romeo’s brand community. Its findings suggest that companies must get out of the “command and control” spirit and consider that the brand community is not just an extension

⁶⁰² Fournier and Lee (2009) p. 2

⁶⁰³ Heding, Knudzen and Bjerre (2009) in Kuvykaite, Rita; Piligrimiene, Zaneta. "Consumer engagement into brand equity creation." *Procedia-Social and Behavioral Sciences*. Vol. 156 (2014), p. 480.

⁶⁰⁴ Gyrd and Kornum (2013)

of the company. A brand community is rather a market partner with whom to be applied to the design of the collaboration.⁶⁰⁵

Findings on value creation in brand communities

Research on brand communities demonstrates that brand value is co-created by community-based negotiations and symbolic interpretations of brand-related information, as well as personal narratives based on personal or impersonal experiences with the brands. It is the dynamic interaction of the customers within the boundaries of the brand community that co-create brand value in these brand communities. In this context, “the brand manager is no longer a ‘guardian’ of the brand but becomes more of a brand’ host”.⁶⁰⁶

In this context consumer brand use and the impression management practices used by companies are inputs to brand co-creation. This creates a dialogue between stakeholders and companies, which provides a source of feedback to the brand as well as a window (or transparency) on the process of its co-creation.⁶⁰⁷

⁶⁰⁵ Skålén, Pace and Cova (2015) p. 616

⁶⁰⁶ Christodoulides et al. (2006) p. 799

⁶⁰⁷ Hatch and Schultz (2010) p. 594

4. Findings on co-created brand value

Selected studies on co-created brand value

Recent brand research applies a broader stakeholder perspective and acknowledges that stakeholders are no longer simple targets of one-directional brand communication but active participants in brand discourse and the co-creation of brand meaning.^{608,609}

The limited number of studies in this area treat brands as social processes and brand meaning as a continuous and dynamic co-creation through social interaction within dynamic stakeholder networks.^{610,611,612,613}

As we observed in the Brand Value Co-creation section, the shift in thinking about the nature of brand value co-creation was driven by brand community literature.^{614,615} It is not surprising then that the majority of studies identified are part of brand community research.

We acknowledge that useful findings can be gathered from the experience of brand communities and that for some writers, the findings of brand community studies are equally relevant to brand co-creation,⁶¹⁶ and also to the understanding of brand communities in its broader sense (including social media brands and other consumer social platforms). However we do not want to limit this research to the output of these brand community studies.

⁶⁰⁸ Merz et al (2009) p. 340

⁶⁰⁹ Payne et al (2009) p. 6

⁶¹⁰ Hatch and Schultz (2010)

⁶¹¹ Merz et al. (2009)

⁶¹² Payne et al. (2009)

⁶¹³ Vargo and Lusch (2006)

⁶¹⁴ Merz, Yi and Vargo (2009) p. 338

⁶¹⁵ Hatch and Schultz (2010) p. 591

⁶¹⁶ Hatch and Schultz (2010) p. 592

Extra effort has been dedicated to also identifying studies on direct brand value co-creation, without highlighting brand communities as the main subject of the research.

Through the literature review, previous relevant studies of brand co-creation have been identified. From them, as explained in the research process section, a specific criterion has been used to select some of them for further analysis. Not all these criteria need to apply for selection.

- High Impact Factor
- Proposition of models of brand co-creation
- Identification of components and processes in brand co-creation
- Identification of useful managerial findings

It is important to mention that few studies have been identified that lead in the direction of perceiving brands as social processes and in a continuous and dynamic co-creation process.

Before the introduction of each selected academic paper, we present the reader with a summary of its findings: (See Table 2).

Author and date of publication	Title	Perspective and focus	Main findings
Boyle (2007)	A Process Model Of Brand Cocreation: Brand Management And Research Implications.	Brand management and consumer behaviour. Link to brand equity's assets.	A five-stage process of brand co-creation is developed identifying the various stages of control. Loyalty is the final stage.
Choi (2016)	Explaining and predicting purchase intentions following luxury-fashion brand value co-creation encounters.	Value co-creation and cognitive and emotional attributes of the brand.	Cognitive and emotional attributes are key to customer-brand interaction. Value co-creation encounters impacted on brand value and consequently, purchase intentions.
Dean et al. (2016)	Internal brand co-creation: the experiential	Brand meaning	Brand meaning evolves through brand interactions and experiences with

	brand meaning cycle in higher education		internal and external stakeholders in a re-interpretation loop. Employees co-create brand meaning.
Fyrberg and Jürriado	What about interaction? Networks and brands as integrators within service-dominant logic.	Service-Dominant logic	Quality of interactions is a pre-requisite for co-creation, and interaction leads to co-created outcomes that can be translated into value.
Grönroos & Voima (2013)	Critical service logic: making sense of value creation and co-creation	Service-Dominant logic	Co-creation of value may only take place in a joint value sphere. Firms only produce potential value, as expected value-in use.
Gyrd-Jones and Kornum (2013)	Managing the co-created brand: Value and cultural complementarity in online and offline multi-stakeholder ecosystems.	Stakeholder-focused	Brands are produced and consumed by all stakeholders. Successful co-creation outcomes depend on value and cultural complementarities, and these are not entirely negotiable, but depend on clearly defined core brand values.
Hatch & Schultz (2010)	Toward a theory of brand co-creation with implications for brand governance.	Stakeholder-focused branding.	Model of brand co-creation based on dimensions of company/stakeholder engagement and organizational self-disclosure.
Iglesias & Bonet (2012)	Persuasive brand management: How managers can influence brand meaning when they are losing control over it.	Brand meaning.	Brand meaning is co-created during the consumer-brand relationship and the consumer-perceived brand meaning is re-interpreted at each point of touch contact that a consumer has with a managerially determined interface, a brand employee or an external stakeholder.
Ind, Iglesias and Schultz	Building Brands Together: Emergence and outcomes of co-creation.	Co-creation of brand meaning.	Value proposition composed of functional, emotional, self-expressive and participatory benefits.
Payne et al. (2009)	Co-creating brands: Diagnosing and designing the relational experience	Design and management of brand relationship experience.	Proposed conceptual model of co-creation for managing brand relationships experiences.
Pongsakornrungsilp (2010)	Understanding value co-creation in a co-consuming brand community.	Service-Dominant logic and Consumer Culture Theory / Brand community as a platform for value creation.	Consumers may act as providers and beneficiaries within the value co-creation process. Knowledge, information, and experiential resources -or cultural capital- associated with the brand are co-created within the co-consuming group.
Schau, Muñiz and Arnould (2009)	How brand community practices create value.	Brand communities	The firm should foster social networking practices to build and sustain the community and to inspire further co-creation.
Skálén and Pace (2015)	Firm-brand community value co-creation as alignment of practices.	Brand communities.	They identify three groups of collaborative practices: interacting, identifying and organising practices. Value co-creation succeeds when the enactment of practices aligns and fails when the enactment of practices misaligns.
Zhang & He (2014)	Key dimensions of brand value co-creation and its impacts upon customer perception and brand performance.	Dimensions of brand value co-creation activities.	Value co-creation activities with multiple stakeholders can help customers perceive brand value and improve brand performance. They identify eight kinds of value co-creation activities that are the drivers of brand development.

Table 2. Summary of previous relevant studies in brand co-creation

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4.1 Boyle (2007)

According to Boyle⁶¹⁷ there are five brand assets (in contrast to Aaker who identified four (brand awareness, associations, perceived quality and loyalty).⁶¹⁸ He assumes that each asset is formed at a different stage in the brand co-creation process:

1. Development of a new product with perceived attributes (Aaker's brand asset: Perceived value).
2. The creation of brand awareness through marketing and other communications (Aaker's brand asset: Brand awareness).
3. Consumer interpretation of marketing and other communications to form pre-consumption brand associations. (Aaker's brand asset: Brand associations).
4. Consumption of the product and formation of post-consumption associations. (Aaker's brand asset: Brand associations).

A key feature of this model is the way in which control of the brand co-creation process moves out of the hands of the company into those of the consumers after the first two stages.

The added value potential of the brand asset deriving from each stage is dependent on the success of previous stages, as all the five steps are interdependent. Loyalty, for this model, is both the last step of the co-creation process and the aim of the process. This opinion confirms De Chernatony and McDonald's premise that the "aim of branding is to facilitate the firm's task for

⁶¹⁷ Boyle, Emily. "A Process Model Of Brand Cocreation: Brand Management And Research Implications." *Journal Of Product & Brand Management*. Vol. 16 (2007), no. 2, p. 122-131.

⁶¹⁸ Aaker (1992) p. 29.

getting and maintaining a loyal customer base in a cost-effective manner to achieve as high a return on investment as possible”.

If Boyle’s proposition is right, loyalty, like post-consumption associations, is outside the direct control of the brand manager.

What are the implications of this model for practitioners? There is a tenuous link between the activities of brand managers and the creation of brand loyalty: In the co-creation model presented, brand loyalty is dependent on the effects of consumption on the consumer’s descriptive beliefs and brand associations. According to this explanation, advertising (a key aspect of the brand manager’s role) is not a major influence on the repeat purchase decision and cannot build brand loyalty but rather creates informational beliefs and pre-consumption associations which are to be part of customer’s initial brand purchase decisions.

This proposition is rejected by the brand resonance model of Keller, where strong brands can achieve the final level of development called resonance that is borders on loyalty, which means that awareness can lead directly to loyalty.

4.2 Choi, Ko and Kim (2016)

Choi, Ko and Kim's study⁶¹⁹ investigates the luxury brand value co-creation process. Through in-depth interviews with Chanel customers they revealed customers' reactions to their digital marketing and marketing value co-creation experience. Cognitive and emotional attributes are identified as key to customer-brand interaction.

Then, with structural equation modelling they demonstrated that value co-creation encounters impacted on brand value and consequently, purchase intentions.

As recommendations for practitioners, they suggest emphasizing the emotional and experiential aspects during customer-brand interaction encounters.

⁶¹⁹ Choi, Eunha; Ko, Eunjo; Kim, Angella. "Explaining and predicting purchase intentions following luxury-fashion brand value co-creation encounters. *Journal of Business Research*. Vol. 69 (2016), Issue 2, p. 5827-5832.

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4.3 Dean et al. (2016)

Dean, Arroyo, Punjaisri and Pich⁶²⁰ explored how employees co-create brand meaning through their brand experience and social interactions with internal and external stakeholders. Their findings highlight that brand meaning begins with an historical, superficial brand interaction and then develops further through a series of brand and social interactions. The study presented “the arc of internal brand co-creation” that summarises an employee’s brand experience, where the individual creates and re-creates brand meaning based on his brand experiences and interactions. This model reinforces Iglesias and Bonet’s⁶²¹ concept of re-interpretation loops identifying four states of the micro brand learning cycle: awareness, interpretation, appropriation and communication.

The “arc of internal brand co-creation” is built through the following stages: Discovering the brand, living the brand, learning the brand, representing the brand, (re)discovering the brand, living the brand, learning the brand, representing the brand. This can be summarized as awareness, interpretation, appropriation and communication. They identified several important factors relating to how employees construct their brand meaning:

- a) Individuals must interact with each other on brand experiences to develop a collective brand meaning.
- b) The experiences represent their interactions in the forms of communicative acts in which individuals take different roles as authors and readers depending on specific activities and intentions.

⁶²⁰ Dean, Dianne, et al. "Internal brand co-creation: The experiential brand meaning cycle in higher education." *Journal of Business Research*. Vol. 69 (2016), no. 8, p. 3041-3048.

⁶²¹ Iglesias, Oriol; Bonet, Eduard. "Persuasive brand management: How managers can influence brand meaning when they are losing control over it." *Journal of Organizational Change Management*. Vol. 25 (2012), no. 2, p. 251-264.

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- c) Individuals adopt their own internal processes to perceive, interpret and create a brand meaning through their own experiences.
- d) The brand meaning is then co-created during their social interactions with other individuals
- e) The brand meaning constantly evolves in line with individuals' brand experiences and exposure to brand-related communication activities.

4.4 Fyrberg and Jürriado (2009)

Fyrberg and Jürriado⁶²² used data from 100 in-depth interviews with professionals to scientifically prove the importance of networks for value creation from the perspective of S-D logic.

Their research addressed how social and economic actors co-create value and the conceptualisation of the network of actors.

Built upon the service-brand relationship-value triangle introduced by Brodie et al. they proposed a refinement of the model that conceptualises the key actors involved in the co-creation process as Brand Governor, Providers and Customers. (See figure 13).

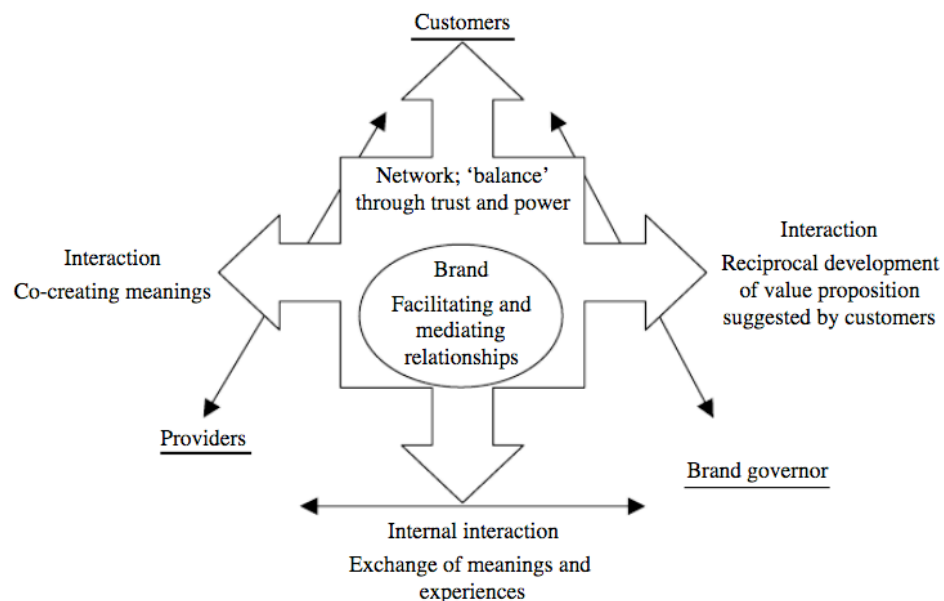


Figure 13 Service brand-relationship-value triangle

⁶²² Fyrberg and Jürriado (2009)

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According to their findings, the quality of interactions is a pre-requisite for co-creation, and interaction leads to co-created outcomes that can be translated into value.

4.5 Grönroos and Voima (2013)

Grönroos and Voima⁶²³ proposed a value creation process. (See figure 14). They introduced the joint sphere concept, where interaction makes value creation a dialogical process. In their view, without direct interactions no co-creation can take place. However, interactions are not an automatic short cut to access customer value creation. Instead, they form a platform for joint co-creation of value. The firm's engagement with customer interactions may influence the customer's value creation positively or negatively (e.g. if the firm creates interactions that are uninvited by the consumer there is a risk of value destruction). The quality of the interaction becomes fundamental for customer value creation.

There are two main comments on Grönroos and Voima's model. Taking as a starting point Payne's model of co-creation,⁶²⁴ the joint sphere definition by Grönroos is limited in its boundaries, as this interaction zone goes beyond physical or online interaction to also incorporate the interaction with other brands and consumers. (See figure 14).

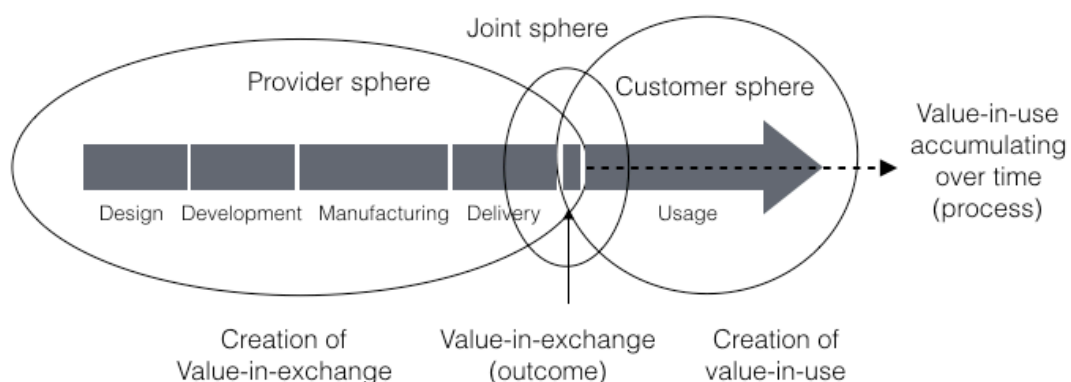


Figure 14. The value creation process (adapted from Grönroos and Voima)

⁶²³ Grönroos and Voima (2013)

⁶²⁴ Payne et al. (2009) p. 382

This study highlights the importance of the joint sphere, as “it is where the co-creation of value between the firm and customer occurs”. It also emphasises the need to study customer’s reactions and behaviours that happen in the joint and customer spheres.

4.6 Gyrd-Jones and Kornum (2013)

By analysing LEGO's relations with four stakeholder ecosystems, Gyrd-Jones and Kornum⁶²⁵ found that successful co-creation outcomes were dependent on value and cultural complementarities, but that these outcomes could be jeopardised if there were not also complementarities between the cultures in the process of direct firm-stakeholder interactions.

Their research extended the notion that brand stakeholders are active in co-creation processes around the brand. This challenges the traditional model of branding that focuses almost exclusively on the brand-consumer relationship and the idea that brands are created by the firm and consumers. In their view, brands are produced and consumed by all stakeholders.

They put forward another relevant insight regarding brand value co-creation: Culture and value are not entirely negotiable, but are based upon clearly defined core brand values. The core is more stable than the periphery and provides a common reference point for stakeholders.

The authors argued for a new logic of brand management that seeks to encompass new stakeholders in the brand creation process, "where the successful inclusion of stakeholders in the creative and innovation processes around the brand requires that brand managers understand the challenges, motivations and priorities of these actors in involving themselves in this process: if co-creation is to become just that, and not a process of mutual destruction".

⁶²⁵ Gyrd-Jones and Kornum (2013)

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4.7 Hatch and Schultz (2010)

Hatch and Schultz⁶²⁶ refer to the work of Prahalad and Ramaswamy⁶²⁷ using their four building blocks for co-creation (dialogue, access, transparency and risk) in relation to branding. They use data from a longitudinal case study with LEGO and its brand community Lugnet to derive propositions on co-creation.

The two concepts, which they derive, i.e. stakeholder-company engagement (access and dialogue) and organization self-disclosure (transparency and risk), are integrated in a framework that moves a step forward towards a theory of brand co-creation. The framework is presented as follows: (See figure 15).

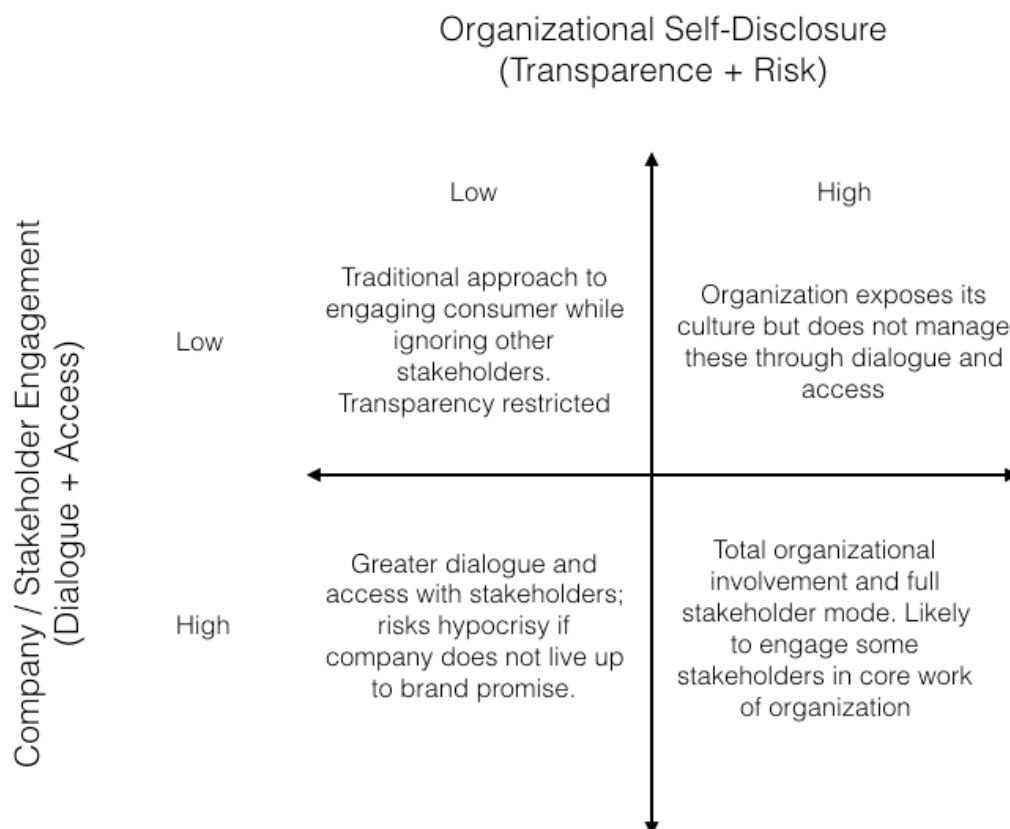


Figure 15. Integrated framework for brand co-creation (adaptation of Hatch)

⁶²⁶ Hatch and Schultz (2010)

⁶²⁷ Prahalad and Ramaswamy (2004b)

Dialogue, involving the whole company, will occur through more numerous channels and events that link the firm with their stakeholders and will take place through relationship encounters involving the whole company and all their stakeholders.

Positioning a company on these two axes provides an understanding of how deeply it is the company is involved in the co-creation process.

This model exemplified the implications for companies that take the different levels of access-dialogue and transparency and risk in relating to their different stakeholders and the outcome from these various approaches.

4.8 Iglesias and Bonet (2012)

Iglesias and Bonet⁶²⁸ identified the emerging perspective that considers a brand as a portfolio of meanings built through an accumulation of experiences that are co-created in each interaction that consumers and other stakeholders have with the different brand touch-points. In their view this major paradigm shift raised specific implications for managers. From their study, the importance of listening and interpreting the meanings that stakeholders attach to the brands should be highlighted.

They presented the co-creation of brand meaning through the consumer-brand relationship, where brand managers proposed the brand meaning, consumers perceived it and through brand touch-points (interactions with brand employees and other brand interfaces) they re-interpret the brand meaning based on their consumer brand experience.

This model is the result of an environment where control is lost over the main sources of brand meaning creation and there is a need to rethink the brand building process.

⁶²⁸ Iglesias and Bonet (2012)

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4.9 Ind, Iglesias and Schultz

Ind, Iglesias and Schultz added participatory benefits to Aaker's model of brand identity (which argues that value propositions should be constructed around functional, emotional and self-expressive benefits).

Participation changes the brand-customer relationship by creating the opportunity for consumers to be more active and equal partners.

According to the authors: "Brand participation generates a better understanding of the performance of a product or service while adding richness to the consumption experience. It heightens the intimacy between the brand and the consumer by creating the opportunity for self-discovery".

According to the authors other important issues when dealing with brand co-creation are:

- To recognize those consumers who have a high degree of intimacy and involvement with the brand and serve as "brand ambassadors".
- To create a productive community managers also need to recognize that a virtuous circle of participation, intimacy and ownership only occurs when people feel there is a fair reciprocity between themselves and the brand. To achieve this, the key mechanism is feedback.
- Managers need to avoid the temptation to control the community. Instead they need to create a flexible environment in which participants feel free to engage in other conversations and activities that they are interested in and which enable them to develop their sense of comfort and belonging. Rather than instrumentalizing a community and focusing on the end outputs, managers need to see themselves as part of the 'cultural fabric'.

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They are there to contribute, to pose questions, to listen and to learn”.

4.10 Payne et al. (2009)

Payne et al.⁶²⁹ explained how co-creation between consumers and marketers develops through a series of “encounters”. In a similar way to the literature on brand communities, the authors highlighted the importance of community involvement and knowledge sharing as the foundation for co-creation, stressing that consumers rarely engage in co-creation on their own.

Their study of the City Car Club identified three phases involved in building brand relationships: acquisition, stabilization and enhancement. They explained how consumers grow into each developmental phase by increasing levels of access that form and transform their service experiences.

They proposed a model for the customer’s value-creation process with four main components:

- The customer’s value-creation process (based on the work of Grönroos,⁶³⁰ Holbrook and Hirschman,⁶³¹ Prahalad and Ramaswamy,⁶³² and Vargo and Lusch.⁶³³
- The supplier’s value creating process.
- Encounters [based on Grönroos⁶³⁴ and Vargo and Lush.⁶³⁵
- And the impact of traditional sources of brand knowledge (based on Keller).⁶³⁶

⁶²⁹ Payne et al. (2009)

⁶³⁰ Grönroos (2008)

⁶³¹ Holbrook, Morris B.; Hirschman, Elizabeth C. "The experiential aspects of consumption: Consumer fantasies, feelings, and fun." *Journal of consumer research*. Vol. 9 (1982), no. 2, p. 132-140.

⁶³² Prahalad, Coimbatore. K.; Ramaswamy, Venkat. "Co-opting customer competence." *Harvard business review*. Vol. 78 (2000), no. 1, p. 79-90.

⁶³³ Vargo and Lusch (2004)

⁶³⁴ Grönroos, Christian. "Adopting a service logic for marketing." *Marketing theory*. Vol. 6 (2006), no. 3, p. 317-333.

⁶³⁵ Vargo and Lusch (2004)

⁶³⁶ Keller (2003)

In their conceptual model for managing the customer experience, they consider, among other components, interactions where the customer's value is created and exposed to additional sources of brand knowledge. (See Figure 16).

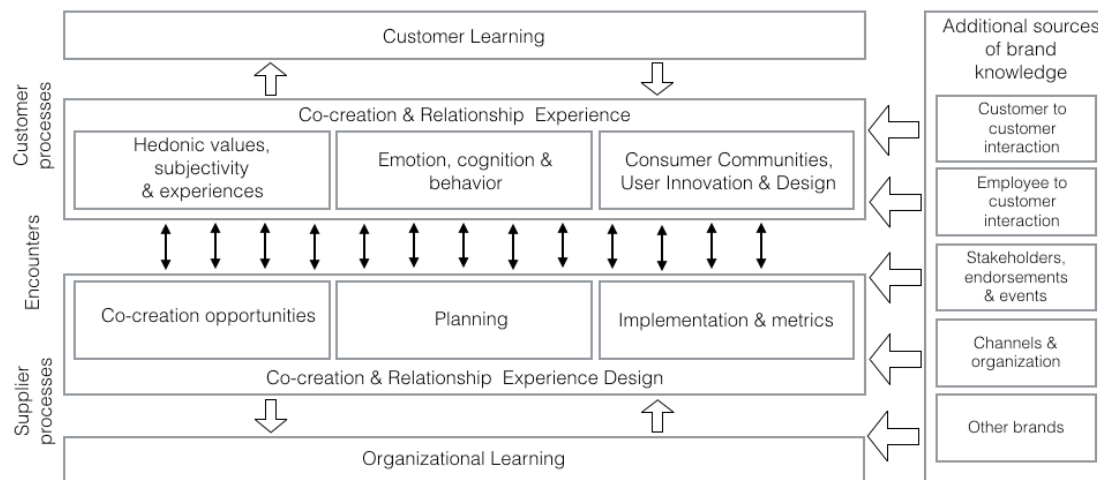


Figure 16. A model for co-creating the brand relationship experience (Payne)

This model suggested that identifying the customer's value creation processes helps the supplier to develop the ability and motivation to support them. However, this study does not give a detailed explanation of how to identify these co-creation opportunities or how to support this customer's value creation processes. It only states that it is important to develop knowledge management systems to understand consumer co-creation opportunities, and it requires more information from customers in addition to the normal management data.

4.11 Pongsakornrungsilp (2011)

Pongsakornrungsilp⁶³⁷ provided additional insights into the value creation process by focusing on a popular global brand community, ThisIsAnfield Liverpool FC online fan community.

With this study they extend the current understanding of how brand communities co-create value by exploring how the myths and cultural meaning of the Liverpool FC brand are created and shared among members of this online fan community.

Their data shows that consumers may act as providers and beneficiaries within the value co-creation process. They found that knowledge, information, and experiential resources -or cultural capital- associated with the brand are co-created within the co-consuming group.

⁶³⁷ Pongsakornrungsilp (2011)

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4.12 Schau et al. (2006)

In 2009 Schau, Muñiz and Arnould published “How brand community practices create value”.⁶³⁸ They explored collective value creation within several brand communities and provided a comprehensive review of brand value creation processes.

They studied the macro-perspective of value-creation by focusing on multi-brand communities. They highlight a set of 12 collective practices from 9 brand communities: 3Com –Internet device-, Apple Newton –personal digital assistant-, BMW Mini –car-, Garmin –Global positioning system-, Jones Soda –carbonated beverage-, Lomo and Holga – cameras-, Tom Petty and the Heartbreakers – musical group-, StriVectin –cosmeceutical-, and Xena: Warrior Princess – television programme-.

Two main conclusions can be drawn from their study:

- The firm should foster social networking practices to build and sustain the community and to inspire further co-creation.
- The firm should drive community engagement (e.g. with badging and milestoning).

⁶³⁸ Schau, Muñiz and Arnould (2009)

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4.13 Skålen, Pace and Cova (2015)

Skålen, Pace and Cova⁶³⁹ conducted a netnographic study of an online collaborative platform produced by carmaker Alfa Romeo.

They identify three groups of collaborative practices: interacting, identifying and organising practices.

They concluded that firm value co-creation processes succeed when the enactment of practices aligned (when firm and brand community members enact practices in a similar way), and co-creation fails when the enactment of practices misaligns.

Their framework further suggests that firm and brand community members use three realignment strategies (compliance, interpretation and orientation) to address the misalignment and failure of co-creation.

⁶³⁹ Skålen, Pace and Cova (2015)

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4.14 Zhang and He (2014)

Zhang and He⁶⁴⁰ identified key dimensions of brand value co-creation and its impacts upon customer perception and brand performance in empirical research in the context of industrial service among Chinese industrial service firms.

Their main findings were:

- The integration of the brand value chain and SD- Logic can lead to stronger brand value and brand performance. Value co-creation activities among multiple stakeholders can help customers perceive brand value in a favourable way and ultimately improve brand performance. 87% of the customer perception of brand value and 79% of the firm's brand performance could be attributed to brand value co-creation.
- Value co-creation activities are an original driver of brand development by impacting brand value and brand performance via value co-creation.

⁶⁴⁰ Zhang and He (2014)

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4.15 Summary of findings on brand value co-creation

A thorough and intensive analysis of the literature and findings in previous studies on brand value co-creation reveals important findings. They will establish the foundations of the proposed framework for brand value creation.

The findings identified haven been summarised and classified by theme to facilitate later inclusion in the new model.

The methodology to identify these themes is based on grounded theory, where the investigator reviews and identifies findings with similar content, sorts them according to their similarity, separates them into different categories and then carries out a final distillation into the major themes. This method is the same as the one used for the analysis of the results of the in-depth interviews, which will be explained in the section on qualitative research with practitioners.

The themes identified are:

- The importance of brand value co-creation
- The brand value co-creation process
- Elements of the brand value co-creation process
- The company's value proposition
- The brand meaning co-creation
- The importance of experiences
- The importance of interaction and dialogue
- The role of encounters
- The issue of managerial control

- Emotional, cognitive and behavioural responses
- The role of social media and online brand communities
- Outputs of the brand value co-creation process
- Competitive advantage

The importance of brand value co-creation

Various indications from the market and the literature reveal that the consumer's role is changing. Many terms have been used in an effort to capture the new consumer roles: prosumer, post-consumer, consum-actor, etc. All these terms converge to describe a more active role in their relationships with brands and companies.⁶⁴¹

Consumers are active in the value creation process through immaterial labour and primary direct social relationships.⁶⁴² From a consumer perspective, value co-creation generally includes such processes as relationships, engagement, interaction and experience, to name just a few.⁶⁴³

It has been identified in the literature review that suppliers are urged to develop or reinforced the customer's ability to co-create⁶⁴⁴ brand meaning with their different stakeholders.

The important point in the co-creation of brand value which has been identified is that knowledge, information and experiential resources –or cultural capital- are co-created within the co-consuming group. This creates brand meaning for both the firm and the consumer, which ultimately represents the value of the brand.

⁶⁴¹ Cova and Dallı (2009) p. 315

⁶⁴² Cova and Dallı (2009) p. 315

⁶⁴³ Pongsakornrungrungsilp, Siwarit; Schroeder, Jonathan. "How consumers co-create." *Routledge Handbook on Consumption*. Ed. Keller, Margit; Halkier, Bente; Wilska, Terhi-Anna; Truninger, Monica. (2017)

⁶⁴⁴ Payne et al. (2009) p. 382

Successful participation in brand meaning co-creation requires the establishment and strategic management of a portfolio of different resources. The value of these discursive resources is not inherent to the resources themselves, but depends on their application in response to the discursive activities of others stakeholders.

It is the role of the company to create a value proposition, to provide these resources to consumers, and to offer an encounter space to allow interaction between stakeholders and the company. In doing so, they encourage value creation for the consumers and the co-creation of brand meaning.

The brand value co-creation process

In the past, the process of value creation almost excluded the consumer: The entire marketing could be carried out in-house with minimal consumer input. The role of the consumer was only important at the level of interaction, not during the actual process of value creation.⁶⁴⁵ However, firms no longer control consumers through their marketing efforts⁶⁴⁶ and the concept of co-creation is becoming of central importance in marketing theory⁶⁴⁷ and a dominant force in business today.⁶⁴⁸ It significantly extends the traditional notions of user-driven product innovation to radically refocus the business around customer value creation in a dialogic relationship between the firm and its customers.⁶⁴⁹

Previous research has confirmed that brand stakeholders are active in co-creation processes around the brand:

⁶⁴⁵ Paul (2016) p. 192

⁶⁴⁶ Holt (2002) p. 71

⁶⁴⁷ Pongsakornrungrungsilp, Siwarit; Schroeder, Jonathan. "Understanding value co-creation in a co-consuming brand community". *Marketing Theory*. Vol. 11 (2011), no. 3, p. 303–324.

⁶⁴⁸ Prahalad and Ramaswamy (2004)

⁶⁴⁹ Vargo and Lusch (2004)

- Gyrd-Jones and Kornun: “Brand stakeholders are active in co-creation processes around the brand and brands are produced and consumed by all stakeholders.”⁶⁵⁰
- Hatch and Schultz: “Stakeholders are given and take control of brand meaning and ultimately the value it brings to the organization”.⁶⁵¹
- Boyle: “A common underlying co-creation process for successful brands can be identified” and “the consumer is an active partner with the marketer in brand-meaning formation”.⁶⁵²
- Brodie: “Service brands play an important symbolic role in the co-creation of value. They provide sign systems that symbolise meaning in the marketing network and hence are a fundamental asset of resource in developing service-based competency and hence competitive advantage.”⁶⁵³
- Choi et al.: “The common understanding of the value co-creation is that customers actively participate in creating brand values by interacting through marketing encounters such as product or brand-related activities.”⁶⁵⁴
- Payne: “Brand identity is co-created with consumers and other stakeholders and this element of co-creation is especially apparent in consumer groups such as brand communities. These groups become active carriers of brand meaning, rather than followers of the company’s idea of the constitution of their brand”.⁶⁵⁵
- Pongsakornrunsilp and Schroeder: “Consumers gain the cultural authority to co-create value, symbolic meanings or cultural codes of consumption”. Also, “consumers may act as providers and beneficiaries with the value co-creation process and the co-consuming

⁶⁵⁰ Gyrd-Jones and Kornun (2013) p. 1491

⁶⁵¹ Hatch and Schultz (2010) p. 603

⁶⁵² Boyle (2007) p. 122

⁶⁵³ Brodie (2006) p. 373

⁶⁵⁴ Choi, Ko and Kim (2016) p. 2

⁶⁵⁵ Payne et al. (2009) p. 380

group is a source of value or platform on which consumers may co-create value".⁶⁵⁶

- Cova and Dallı: "Consumers increasingly regard brands as shared cultural property rather than as privately owned intellectual property. Familiarity breeds ownership: brands 'belong to us' and not to the companies that own them".⁶⁵⁷ These authors consider consumers to be the main source of value, and, as such, responsible for the creation of value.
- Bertilsson: A substantial part of the consumer's construction of their understanding of how brands work is produced by the consumers themselves in their micro level interactions.⁶⁵⁸

In light of this perspective, any brand is dynamically constructed through social interactions and, therefore, its value is located in the minds of its customers and the wider group of opinion makers and stakeholders.

Elements of the brand value co-creation process

As identify by Payne, the key elements in the brand value co-creation process are:

- The supplier's value proposition (or the value proposition of the company).
- The customer's value-creation.
- Encounters.
- The impact of additional sources of brand knowledge.

⁶⁵⁶ Pongsakornrunsilp and Schroeder (2011) p. 309

⁶⁵⁷ Cova (2009) p. 4

⁶⁵⁸ Bertilsson (2009) p. 18

The company's value proposition

One of the key findings from the analysis of the S-D logic is that value is not created by the company. Instead the company creates a value proposition for their different stakeholders that can be valued by the consumers.⁶⁵⁹

Therefore the focus of the brand manager is one of facilitation and support of the value creation process, rather than a simple distribution of embedded value, and this role as facilitator of value creation should be positioned as the core of the firm's strategic planning. "From a service-centred dominant logic, a firm's mission statement should communicate its overall value proposition".⁶⁶⁰

Grönroos and Ravald defined value propositions as active suggestions and projections of what may impact on consumers, and they are promises about future value creation.⁶⁶¹

Firms are required to provide resources such as goods, services, information or other resources for customer value creation.⁶⁶²

The ability to actively co-create brand meaning depends on the discursive resources stakeholders have at their disposition.⁶⁶³

The brand meaning co-creation

As identified in the literature review, meaning is derived from both language and social interactions. As Berger and Luckmann argued, meaning only emerges

⁶⁵⁹ Vargo and Lusch (2004, 2009, 2009)

⁶⁶⁰ Vargo and Lush (2004) p. 14

⁶⁶¹ Grönroos and Ravald (2011) p. 14

⁶⁶² Grönroos (2008) p. 306

⁶⁶³ Vallaster and Wallpach (2013) p. 1507

through social interactions amongst individuals and it is in the production and reproduction of these social interactions where value and meaning are co-created.⁶⁶⁴

The postmodern individual are not only looking for products and services which enable them to be freer, but also which can link them to others, to a community.⁶⁶⁵ The key is to create the link to others and to create a community, not around the brand, but where the brand is a facilitator for this connection and a provider of meaning.

Interaction is needed to create brand meaning, which is derived from both language and social interactions, and the production and reproduction of these social interactions where value and meaning are co-created.⁶⁶⁶ Therefore, meaning is created through experience and interaction.

To allow for effective communications and to serve the function of integration into society, meaning must be shared by members of the culture.⁶⁶⁷

Brand meanings can be seen as symbolic resources through the construction of individual identity⁶⁶⁸ and, according to the S-D logic, they are directly linked to value co-creation as value is experiential and meaning-dependent.⁶⁶⁹ The co-creation of meaning and experience is the entrance to co-creation of value.⁶⁷⁰

⁶⁶⁴ Berger, Peter; Luckmann, Thomas. *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. UK: Penguin, 1991.

⁶⁶⁵ Cova (1997) p. 311

⁶⁶⁶ Dean (2016) p. 3043

⁶⁶⁷ Fournier (1991) p. 738

⁶⁶⁸ Fournier (1998)

⁶⁶⁹ Fyrberg and Jürriado (2009) p. 422

⁶⁷⁰ Brodie, Glynn and Little (2006) p. 364

Brands are co-constructed socially. Sociability and decision-making are interrelated as neuromarketing based on neuroscience has proven.⁶⁷¹

The importance of experiences

Why is the experience so important for consumers? Because they are more interested in the positive consequences embedded in the experience with the products or services themselves.⁶⁷²

Experiences are especially important as they can encourage the customer to participate increasingly in the process of co-creation.⁶⁷³ The linkage between experiences and value is established by Holbrook who states “value comes from an interactive relativist preference experience”.⁶⁷⁴

Interaction and dialogue

Interaction is a mutual or reciprocal action where two or more parties have an effect upon one another.⁶⁷⁵ Interactions are central in industrial contexts, branding research, information process research, firm performance research and Consumer Culture Theory.⁶⁷⁶

Interactions have a pivotal role in the process of value creation. Through their interaction with customers, firms find opportunities to influence the process of value creation, in the best case enhancing the level of value the customer

⁶⁷¹ Ambler et al. (2000) p. 21

⁶⁷² Grönroos and Ranvald (2011) p. 8

⁶⁷³ Payne et al. (2009) p. 382

⁶⁷⁴ Holbrook (1994) p. 27

⁶⁷⁵ Grönroos (2011) p. 11

⁶⁷⁶ Grönroos and Voima (2014) p. 141

creates out of a product or service. From this perspective, the supplier becomes a co-creator of value with its customers.⁶⁷⁷

The quality of the interactions between the parties is fundamental for value co-creation.^{678, 679} as interactions allow value propositions to become value for the consumers.

Through interaction between community and brand, as well as between the members within the community, the three-party relationships are born and the brand value is created.⁶⁸⁰

An active dialogue needs to be encouraged, as well as mobilizing consumer communities; managing consumer diversity and co-creating personalized experiences.^{681,682}

This is not a dyadic relationship between the brand and the consumer, but rather a triangular one with other consumers. Consumers feel a connection to the brand, but more importantly, a strong connection towards other consumers.⁶⁸³

Co-creation of value can take place only if interactions between the firm and the consumer occur.⁶⁸⁴

The role of encounters

⁶⁷⁷ Grönroos (2008)

⁶⁷⁸ Grönroos and Voima (2013) p. 290

⁶⁷⁹ Fyrberg and Jürjado (2009) p. 421

⁶⁸⁰ Heding, Knudzen and Bjerre (2009) in Kuvykaite (2014) p. 480

⁶⁸¹ Fournier (1991)

⁶⁸² Prahalad and Ramaswamy (2004)

⁶⁸³ Muniz (2001) p. 418

⁶⁸⁴ Grönroos and Voima (2013) p. 290

The most important element of the value co-creation process, in which customers actively participate in brand-related activities, is an encounter, where learning and communication interactions between brands and customers take place.⁶⁸⁵

The encounter's space is the terrain in which interaction and experience occur between the different stakeholders and the brand. It can be physical (for example at the point of sale) or online (for example an online community). This is the space where the different stakeholders have the opportunity to engage in a joint brand-related discourse. An encounter is the point of interaction, the touch or contact point with a brand that then determines the value co-creation.⁶⁸⁶

Customer learning involves a combination of experiential encounters with the brand over the length of the relationship.⁶⁸⁷ From the cognitive perspective learning is useful for the information-processing perspective.

Value co-creation encounters include both cognitive and emotional experiences.⁶⁸⁸ However, Yi focuses on value co-creation in the behavioural sphere.⁶⁸⁹

A brand's social media platform is an example of a value co-creation encounter. This is the platform where the brand and its customers interact both cognitively and emotionally.⁶⁹⁰

⁶⁸⁵ Choi, Ko, and Kim (2016) p. 5827-5832

⁶⁸⁶ Choi (2016) p. 2

⁶⁸⁷ Payne, (2009) p. 382

⁶⁸⁸ Choi (2016) p. 2

⁶⁸⁹ Yi, Youjae; Gong, Taeshik. "Customer value co-creation behavior: Scale development and validation." *Journal of Business Research*. Vol. 66 (2013), no. 9, p. 1279-1284.

⁶⁹⁰ Choi (2016) p. 2

The issue of managerial control

The importance of the consumers' power to co-create value during their consumption has relevance to companies, as their control over the brand may be diminished.⁶⁹¹

A relevant insight for our research is found in Gyrd-Jones and Kornum: Culture and value are not entirely negotiable, but rest upon clearly defined core brand values. The core is more stable than the periphery and provides a common reference point for stakeholders.⁶⁹²

Brand co-creation strategies are based on the definition of a stable core set of elements of the brand and a negotiable periphery. This duality allows the firm to remain consistent in relation to its core values whilst remaining flexible enough to respond to market dynamics. It allows stretching into new areas whilst maintaining the core values.

Emotional / cognitive / behavioural responses

Every marketing or brand activity aims to provoke a response. This response can be emotional, cognitive or behavioural. The value proposition of the company reaches the consumer through branding touch points in the encounter space and provokes certain responses.

⁶⁹¹ Pongsakornrunsilp, Siwarit; Bradshaw, Alan; Schroeder, Jonathan. "Brand community as co-creation value in the service-dominant logic of marketing." *Customer Research Academy Workshop*. (2008).

⁶⁹² Gyrd-Jones and Kornum (2013)

From the value co-creation point of view, the emotional, cognitive and behavioural responses are the basis of the value, but also the impressions, recognition and internalization they accord to the brand.⁶⁹³

These responses are not merely consequences of the experience with the brand. They are the objectives sought in the value proposition made by the brand.⁶⁹⁴

Neuroscience applied to marketing has proved that emotion is needed to create a positive consumer response⁶⁹⁵ and affective material is better remembered than cognitive.⁶⁹⁶ Therefore branding activities that stimulate those parts of the brain related to affection will be better remembered in the long-term memory.⁶⁹⁷

Additionally there is a strong neurological link between emotions, social relationships and brand choice. The possibility that these three brain activities - the ability to make decisions and to have feelings and social skills - are physically juxtaposed in the brain could have immense importance for marketing, especially with regard to the significance of feelings and social relationships for brand choice.⁶⁹⁸

The role of social media and online brand communities

It is confirmed by Yi that customers create value through word-of-mouth in online and offline social communities.⁶⁹⁹

⁶⁹³ Choi, Ko and Kim (2016)

⁶⁹⁴ Fournier (1991) p. 738

⁶⁹⁵ De Balanzó, Serrano and Scamell-Katz (2010) p. 2

⁶⁹⁶ Ambler et al. (2000) p. 21

⁶⁹⁷ Ambler et al. (2000) p. 21

⁶⁹⁸ Ambler et al. (2000) p. 21

⁶⁹⁹ Yi and Hur (2007) in Yi (2014)

The key to the successful engagement of social media is to stop trying to exploit or control it. On the contrary, organizations and individuals within organizations must think of themselves not as above, but as part of a community.

They must switch to community logic, based on reflective trust. To Arnaboldi⁷⁰⁰ reflective trust is based on dialogue and reputation.

When organizations engage with social media from the perspective of market logic, they are trying to exploit it, without considering whether they are bringing any value to the community. When they engage with social media from a hierarchical logic perspective, they are trying to control it rigidly. Both approaches destroy trust, and therefore communities.

Outputs of the brand value co-creation process

The final goal of co-creation (as well as branding) is loyalty.⁷⁰¹

Competitive advantage

A successful brand becomes a critical asset and a key source of sustainable competitive advantage for companies.⁷⁰²

⁷⁰⁰ Arnaboldi, Michela, Coget, Jean-Francois. "Social media and business." *Organizational Dynamics*. Vol. 45 (2016), no. 1 p. 51.

⁷⁰¹ Boyle (2007) p. 122-131

⁷⁰² Backhaus, Steiner and Lügger (2011)

Co-creation of brand value:
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III .FRAMEWORK

Co-creation of brand value:
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competitive advantage

1. Introduction to the framework

The purpose of this section is to construct or assemble a tentative framework from the previously analysed theoretical constructs to aid in the analysis of how brand value is co-created. Payne's model of co-creating the brand relationship experience serves as a structural base for the framework's design because it uncovers important elements of the co-creation of value process such as encounters.

This section is structured in five parts: the introduction and objectives of the proposed framework, the requirements for its development, learning from previous models and the explanation of the new framework and its different components.

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2. Introduction and objectives of the framework

Starting point

Whilst the research outlined above adds considerable insight into the importance of co-creating brands with consumers and other stakeholders, researchers however have paid little attention to developing conceptual frameworks and methodologies that focus on managing the brand value co-creation process from a managerial perspective.

Before Payne's work,⁷⁰³ there was not evidence of frameworks that offer a comprehensive relationship-oriented view of the consumer-brand interactions and consider the branding process and as a co-creation of value process. Payne is the writer who has developed a model for co-creating the brand relationship experience that has important similarities and points in common with this research.

Although his model represents an important development in the understanding of the customer value co-creation process, especially regarding the identification of their key components, it has its limitations when explaining the company's value proposition and the co-created value. The goal of this new model is to overcome these limitations.

These considerations and Payne's model have led to our research question: How can a conceptual model that integrates the concept of co-creation and branding be developed to help companies to better design their value propositions, encourage value creation and harvest the co-created value? This question provides the motivation for the design of this proposed framework for brand value co-creation.

⁷⁰³ Payne et al. (2009) p. 382

Purpose of the framework

The aim of this framework is to develop a conceptual model to guide the brand value co-creation process so that it becomes a competitive advantage for the company. Once this framework has been developed, practitioners will validate it through qualitative research.

3. Requirements of the framework

The development of a new framework for brand value co-creation requires an understanding of the particular characteristics of the branding process. As it will be explained these are:

- Complexity
- Retroactivity
- Process-based structure

Complexity

As our aim is to produce useful knowledge for practitioners, it is important to reproduce the same conditions that they have to face. Management is the most highly evolved form of complexity and managers continually grapple with complexity in their day-to-day operations and continue to acquire wisdom in the form of experience that allows it to evolve even further.⁷⁰⁴

The objective is to establish a framework commensurate with the complexity of the phenomena. In order to do this, we will define the model based on the paradigm of complexity.

“Complexity” is becoming a keyword at the cutting edge of modern thought. Researchers have turned their attention to the study of chaos theory and self-organization in order to analyse the properties of complexity and predict the behaviour⁷⁰⁵ of any living organization of social construct. Brands are a living construct and therefore we can benefit from this more realistic way of understanding how to manage them.

⁷⁰⁴ Tasaka (1999) p. 122

⁷⁰⁵ Tasaka (1999) p. 115

For Morin, “the paradigm of complexity stands as a bold challenge to the fragmentary and reductionist spirit that continues to dominate the scientific enterprise”.⁷⁰⁶

Morin postulated a new, non-holistic principle of knowledge; that the whole affects the parts retroactively, while the parts in turn retroactively affect the whole. It refers to a “dynamic entity” as opposed to the system paradigm that overlooks two terms of major importance: interactions and organization. The whole-parts relationship must necessarily be mediated through interactions.⁷⁰⁷

Based on the work of Dr. Tasaka, we can take principles adapted from complexity theory⁷⁰⁸ to provide useful insights into the creation of our interconnected model of brand value co-creation:

- The living system (including organization and social construction) cannot be reduced to a collection of its components; because the instant it is broken down into parts it loses its life force.
- The method for approaching the living world is “knowing emergence”, which is the aggregate’s ability to form systems automatically as the result of the spontaneous behaviour of its individual members (emergence). It leads us to the importance of not trying to plan or manage things artificially, but emphasizes instead ways to stimulate the process of self-organization.
- The method of stimulating the processes of self-organization and emergence is “knowing coherent environments”, which is: a) to allow exchanges of energy, matter and information with the outside world; b) to be dynamic; c) feedback enables special processes to make rapid progress.

⁷⁰⁶ Morin, Edgar. "From the concept of system to the paradigm of complexity." *Journal of social and evolutionary systems*. Vol. 15 (1992), no. 4, p. 371.

⁷⁰⁷ Morin (1992)

⁷⁰⁸ Tasaka (1999)

- The most important entity for generating self-organization from a coherent environment in a corporation is the individual. Individuals are able to articulate an attractive vision and act with passion to make a dream come true, and will draw other people around them through their ability to produce coherence.
- Co-evolution, a process in which each part interacts with and influences the other parts thereby stimulating their mutual development.
- Neither top down nor bottom up: Corporate vision, strategy, tactics or action plans co-evolve as the upper and lower levels interact with and mutually influence one another in a “vertical integration strategy”.
- The rules are changing and so they can be changed.

Retroactivity

As identified by Pongsakornrunsilp,⁷⁰⁹ consumers may act as providers and beneficiaries with the value co-creation process. This retroactivity needs to be considered when designing the value co-creation process.

Process-based structure

The importance of processes is widely acknowledged in both the literature on marketing strategy and customer management⁷¹⁰ and on Service-Dominant Logic and co-creation.⁷¹¹ In particular, Vargo and Lusch suggest that researchers can regard marketing as a set of processes and resources with which the company seeks to create value propositions.⁷¹² These processes include procedures, tasks, activities, mechanisms and interactions that collectively support the co-creation of value. For Payne, the customer’s processes represent a series of

⁷⁰⁹ Pongsakornrunsilp (2011) p. 309

⁷¹⁰ Srivastava and Shocker (1991)

⁷¹¹ Prahalad and Ramaswamy (2004)

⁷¹² Vargo and Lusch (2004)

activities conducted to obtain a particular goal. These activities collectively contribute to the brand relationship experience.⁷¹³

As identified by different authors such as Payne, Prahalad and Ramaswamy, Grönroos and Ravald, Neal, Yi, Boyle, among others, brand value co-creation is a process-based construct.

⁷¹³ Payne et al. (2009)

4. Findings from previous models

Previous academic models that include elements of the brand value co-creation process have been identified and analysed to set the basis for the new proposed framework. Among them, Keller and Lehmann's brand value chains model and Payne's model for co-creating the brand relationship experience.

Keller and Lehmann⁷¹⁴ proposed a brand value chain model that can be used as a starting point for understanding the different steps in the value creation process (See Figure 9).

Their model originates in the company's marketing programme (which is called according to the S-D logic, the firm's value proposition). Depending on the quality of this programme it results in a determinate customer mind-set (awareness, associations, attitudes, attachment and activity). This stage leads to a particular market performance (market share, profitability, price premiums, etc.) and a final shareholder value (stock price and market capitalization).

Although we acknowledge the importance of financial outputs and measurement for practitioners, our model of brand value co-creation does not consider the final two stages of the Keller and Lehmann model (market performance and shareholder value) as the emphasis in this study of the value creation is on customer-based brand value and not financial. However, we recommend including these financial inputs and measures in future research directions as we have mentioned in the section on further research.

As defined previously, Payne has proposed a model⁷¹⁵ that describes the different aspects of the brand co-creation process. (See Figure 16).

⁷¹⁴ Keller and Lehmann (2003)

In this work, the customer's processes represent a series of activities carried out to achieve a particular objective. These activities collectively contribute to the brand relationship experience. This experience includes two perspectives on consumer behaviour:

- The information-processing perspective.
- The experiential perspective (that includes the role of consumer communications and user innovation).

The model consists of four main components that can serve as the basic structure for the creation of the new framework:

- The customer's value-creating process (concerned with co-creating and experiencing a brand relationship).
- The supplier's value proposition process (concerned with designing and co-creating a brand relationship experience).
- Encounters (where interactions are involved in creating these experiences).
- The impact of additional sources of brand knowledge.

⁷¹⁵ Payne et al. (2009)

5. Framework proposal

As identified in the literature review, brand value is not created by the firm. However, it creates a value proposition that is turned into value-in-use after the consumer interacts with the value proposition, other brands' propositions and consumers in the market place.

From this subjective experience based on shared values, an emotional, cognitive and behavioural response is created, which creates the brand equity of the brand (in all its dimensions: awareness, associations, knowledge, perceived quality and loyalty). The result is a brand value that has been co-created between the consumer and the firm.

As this is a retroactive process, the firm takes this co-created value to continue creating a value proposition for their consumers. (See figure 17). The essential and core aspects of the brand need to remain unchanged, but the peripheral aspects of the brand can be changed or adapted, once the value created has been analysed.

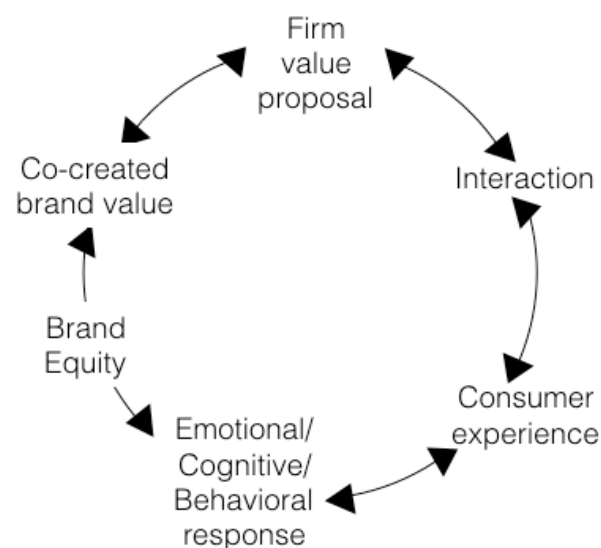


Figure 17. Retroactive relationship between the firm's proposal and co-created brand value (compiled by the author)

From this starting point, a model of co-creation of brand value is developed.

The proposed model is visualised in figure 18 as follows:

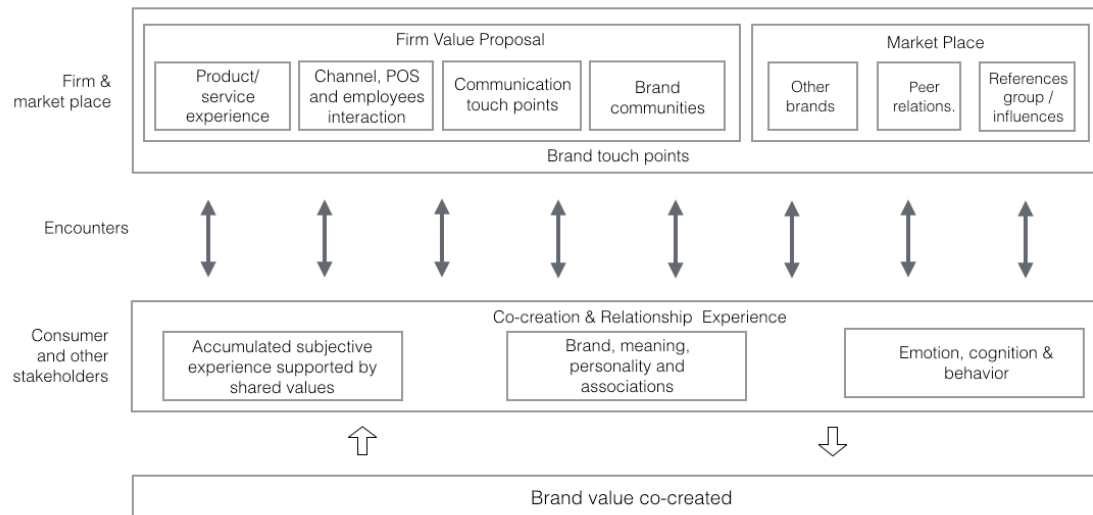


Figure 18. Model of brand value co-creation (compiled by the author)

The starting point is that the firm creates a value proposal, which is introduced to the consumer via its product or service, channel, point of sale and employee interaction, all communication touch points, and brand communities. All other brands, peer interactions and reference groups and influencers in the marketplace are also inputs for the interpretation of this value proposal.

The reason why other brands have a role in the interpretation of the value proposal of the firm is found in the basis of positioning: a brand proposal is interpreted by the consumer in comparison with others and without a reference point or a comparison to other brands, consumers cannot create a determinate

image for the brand. Companies cannot ignore the impact of other brands in their own value proposals.

The content of the value proposition interacts with the different stakeholders of the company. The interaction takes place in the “encounter zone”, where consumers interact with the firm’s value proposal, but also other competitors’ proposals and other consumers. This can be a physical, mental or online space.

From these encounters, consumers create their own subjective experiences based on both consumer and consumer-shared values (hedonic, auto-expressive, etc.).

The experiences created during these encounters are accumulated over time and provoke different responses that can be emotional, cognitive or behavioural:⁷¹⁶

- Cognitive: This includes memory, knowledge structure, imagery, beliefs and thought generation.
- Affective or emotional: Attitudes, emotions, preferences and feelings.
- Behavioural: buying / usage, purchase, consumption, decision, experience and choices of activities.

For example, the consumer can have an emotional attitude towards the brand (e.g. bonding, likeability, etc.); cognitive (e.g. resonance); behavioural (e.g. buying or recommendation).

The output for the brand is an enhanced brand meaning, brand associations and other brand equity outputs that represent the value co-created for the brand.

⁷¹⁶ Holbrook and Hirschman (1982) p. 133-137

The new co-created value nourishes the value proposition of the brand in a retroactive process.

This process provides a source of feedback to the brand as well as a window (or transparency) on the process of its co-creation.⁷¹⁷

This framework presents a proposition for companies to give their consumers access to resources and the opportunity to actively use these resources to have a subjective experience and co-create brand meaning.

The final result is value created for the brand, which can be called co-creation because it has been co-created by consumers from the firm's proposal.

According to this model, brand value is created in the user's accumulated experiences (individual and collectively with others) with resources, processes and / or their outcomes and contexts accumulating from past, current and envisioned future experiences in the customer's life. The locus of value creation is the customer's physical, mental or possessive activities, practices and experiences in multiple individual and social contexts.

The first premise of this framework, as validated by the literature review, is that value does not derive from the product or service but the experience. Companies can make value proposals but without the encounters and the experiences value cannot be created.

The second premise is that companies can encourage and facilitate the co-creation of value as a way of obtaining competitive advantages.

⁷¹⁷ Hatch and Schultz (2010) p. 594

We propose a strategy to foster brand value co-creation as a source of competitive advantage for firms. This strategy has four parts:

- 1) Firstly, acknowledging existing brand value co-creation mechanisms.
- 2) To strengthen current and new encounters with the different brand stakeholders
- 3) To encourage dialogue and interactions through relational platforms (e.g. brand communities)
- 4) To establish listening mechanisms to incorporate the enhanced brand meaning, brand associations and other brand equity outputs back in the value proposition of the company as co-created value.

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6. An explanation of key components of the framework

This section explains in detail the key components of the proposed framework, namely:

- Value proposition (by the company)
- Encounters
- Value-in-use (for the consumer)
- Output of the brand value co-created process

It also explains important elements that have a role in this process:

- Brand communities
- Reference groups and influences
- Other brands

Additionally, some reflections are provided about important concepts:

- Control / lack of control
- Assessment / measurement / listening to the output created

Value proposition (by the company)

One of the starting points of this framework is the proposition that firms merely act as a value facilitator.⁷¹⁸ Although firms could interact with customers and become a co-creator of value with them, customers carry out the main value creation. This view is shared by Grönroos and Voima,⁷¹⁹ and Vargo and Lusch.⁷²⁰ According to their seventh foundational premise in the Service-Dominant logic, “The firm cannot deliver value, but can only offer a value proposition”.

Therefore, Service-Dominant logic regards marketing as a set of processes and resources with which the company seeks to create value propositions. These processes include procedures, tasks, activities, mechanisms and interactions that collectively support the co-creation of value.⁷²¹ The focus of the brand manager is, therefore, on the facilitation and support of a value creation process, rather than a simple distribution of embedded value, and this role as a facilitator of value creation should be positioned as the core of the firm's strategic planning.

Once we have recognized that the customers are the value creators, what is the role of the firm in the process of value creation? The firm produces resources as their input into its customers' process of value creation. They act as facilitators of value, which is the prerequisite or foundation of value creation. Facilitating value for customers means that the firm creates potential value that the customer can transform into value-in-use. In order to facilitate this process, firms need to actively use interactions with their customers. These interactions take place in the “encounter” space.

⁷¹⁸ Yi (2014) p. 1

⁷¹⁹ Grönroos and Voima (2013)

⁷²⁰ Vargo and Lusch (2004).

⁷²¹ Payne et al (2009) p. 381-382

As explained in Figure 6 on the cycle of brand value creation, during the process firms have opportunities to influence the process of value creation by reformulating their value proposition after receiving the value co-created and feedback from consumers. Thus, although the customer is the value creator, the firm becomes a co-creator of value with their customers.⁷²² As Grönroos states, “co-creation occurs only when two or more parties influence each other”.⁷²³

The role of the firm in influencing a customer’s value is important because customers and firms can influence each other’s processes through their interactions. Firms can directly and actively impact on the customer’s process of value creation and the outcome of this process. From the marketing point of view this is very important because the role of the firm is not limited to making promises about future value or offering value propositions. On the contrary, the role of the seller is not only to make value promises and to help customers to create value for themselves: The firm can become actively involved in its customer’s experiences and actively influence and contribute to the customer’s value fulfilment.⁷²⁴ For Grönroos, this reframes the role of marketing as it broadens both the scope and the content of the marketing process from being a promise-making function to become a process of value fulfilment.⁷²⁵

From a managerial perspective, the identification of the resources and processes that better support the co-creation of value is of great importance. For a value proposition to be effective in supporting the value creation by customers, firms need to facilitate “an emotional” packet” of all the information related to the brand, as the importance of emotions in decision-making has been scientifically proven.⁷²⁶ This emotional packet becomes a shortcut in the brand choice or decision-making processes.

⁷²² Grönroos (2008) p. 307

⁷²³ Grönroos and Voima (2013) p. 140

⁷²⁴ Grönroos (2008) p. 308

⁷²⁵ Grönroos and Ravald (2011) p. 14

⁷²⁶ Ambler et al. (2000) p. 21

Encounters

The most important component of the value co-creation process in which customers actively participate in brand-related activities is an encounter.

Encounters represent a series of interactions and transactions occurring during the relationship between the company and their different stakeholders.

Encounters represent processes where both parties are interacting and mutually co-creating experiences.⁷²⁷

Value co-creation encounters provoke responses that cause emotional, cognitive or behavioural. A brand's social media platform is an example of a value co-creation encounter where the brand and its customers interact cognitively to learn about and share brand related information. They also interact emotionally in sharing their common interests.⁷²⁸

Encounters can be classified as brand-driven (e.g. point of sale, touch points in communication, official web pages, official blog) customer-driven (e.g. personal social media profiles), and other brands-driven.⁷²⁹ These encounters can be physical, online or mental.

Managing encounters to co-create brands implies the development or facilitation of activities and processes around knowledge sharing, creation of expertise and emotional engagement. In doing so, these encounters can support co-creation by initiating subjective processes with a cognitional, behavioural or emotional response for the brand.

⁷²⁷ Choi, Ko, and Kim (2016) p. 5827

⁷²⁸ Choi, Ko, and Kim (2016) p. 5827

⁷²⁹ Choi, Ko, and Kim (2016) p. 5827

For the proposed model of brand co-creation, the encounters with brand communities, other brands and peer relationships are much more than additional sources of brand knowledge that can affect brand perceptions as proposed by Payne et al.⁷³⁰ They also are sources of experiences, emotional bonding, and brand meaning for the brand which as we have identified in the literature and conceptualised in the proposed model, are the basis for the co-created brand value”.

Value-in-use (for the consumer)

Value for the customers emerges from the customer’s sphere during this encounter. Once the subjective experience is formed, the brand meaning and associations are created and we have a resultant emotional, behavioural and cognitional response.

The essence of the brand value creation is related to how the consumer utilizes the value proposition from the firm, how it is experienced by them, how it is shared and socialized with other consumers and what is the output of this process. Hence, the customer is the one who creates value-in-use⁷³¹. The customer constructs and experiences value by integrating resources and processes in their context.

During the interactions that occurs in this physically and mentally space, they influence each other’s processes. The opportunities for joint value creation are then embedded in the interactions that occur in during these encounters. Payne

⁷³⁰ Payne et al. (2009) p. 384

⁷³¹ Grönroos and Ravald (2011) p. 9

et al. explained how co-creation develops through these “encounters”, where on-going interactions are involved in creating experience.⁷³²

Output of the brand value co-creation process

Each brand interaction implies a re-interpretation and re-evaluation of the brand value proposition, building new expectations, creating the re-interpretation loop of brand meaning.⁷³³ The brand re-interpretation takes place at every brand touch point. This concept of re-interpretation leads to a new interpretation of brand meaning that captures the brand co-creation process.⁷³⁴

Brand communities

As identified in the literature review on communities, consumption, and brand communities, the postmodern individual is not only looking for products and services that enable them to be freer, but also which can link them to others, to a community.⁷³⁵ The key is to create the link to others and to create a community, not around the brand, but where the brand is a facilitator for this connection and a provider of meaning.

From this perspective, brand communities (for their brand or for another brands) are incorporated in the proposed model. The reasons are two-fold: one is the importance of brand communities for the brand as explained before (more sales, loyalty, reduction in marketing costs, etc.),⁷³⁶ but also for the communal creation of meaning for the brand and the relational benefits of this structure.

Reference groups and influencers

⁷³² Payne et al. (2009)

⁷³³ Dean (2016) p. 3043

⁷³⁴ Dean (2016) p. 3043

⁷³⁵ Cova (1997) p. 311

⁷³⁶ Fournier and Lee (2009) p. 105

As identified by the literature review, a reference group can be a critical source of brand meanings. By incorporating reference groups and influencers in this model, we acknowledge their role in defining meaning for the brands. Again, brand meaning is co-created socially and not in isolation from others (as meaning is derived from both language and social interactions as explained before).

Other brands' participation

Brands are not isolated constructs but their meaning and image is created in the consumer's mind through a positioning process explained by Al Ries and Trout.⁷³⁷ As a result, other brands provide points of differentiation that help the consumer to clarify the brand's proposal.

Control / lack of control

This study identified a reorientation in the literature from brands as assets that can be managed towards brands as quasi-independent market organisms, which are sustained by inputs from both managers and environments, to a brand conformed by a highly complex range of influences, some of which can be controlled (managerially determined) more than others, which can only be observed and influenced (customer determined).

This requires a new understanding of the classical managerial habit of control. The theoretical explanation is based on the current "informationalism" social system, the successor to capitalism and industrialism that is based on the benefits of knowledge that derive in a new social structure based on the network. In it, the importance of networking changes the experience, power, control

⁷³⁷ Trout, Jack, Ries, Al. *Positioning: The battle for your mind*. New York: McGrawHill (1981).

mechanisms and culture, where “the power of flows takes precedence over the flows of power”.⁷³⁸

However, as stated by Gyrd-Jones and Kornum: culture and value are not entirely negotiable, but are based upon clearly defined core brand values. The core is more stable than the periphery and provides a common reference point for stakeholders. It has implications for practitioners; when the core values are untouchable, the peripherals can be negotiated with consumers.

Assessment / measurement / listening to the output generated

The resultant co-created brand value is intangible, but it needs to be measured by methods of brand equity measurement.

As acknowledged by Payne, building this model based on the output of the co-creation with consumers requires a more complex customer-based information system than the usual managerial metrics currently deployed.

Organizations need to absorb learning from the co-creation process, but only if the knowledge generated is shared by the consumers.⁷³⁹ As Cova⁷⁴⁰ suggests, the consumer possesses organizational knowledge, which is relevant to the company’s management and strategy. The challenge is to access to this knowledge and to be able to incorporate it in the company’s brand strategy.

⁷³⁸ Jevons and Gabbott (2000) p. 619.

⁷³⁹ Ind, Iglesias and Schultz (2013) p. 10

⁷⁴⁰ Cova, Kozinets and Shankar (2007) in Ind, Iglesias and Schultz (2013) p. 10

IV .QUALITATIVE RESEARCH

Co-creation of brand value:
The new source of
competitive advantage

1. Introduction

In this section we explain the research conducted with practitioners and its methodology, which is exploratory qualitative research based on in-depth interviews.

In-depth interviews are the most widely used interviewing format for qualitative research and can be conducted either with an individual or a group. They are most commonly conducted in a single session and take between 30 minutes to several hours to complete.⁷⁴¹

An individual in-depth interview can be defined as “an unstructured personal interview, which uses extensive probing to get a single respondent to talk freely and to express detailed beliefs and feelings on a topic”.⁷⁴²

We have selected this method because it provides relevant advantages for this specific research. Taking the work of Stokes and Bergin,⁷⁴³ we described the main advantages of this method for this research:

i. Depth and comprehensiveness of information yield.

This method allows us an in-depth understanding of the work and motivations of the respondents. It was especially important to avoid the “corporate view” and to obtain “a real view” of the actual strategy conducted by the firm.

⁷⁴¹ DiCicco-Bloom, Barbara; Crabtree, Benjamin F. "The qualitative research interview." *Medical education*. Vol. 40 (2006), no 4, p. 4314.

⁷⁴² ⁷⁴² Webb, John. *Understanding and Designing Marketing Research*. London, The Dryden Press (1995), p. 121.

⁷⁴³ Stokes and Bergin (2006) p. 32

Additionally the anonymity afforded gives the respondent the feeling of intimacy and disclosure that is needed to provide real answers about the use of brand strategies conducted. It also allows for easier expression of non-conformity.

ii. Sampling advantages including greater control over respondent selection and hence more depth, context and flexibility in the process of inquiry.

The unit of research will be marketing directors, brand directors, CEOs or brand consultants who meet specific criteria (as explained in the section “Qualitative research with practitioners”). The sample is so specific that control over the selection of respondents is essential for this research. Also the agendas of the respondents are so full that flexibility in the process of inquiry is needed.

Group interviews have been discarded as a viable research method for four reasons:

- Anonymity and disclosure of the information: The branding experts are going to be asked about sensitive strategy issues regarding their brands. This information cannot be shared with other experts, as they can be competitors.
- Group processes can act to obscure the identification of key information and motivations due to group pressures, which leads to a consensual superficial view. Individual in-depth interviews are structurally free from group pressures and, according to the study of Stokes and Bergin,⁷⁴⁴ they have the ability to get under the surface, to underline important issues and expose important data.

⁷⁴⁴ Stokes and Bergin (2006)

- At an operational level, the commitments of these high level executives means that it is difficult to organize the meetings.

Due to the exploratory nature of this research and the novelty of the research topic, quantitative interviews have been discharged as a valid method for this research.

As a conclusion, individual in-depth interviews demonstrated a superior ability to provide the required answers for this research, to prove empirically how brand value is co-created and to validate a proposed framework to help professionals to develop brand strategies.

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2. Objectives

The objectives of this research are:

- To confirm / reject the validity of the framework presented, as a whole and by its parts, as part of the strategic management of brands.
- To confirm / reject the brand value co-creation as a source of competitive advantage for companies.

Additionally the answers from these professionals will serve to improve the model by using their inputs to tailor it to the realities of brand management.

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3. Criteria and sample

In-depth interviews are used to discover the shared understanding of a particular group, in this case, branding strategists. The sample of interviewees should be quite homogenous and share critical similarities in relation to the research question. Selecting in-depth interview participants is based on an iterative process referred to as purposeful sampling that seeks to maximise the depth and richness of the data to address the research question.⁷⁴⁵

Sample

The consumer-base perspective of brand value selected for this research determines the research sample. As this is not at a macro level (firm-based brand perspective) but an operational one (consumer-based perspective) the selection of respondents is based on those managers who make decisions to create brand value and focuses on consumers, not on the financial value of the brand for the company. Therefore marketing, communications or/and brand managers are the required positions of our respondents.

Due to the exploratory nature of this research and the aim of obtaining useful findings from in-depth interviews with a selected sample of respondents, the number of interviews has been limited to fifteen.

To avoid limitations in the scope of results due to the limited number of interviews, the criteria for the selection of respondents are essential for this research.

⁷⁴⁵ DiCicco-Bloom and Crabtree (2006) p. 317

The criteria to chose these fifteen respondents for this qualitative research have been:

- a) The respondent's experience needs to cover all the economic sectors defined in table 3 to avoid misrepresentation of certain economic sector. A minimum of two respondents with experience in each economic sector is required to form a more complete view of the particular idiosyncrasies of each sector.
- b) The respondent's experience needs to cover both national and international brands.
- c) The respondent's experience needs to cover both B2B and B2C markets.
- d) Current working position: marketing manager, CEO or brand consultant.
- e) Branding experience in managerial positions for at least 5 years.
- f) Operating in global markets, not just Spain.
- g) Diversity in their approach to branding.

These criteria guarantee in-depth and complementary insights for the research.

Classification of markets

The combination of respondents should have experience of all market categories. They all need to be represented in the study; otherwise it can present a bias as not all market segments present the same response to marketing activities due to their particular characteristics and the different levels of product involvement in each sector.

Although as we found in the literature review, a simple relationship does not exist among product categories, product involvement and branding constructs such as brand loyalty, there is a common agreement that the product category and their

different levels of product involvement affects the different constructs of brand equity.

For the classification and segmentation of the economic sector the Industry Classification Benchmark⁷⁴⁶ (ICB) has been used. The ICB is an industry classification taxonomy launched by Dow Jones and the FTSE to divide the market into categories.

For the purpose of this study, economic sectors linked to industrial products have been removed, as they are not the focus of this research (classification 0001 Oil & Gas, 1000 Basic Materials, 2000 Industrials).

The classification benchmark used is described in Table 3:

Industry	Supersector	Sector
3000 Consumer Goods	3300 Automobiles & Parts	3350 Automobiles & Parts
	3500 Food & Beverage	3530 Beverages
		3570 Food Producers
	3700 Personal & Household Goods	3720 Household Goods & Home Construction
		3740 Leisure Goods
		3760 Personal Goods
		3780 Tobacco
4000 Health Care	4500 Health Care	4530 Health Care Equipment & Services 4570 Pharmaceutical & Biotechnology
5000 Consumer Services	5300 Retail	5330 Food & Drug Retailers 5370 General Retailers
	5500 Media	5550 Media
	5700 Travel & Leisure	5750 Travel & Leisure
6000 Telecommunications	6500 Telecommunications	6530 Fixed-Line Telecommunications 6570 Mobile Telecommunications
7000 Utilities	7500 Utilities	7530 Electricity
		7570 Gas, Water & Multi-utilities
8000 Financials	8300 Banks	8350 Banks
	8500 Insurance	8530 Non-life insurance 8650 Life insurance
		8600 Real Estate
	8700 Financial Services	
		9000 Technology

Table 3: Industry Classification Benchmark.

⁷⁴⁶ <http://www.icbenchmark.com/>

Exceptions:

- Classification 6530 Fixed Line Telecommunications and 6570 Mobile Telecommunications have been jointed together due to the current artificiality of the differentiation nowadays (all telecommunications companies provide both fixed and mobile services).
- Classification 7530 Electricity and 7570 Gas, Water & Multi-utilities have been combined since most of electricity companies also provide gas and vice versa.
- Classification 8350 Banks, 8770 Financial Services, 8980 Equity Investment Instruments and 8990 Non-equity Investment Instrument have been combined since this differentiation is artificial to the consumers, and most companies offer all these three services.

Therefore, for the purpose of this study, the economic sectors to be represented in the sample as areas of expertise are:

1. Consumer Goods. Automobiles & Parts. Automobiles & Parts.
2. Consumer Goods. Food & Beverages. Beverages.
3. Consumer Goods. Food & Beverages. Food producers.
4. Consumer Goods. Personal & Household Goods. Household Goods & Home Construction.
5. Consumer Goods. Personal & Household Goods. Leisure Goods.
6. Consumer Goods. Personal & Household Goods. Personal Goods.
7. Consumer Goods. Personal & Household Goods. Tobacco.
8. Health Care. Health Care Equipment & Services.
9. Health Care. Health Care. Pharmaceutical & Biotechnology.

10. Consumer Services. Retail. Food & Drug Retailers.
11. Consumer Services. Retail. General Retailers.
12. Consumer Services. Media. Media.
13. Consumer Services. Travel & Leisure. Travel & Leisure.
14. Telecommunications. Telecommunications. Fixed & Mobile Telecommunications.
15. Utilities. Electricity, Gas, Water & Multi-utilities.
16. Financials. Banks. Banks & Financial Services
17. Financials. Insurance. Insurance.
18. Financial. Real Estate. Real Estate.
19. Technology. Technology. Software & Computer Services.
20. Technology. Technology. Hardware & Equipment

Units of research. List of respondents

As defined previously, the criteria for selecting the respondents includes marketing experience and areas of expertise.

A briefing description of each respondent is provided, based on his or her experience in the areas of expertise. (See table 4). Due to a common request for anonymity, neither names nor companies have been revealed.

Res-pondent	Description and areas of expertise	Additional information	Differential expertise
1. VC	Branding expert with more than 25 years of experience managing brands in almost all sectors (automobiles, food and beverage, personal & household goods, health care, retail, travel & leisure, utilities, banks, insurance, real estate, financial services and technology).	He has worked on global brands as well as local ones (mostly European). He is also a professor and author of several books on communication and brand building.	Expert on persuasive communication for branding.
2. SF	Branding expert with more than 12 years of	She currently works as a	Expert on

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	experience managing brands in almost all sectors (automobiles, food and beverage, personal & household goods, health care, retail, travel & leisure, utilities, banks, insurance, real estate, financial services and technology).	senior planner in an international branding company in the Middle East. Extensive experience in global as well as local brands (mostly in the Middle-East).	cultural brand adaptation.
3. JY	Marketing director with more than 15 years of experience in the food and beverage sector.	He works for a long-established Spanish company specialised in food and beverages.	Expert on fast moving foods
4. CM	Branding expert with more than 20 years of experience managing brands in almost all sectors (automobiles, food and beverage, personal & household goods, health care, retail, travel & leisure, utilities, banks, insurance, real estate, financial services and technology).	He has been a marketing director and CEO of several international companies in the service and automobile sectors.	Expert on online brand creation and communication technologies.
5. MM	CEO and owner of two companies in the wine sector. 16 years of experience in marketing and general management. Experience in the local market (Spain) and internationally (mostly Italy, USA, Russia and China).	Founder of Certificate of origin producer's' association.	Expert on artisanal products.
6. CS	Branding expert with more than 7 years of experience managing brands in almost all sectors (automobile, food and beverage, personal & household goods, health care, retail, travel & leisure, utilities, banks, insurance, real estate, financial services and technology).	She is a former senior planner of an international branding company and she has worked mainly on global brands in both the USA (New York) and Spain (Barcelona). Currently she is applying her branding experience in cognitive studies.	Expert on cognitive research.
7. JP	CEO of his technology company with more than 10 years of experience in this field. Creator of a new digital technology and founder of the company that develops and commercialises it internationally.	Engineer who approaches branding from a scientific angle based on neuromarketing to understand consumer behaviour and to develop propositions for consumers based on emotions.	Expert on innovation.
8. SS	Currently joint-CEO of a media and communications company. He has more than 20 years in managerial positions with responsibility in marketing and branding in several sectors (travel & leisure, food and beverage, insurance, public sector, banks, sports).	He is also a professor of business strategy and branding.	Expertise audio-visual companies.
9. RP	Positioning expert with more than 35 years of experience managing brands in all sectors (automobile, food and beverage, personal & household goods, health care, retail, travel & leisure, telecommunications, utilities, banks, insurance, real estate, financial services and technology).	He has been working for global companies and brands, developing extensive experience in both North American and Latin American markets. He is co-author of relevant books on positioning.	Expertise on positioning
10. IM	Branding expert with more than 15 years of experience in creating brands for her clients. Experience in almost all sectors (automobiles, food and beverage, personal & household goods, health care, retail, travel & leisure, utilities, banks, insurance, financial services and technology).	She has developed her career with global fashion brands in both USA and Europe.	Expertise in social media and creativity.
11. HP	Marketing and communication director with more than 10 years of experience in both	She is responsible for successful international online	Consumer participation in

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	travel & leisure and health care sectors.	campaigns.	service brand building.
12. DC	Marketing director with more than 17 years of experience in utilities, banks, insurance, real estate, financial services and technology sectors	Responsible for the marketing of a local retail chain in Spain with more than 600 stores.	Fast-moving goods.
13. GL	Marketing director with more than 15 years of experience in the personal & household goods and in the technology sector. He has been responsible in the Spanish market for the online adaptation and introduction to social media of several global brands.	Responsible for the introduction of a completely new product to the market.	Expertise on technological products
14. MG	Current marketing director of a personal services company based on technology's company.	He has had previous managerial experience of more than 15 years in the public sector.	Expertise on technology applied to personal services.
15. MP	Communications director of a national utilities' company. She has spent more than 25 years in this sector being part of the team responsible for the branding strategy.	Responsible for internal and external communication.	Expertise on the utilities' market.

Table 4. List of respondents

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4. Guidelines for the in-depth interviews

In order to guarantee that all the necessary topics for this research have been covered, guidelines have been developed for the in-depth interviews.

The main research question (is co-creation of brand value a source of competitive advantage for firms?) is accompanied by secondary questions that are developed to delve more deeply into different aspects of the research issue.

Structure of the interviews

The in-depth interview's process will follow this structure:

Part 1. Explanation of the objectives of the study.

Part 2. Explanation of the main concepts to ensure that everyone understands the concepts in the same way (all of them are polysemic):

- Co-creation
- Value creation
- Brand value creation
- Competitive advantage

Part 3. Introduction to the starting point of the research and warm-up.

Part 4. Discussion about the brand value co-creation process.

Part 5. Visualisation and explanation of the model of brand value co-creation proposed.

Part 6. Questions to validate / reject the model.

Part 7. Question to validate / reject the hypothesis that co-created brand value can be a source of competitive advantage for companies.

Part 8. Gratitude, appreciation and farewell.

Discussion guide

To obtain the maximum information from each in-depth interview and to cover all the research points, a discussion's guide was prepared. Some of the questions are inspired by Hatch's suggestions for practitioners' research.⁷⁴⁷

Introduction to the starting point of the research and warm-up

Interviewer: A significant number of academics and practitioners have in recent years pointed out that a brand is not longer an entity that is created top-down from and by the marketing department. The new consumer is now playing an active role in the brand building process. Do you agreed with this premise?

Topics to cover: Discussion about the brand value co-creation process.

- What are the implications of this new role played by the consumer?
- Do you think companies act or react when faced with this new active role by consumers?
- Are companies afraid of losing the control of their brands? Are they willing to share control with consumers? In what way?
- What are the benefits of working with consumers in the brand value process?
- How can companies get the most benefit from this new consumer involvement in generating value?
- Which tools and processes are needed to encourage this co-creation of brand value?

⁷⁴⁷ Hatch and Schultz (2010) p. 602

- Which is your company doing to take fully advantage of the value generated by consumers?
- What are the activities / process / tools being used by your company to co-create brand value?
- What are the activities / process / tools that your company has identified by not used that could be incorporated in future strategies for brand creation?
- Has your company an “encounter” platform or space for your brand where consumers can share the experience and knowledge that helps to co-create value for the brand?
- Is your company willing to let consumers co-create your brand?” In what situations and under what circumstances? Which parts are you willing to share with your consumers and which are you not?
- What methods is your company using to learn about your stakeholders’ needs, desires, hopes, opinions and dreams?

Introduction and explanation of the model

Interviewer: Description of the model.

Topics to cover: Discussion to validate / reject aspects of the model presented and the model as a whole.

- Do you agree with the general premise of the model?
- Which elements of the model do you find most relevant? And most irrelevant?
- Do you think the value co-creation model presented is a useful framework for companies to design and implement their brand strategy?
- Do you think the model presented has practical applications for brands? In what way?

- How could it be useful for your work? Which aspects do you consider need to be improved/ changed?
- Would you consider using this framework in your planning?
- Do you think academic findings can be of any use for practitioners?

Topics to cover: Discussion to validate / reject the hypothesis that co-created brand value can be a source of competitive advantage for companies.

- Do you think the co-creation of brand value can be a source of competitive advantage for companies? Why? Why not? And for our company? Why? Why not?

Furthermore, the interviewer needs to be prepared to depart from the planned schedule during the interview because digressions can be very productive as they follow the interviewee's interest and knowledge.⁷⁴⁸

⁷⁴⁸ Johnson J. "In-depth interviewing". In: Gubrium J, Holstein J, eds. *Handbook of Qualitative Research*. Thousand Oaks, California: Sage 2002, p. 103–119.

5. The interview process

The in-depth interview is meant to be a personal and intimate encounter in which open, direct, verbal questions are used to elicit detailed information on the research topic. We follow the traditional structure of an in-depth interview where the interviewer maintains control over the interaction with the interviewee's co-operation.⁷⁴⁹

The interviews were organized with each respondent or their personal assistants. Most of them were conducted in their company's offices. Only two were conducted by phone due to geographical distance. On average, one hour and fifteen minutes were dedicated to each interview.

Methods for recording interviews for documentation and later analysis included recording software through a mobile phone and note taking.

We considered the following ethical issues related to the interview process:

- Protecting interviewee' anonymity: Anonymity was guaranteed to all respondents during the whole process and records of interviews were saved with a code number and not the name or company of the respondent.
- Effectively informing interviewees about the nature of the study.
- Reducing the risk of exploitation: It is important to avoid the interviewees feeling exploited for personal gain. A win-win situation needs to be created with practitioners. The offering of the information about the framework is used as a way to "reimbursing" them for their efforts".

⁷⁴⁹ Johnson In: Gubrium and Holstein (2002)

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6. Data analysis and results

The analytic strategies widely used for interpreting in-depth interviews are based on the grounded theory approach that emerged in sociology in the 1960's and a similar hermeneutic approach that emerged from early philosophy.⁷⁵⁰ This strategy has been referred to as an “editing approach”, because the investigators review and identify text segments with similar content, and then sort text segments with similar content into separate categories for a final distillation into the major themes.

The major themes identified are:

- Implication of the new role of consumers for companies
- Brand value co-creation
- Validation of the model
- Applicability of the model
- Brand value co-creation and competitive advantage
- Interaction between academic findings and professional practice
- Additional insights

The results presented are organised under these major themes.

⁷⁵⁰ Glaser (1992); Heidegger (1927) and Addison (1999) in DiCicco-Bloom and Crabtree (2006) p. 318

Implications of the new role of consumers for companies

As it was also stated by Hatch,⁷⁵¹ the answers from respondents indicate a growing interest within companies in opening multiple channels of engagement with their consumers (e.g. Respondent 8 states *“We are investing more in content creation and giving more attention to social media. The results are telling us that this is the right direction to go”*). Respondents also acknowledge the increasingly demand of consumers to know more about the organization that stands behind their brands (e.g. Respondent 14 acknowledges *“Now we need to be more open to consumers and provide a degree of transparency that is was not needed before”*). However some respondents manifested a sceptical view of this new situation. Despite efforts to open and nourish new channels of communication for their brands and to created engagement, according to them, little return had been gained from the investment in this social experience. (Respondents 1 and 7).

One of the main risks that brand managers identified was the loss of control that companies have over their brand and ultimately their organisations. In the words of respondent 10, *“After all the efforts and work on our brand over the years, we cannot give our brand to the lions. We need to protect the brand and make sure that it stays as it was meant to be”*. Respondent 5 also claims: *“We can not allow social media become an open channel to complain about and to damage the company”*.

Respondent 1 affirmed: *“They are lots of companies who are scared of consumers. They approach social media without a real interest, an apathy, with the idea that ‘It won’t make me sell more, but if I handle it in the wrong way, I will sell less”*.

⁷⁵¹ Hatch and Schultz (2010) p. 603

Some respondents gave examples of what they considered to be giving too much freedom to consumers or influencers to play with the brand. According to respondent 11, *“if you don’t control the process, the result can be disastrous for your brand and your company”*.

The majority of respondents are against losing control over their brands. They considered that they “own” their brands, and consumers “shouldn’t control them”. It was considered as a sign of malfunctioning of the management of the brand to leave it without tight control over its identity. Comments such as *“I define the brand”* or *“Brand strategy need to be defined by the company”* (respondent num. 8), and *“Brands are a bit afraid and they have vertigo from not having complete control over all their attributes. This is the debate between brand identity and brand image. Brand identity is what I control and brand image is what consumer thinks I am”*, (respondent 1) confirms this view.

Respondent 12 stated: *“Social media puts more pressure on companies nowadays, and forces us to open up to consumers in a different way than we have done until now. They have more power and we need to deal with them more carefully than before”*.

However, even the most sceptical respondent acknowledges that they need to adapt to this new situation. In words of respondent 1: *“This is like surf; when the wave comes you need to dive into it. If you resist this reality you are not going to change it, and the truth is that the brand is more and more from other people. I do think that the others configure the brands. More every day”*.

Respondent 6 used current news to exemplify the new role of the consumer and its impact on brands:

“Global brands such as Pepsi, are trying to be part of the conversation with the new consumer. However, this is more ‘appearing’ to be part of the conversation than really ‘being’ a part of it. I give you an example: The new Pepsi ad starring Kendall Jenner.⁷⁵² They try to give the message that the brand is part of the revolutionary / activist movement and that is part of this new conversation.

However, the ad has been criticised for co-opting protest movements for profit, and trivialising the violent clashes between activists and police.

The result is a possible disengagement with the brand, and consumers could consider that the brand’s promise is fake, as it is just taking advantage of the real worries and hopes of people to try to connect and increase sales. Some headlines on this Pepsi ad even expressed the view: “Could you be any more blatant with disrespect and appropriation towards a movement”.

This ad became a trending topic on Twitter for all of the wrong reasons and consumers expressed their critical voices on social media against the brand for the trivialisation of this sensitive subject. As a result, the brand decided to remove this ad from Youtube.

⁷⁵² Author’s note: The Pepsi ad, sound tracked by Bob Marley’s grandson Skip Marley, shows the reality TV star and model Kendall Jenner walking out of a photo shoot to join a protest where activists of all ethnicities carry signs bearing peace symbols. At the end of the ad, Jenner offers a can of Pepsi to an officer. A hijab-wearing photographer, who appears awed by Kendall’s act of bravery, captures the moment. The crowd goes wild.

You need to be honest about your promise. It is not about pretending. It is not about pretending that you are listening and they are part of the conversation. If your promise is fake, your consumers will disconnect from your brand”.

(See appendix 2 for visual references for this social media response to this campaign).

Respondent 2 also suggested that the co-creation is good news for brand managers as it provides important benefits for the brand, but on several occasions he repeated arguments supporting the need to maintain control over the process:

“The digital native is really a protagonist of the co-creation of value, and this huge change is due to new technologies and it hasn’t happened before. If brand managers are clever enough, they can take advantage of this new situation.

However, the branding strategy needs to be guided by the company. Consumers are invited to join but this is just this, an invitation. We cannot leave consumers to take the wheel. It is the company who needs to take the wheel, especially in turbulent times. The company always has the control of the strategy”.

In the end, we need to listen to our consumer’s needs, but the control always comes from the company. And the company needs to provide value to the consumers; otherwise, the consumer will go to a different company”.

Respondent 15 gives a complete explanation of the process followed by her company in their adaptation to the new role of the consumer: *“Consumers are using social media as a new channel to express their criticism and to harm our companies. Especially in our sector [gas and electricity] consumers are against our companies every time there is an increase in charges, a service problem or a*

regulation change, they attack us. Social media offer them a very easy way to complain, and every time there is a negative post, twenty people will following adding more negative comments. We cannot allow social media to become a tool to throw bad comments at us. We need to drive these negative comments to different post-service channels that are not so exposed to general view. We have learnt a lot from the social media experience since we started working in Facebook a few years ago. What we have become clear from the beginning is that social media should not become an open channel for complaints and spreading bad opinions about us. This is the reason why social media have always been linked to a certain aspect of the brand (sponsorships, green energy, social responsibility) but never as a spokesperson for the corporate brand. This strategy has been followed by other utility brands in our market. We have learnt a lot about how to use social media for the brand and not against it. For me the key is to provide interesting content about a certain topic and reward consumers for their participation. Culture and leisure provide uncontroversial content that is well regarded by consumers”.

It is relevant to notice that for most of the brand managers and CEOs interviewed, social media are a “necessary evil” to work with nowadays (e.g. Respondent 3 affirms that “*even if you don’t want to see them, they are here*”). However, branding consultants (who were external to the company) were more positive about the impact of social media and the new role of the consumer, and instead of focusing on the need for adaptation, they focused on the advantages provided by this new situation: In words of respondent 6, “*Social media provide unprecedented opportunities to connect and engage with consumers. Those brands that take better advantage of the situation are the ones that are going to win*”. Respondent 9 gives a similar answer: “*Instead of being afraid, brands need to focus on the new opportunities. It isn’t easy but the profits can be enormous*”.

According to respondent 4: “*The hypothesis of this work is not completely accurate but it is close to it. Do I believe in co-creation? Almost. I think the brand*

is introduced to the consumer. The consumer interprets the brand as they want, and this is the communication paradigm: There is an emitter and a receptor; There is a message that the receptor decodes according to their patterns, previous experiences, their intentions and their own subjectivities.

I think the brand is not co-creating, but the smartest brands try to see where this subjective interpretation of users goes, and to choose which interpretations are more beneficial for them. I do not believe in co-creation but there are brands that are taking more advantage of what is coming. The user interprets the brand and filters it to their own interests and the brands are synchronising what the consumers are saying about them to reinforce certain aspects. I think this is the process.

Social media and the Internet in general help with this process. Brands have the tendency to focus on themselves and to look at their own belly button, and, although they don't want to expose themselves in social media, they are exposed. Because anyone can talk about the brand and give their opinion about it. It is in social media where brands suffer the most because brands want certain answers from consumers but they have free speech and they say what they want, so there is the confrontation between expectations and reality. In new fields, brands get big surprise. Some brands manage to take advantage of the situation and are able to refocus. Others suffer because consumers take them along a path and to values that they don't want".

Respondent 14 focuses on the differences and particular characteristics that the Internet and social technologies create for the to business, more than the implications of the new role of the consumer: *"Online brand building is different from traditional branding. In online branding all stakeholders are much more important and they play an essential role for the brand. Consumers, influencers,*

Co-creation of brand value:
The new source of
competitive advantage

couriers, customer service employees, all of them coexist on the same brand platform”.

Brand value co-creation

Although the majority of respondents were familiar with brand value and competitive advantage, co-creation of value was closer to the meaning of crowdsourcing for them (which means, getting ideas from consumers to create new products, more than the definition of co-creation of value for this research, which is the value created by the consumer from the value proposition of the company).

It means that, although the literature review revealed that brand value co-creation is a very common term among academics, it is not so common for practitioners to refer to brand value co-creation. An extra explanation of the concept of brand value co-creation was needed in most of the interviews.

The idea that “consumers co-participate in the definition of associations, values and the personality of your brand” was viewed with scepticism by most of the respondents. It is relevant to notice that when the concept of brand co-creation of value was explained, respondents 1, 4, 8 and 9 agreed that there was a parallel with identity-image constructs. For them, the value proposition corresponds to brand identify, and brand co-creation corresponds to brand image. This is the interpretation that consumers made of this proposition after experimenting with the brand’s outputs.

From this perspective, the brand is not co-constructed. It makes a proposal and consumers make an interpretation of this proposal. The control is always in the hands of the company, and if this is not the case, “*the company is doing something wrong*” (in words of respondent 8). This affirmation rejects the hypothesis of this research.

Respondent 10 is yet more critical of brand co-creation: *“The brand and their creative director define the concept of the brand, the creative ideas and the different collections. The market’s response to your products is obviously important as it determines your success, but I truly believe that, for those brands where the creative designer is important, the brand’s role is not to listen but to innovate and to create new trends and ideas. If you just listen, you are not providing anything new for the market”*. This view is radically expressed by Respondent 15: *“I think I don’t believe in co-creation in branding, it’s too risky and not good for the company”*.

Some of the respondents agreed that they understood brand value co-creation in terms of identity and image: the value proposition was the identity offered by the company, and the output of the brand value co-creation process was the interpretation of the value proposition by consumers (image).

The concept of creating the brand with consumers is better known, but practitioners seem to be more reluctant to *“let the control over their brands be in the hands of consumers”* (verbatim from contestant no. 11).

Almost all of the practitioners agreed on the need of a terrain for interacting with consumers, *“to listen to their opinions and needs and get useful insights for new product development and the continuous improvement process”*. (Respondent 6).

The majority of practitioners find the differentiation between core and peripheral attributes of the brand useful. Core attributes have to remain unchanged and they should be completely controlled, while peripheral attributes could be modified according to the changing needs of consumers. According to respondent 2 the peripheral attributes were to *“let consumers to play with the brand”*.

As stated by respondents 3, 12 and 14, the core part of the brand is not negotiable, and it is their duty to define, manage and control this part. The core is stable and the peripheral parts can be negotiated with consumers. This argument is shared by Gyrd-Jones and Kornum, who stated that “culture and value are not entirely negotiable”.⁷⁵³

As stated by Gyrd-Jones and Kornum: The core values are more stable than the peripheral and provide a common reference point for stakeholders. There are implications for practitioners when the core values are untouchable, and peripherals can be negotiated with consumers.

Respondent 7 denies the concept of co-creation of brand value, as, according to him. “*I think I don’t believe in co-creation*”. For this manager, the value proposal “*needs to be made by the company, not with the consumers*”. He acknowledges the importance of listening to the consumer to better understand their needs and to improve the company’s proposal, but he was against a consumer-oriented approach to branding and instead he supported a product or innovation-driven approach.

In words of Respondent 5: “*The company always makes the proposal. It is our responsibility. This is under our control. Consumers receive this proposal and give us feedback to continue improving it, but the original value definition always needs to be always made by the company. Although it is important to listen to consumers, not all feedback is equally beneficial for us. We need to distinguish those opinions that really help us to improve, and believe in our products. For instance, consumers always want a lower price, but it does not mean that you have to reduce quality to give them what they want. Sometimes your proposal is not initially understood in the market and you need time to introduce it. It’s like Steve Jobs: Their products are not consumer-driven but innovation-driven. They*

⁷⁵³ Gyrd-Jones and Kornum (2013) p. 1491

were designed before consumers knew that they needed them. If he [Steve Jobs] had conducted a survey I'm sure a high percentage of people would have discounted the possibility of buying this new product. Sometimes you need to move ahead of the consumer's current needs and wants, and offer something you consider is innovative. In these cases, the starting point is always product or innovation-driven but not consumer-driven".

Respondent 8: "I don't think the consumer needs to control the brand. If the brand provides value the brand and consumer will respond to this. It's fine if the consumer participates in the brand's proposals. It's good for the brand. But the consumer should never take control of the brand. And if it happens, you are risking your brand and your money, and you are not doing your work properly. I don't know any example of any brand that has been taken over by its consumers. I don't know any. Do you know any?"

Respondent 4 also acknowledges the new situation: "Yes. For a long time ago we have recommended our clients to monitor social media, because although you don't want it, others are going to talk about you. You exist in a social environment and people are going to give their opinion about your brand. This is an analysis that brands don't like, because until now they have spoken for the brand. This was in reality a monologue. Some brands, the ones that were more exposed, the biggest brands, modified the monologue according to the feedback they were gathering, but today all brands are exposed. And brands, rather than being co-created, are created through constant feedback. Is that a form of co-creation? It can be".

Validation of the model

Respondent 1 explains: *“I consider that this model is really relevant for most companies, but it’s true that it is less relevant for product categories with lower involvement”*. Respondent 6’s opinion about the model was: *“For me, this is a method for learning about how (we) are doing our work: to listen to consumers, learn from their opinions and introduce this knowledge into the planning process. This model presents a way of understanding about the real brand building process, but this model is useful, above all, for showing the need to capture the outcome of our marketing activities. It reminds us that, apart from doing, we need to listen to improve what we do”*.

Respondent 2 also linked the model to an essential listening mechanism for the brand: *“The model presented seems be a good description of current parts of the branding process. Not all brand managers consider all the parts, sometimes some of them are not relevant but sometimes there are not enough resources in the firm to work on all of them. This is like an ideal scenario but the reality is that the brand manager does not have enough resources to build the brand and that they would like and they need to focus on essential marketing activities. For instance, creating these encounters is basic for the brand, as well as brand communities, but they require long-term commitment and significant investment. Nowadays companies are not thinking about the long term and they refuse to invest big amounts of money in brands.*

From my experience, listening mechanisms are very important but most of the time they are limited to quantitative market surveys –such as Nielsen-, or, if you have a big brand, you can afford qualitative image surveys from time to time. Of course through social media you can have information about how your brand is perceived, more than before, but I have the impression that it is still very new to have the right tools and the right understanding of the data we are gathering”.

Although Respondent 5 was the most critical of the concept of co-creation of brand value, he validates the proposed model: *“I agree with the idea that the company makes a proposal, communicates it through different channels and the consumer re-interprets this through their own experience. We need to know which channels are the best for explaining our proposal to the consumer. This is the reason this model is valid. And we need to know how to obtain the consumer’s feedback effectively”*.

Respondent 10 declares that she shares the same view of marketing as the proposed framework: In her own words: *“I consider the model to be valid as it takes into consideration branding in the wider sense. Not just ‘what you do with the brand’ but ‘as the result of everything that happens to the brand’. Brand managers need to forget about “owning the brand” and seeing it as their own property. The opposite is true. Brands make no sense if they are not built with consumers. The only brands that have understood this are the ones that are becoming relevant for consumers and are being successful. Those brand managers that keep on trying to control everything will lose the battle”*.

Respondent 13: *“It works [this model] as a reminder of how branding really works. It is especially relevant to those brands that are still managed in the old school way where the company sent a message and they expected a certain answer from the consumer. This is not working any more. If this model helps brand managers to understand the process in a broader sense it definitely will be useful”*.

Respondent 9: *“What consumers have in their minds about the brand is an image. This image is constructed through experience and this image needs to generate certain behaviour. The cognitive behaviour is the result of an emotion. What we need to find is which message can generate this emotion to obtain certain behaviour.*

The brand is an ideal being, and the real managerial branding work is to look for the ideal attributes for the ideal brand, to try to identify the main purchase drivers, and to know the distance between actual attributes and ideal attributes. If the model helps to do this, then it is useful”.

Respondent 8 gives a direct answer when asked about the model: *“It makes sense”*, he states. The same view is shared by respondent 3.

Respondent 14 provides an explanation of why brand managers are so reluctant to lose control over their brands: *“the pressure to obtain short-term results and to justify the return on the investment is brutal nowadays. In these uncertain economic and social times, we need to justify every euro we spend on the brand, because it is considered to be an expense, not an investment. Having a bad result from a marketing action or getting a negative response from a group of consumers is not at option. So I think [marketing managers] prefer to be cautious and to avoid getting too much involved with consumers, because you cannot control what might happen. In this scenario it is important to avoid losing the control.”*

Respondent 11 acknowledges that she would like to involve more consumers in their strategy and to improve their listening mechanisms. When asked why she did not do so, she replies that it was due to *“budget and resource limitations and the necessity for a high level of certainty in the results”*.

Respondent 4 observes that the social element of this framework needs to be reinforced, as brands are built not only from subjective individual elements but also from the interaction with other peers. *“I can perceive Nike according to my opinion of Nike but I can also perceive it according to the perceptions of other people around me. My brand perception can be changed according to my environment. I can be pro-Nike if my environment is pro-Nike in order to not be*

isolated from the group. In this case, we refer to the identity or auto-expressive values conferred by the brand. This could explain also the Assics phenomenon. In the runners group wearing a pair of Assics is a 'must'.

Regarding the participation of other brands, I also agree that each brand requires its great antagonism, especially great brands. There are no big brands without big enemies. Pepsi gets bigger when it fights Coca Cola. Barça Football Club gets bigger when it fights Real Madrid. Adidas gets bigger when it fights Nike. Without the opposition of Adidas, consumers would find more difficult to define this brand. You need to match your brand against an enemy, to highlight your own values and differences and pitch "your consumers against their consumers. When a completely new product appears on the market a point of references needs to be given to explain the new proposition to the consumer. For example, the delivery app Glovo. To explain its value proposition when are no other similar systems they refer to a comparable one: It is like Deliveroo but not only for food, for everything". Or Trivago is the Rastreator for hotels. When there are not references, it is more complicated to find a position in the consumer's mind.
(Respondent 4)

Respondent 11 and 15 asked for more detail of the model, with a broader definition of consumer touch-points, and clarity on whether it includes social channels and other online platforms with consumers.

Applicability of the model and proposed changes

Although all of the respondents claim that this model is relevant and useful (respondents 1,2,3,4,5,6,7,8,9,10,11,12,14,15) only a few of them show an interest in introducing it in their daily practices. (Respondents 2 and 6).

The most critical voice regarding the usability of the model came from respondents 1, 12 and 13. (E.g.: *“For a model to be used it needs to be simpler. For instance, Boston Consulting Group’s matrix is quite a straightforward model that has been used extensively in business. If you get a model as simple as this it could be successful. Especially in marketing, you need something very simple but useful. This is useful but not simple.”* (Respondent 13).

“Too complex. We don’t have time to think about all these factors. We do it intuitively. Usually there is not too much time for sitting and planning and the process is more intuitive. We do consider these factors, but sometimes resources are not enough to do everything we should to build the brand in the way it should be.” (Respondent 12).

Respondent 11 argues also for a simple version: *“to become a marketing tool, it needs to be simpler, but it’s true that the phenomenon is far from simple, so I don’t know if it’s possible”*.

Those respondents who were interested in introducing the model in their daily practices (respondent 2 and 6), state: *“I could have it printed as a reminder of all the factors that I need to consider when planning a marketing action”*. (Respondent 2).

“I would like to explore more how I can create these value propositions. This is a good starting point for all our activities”. I would like to explore this part more”.
(Respondent 6).

Respondent 14 expresses an additional view that it is shared as well by respondent 7: *“I’d would like to know more about which marketing branding activities help me most to create value for my consumers. Rather than ‘how does it work’ they want to know ‘what do I have to do” and “what is going to be the result of it’.*

Respondent 1, 6 and 8 introduce an important topic to validate this model: product category relevance. They differentiate between high and low involvement product categories for the model presented. While the model could be of use with brands that respond to auto-expressive needs, for those that respond to functional needs the model is not so relevant. Respondent 1 gives the explanation: *“if you have toilet paper or tomato sauce the dialogue is very difficult”.*

According to them, not all products are equally relevant for consumers and the model presented could be valid especially for those brands belonging to very relevant product categories. Their explanation is that the importance of the branding function for the company depends on which product category the brand’s product belongs to. A low involvement product category implies less importance of the brand for the consumers and less power for differentiation through the brand.

Respondent 1 uses tomato sauce as an example: *“it’s very difficult to build powerful brands around low involvement product categories. Consumers do not care about those brands as they belong to products that have a minor role in their life. These products are easily substituted, loyalty is very low and all the*

'marketing stuff' constructed around the brand could seem fake and the products do not support these kinds of inflated promises".

Respondent 1 continues by arguing *"This model makes sense for high involvement product categories, like fashion or products that fit in auto-expressive categories. Then the brand is important enough for them, as the products are relevant and significant for their lives, they meet important needs. It is only when the brand meets an important need for the consumer, that branding becomes an essential function for the company. Otherwise efforts need to be focused on distribution, product improvement and other marketing elements, not branding".*

This view is almost opposite to the one of Respondent 9: *"The essence of marketing is the essence of co-creation: products only make sense if they meet a consumer's need. Branding responds to a need, and you can always build a powerful brand if you correctly meet this need. The key is positioning this brand correctly in the market. It's not a question of being a more or less relevant product, it is a question of the right positioning".*

According to Respondent 15. *"There are categories of products where this model is more relevant, for instance fashion or perfumes. Especially those products that meet auto-expressive needs. But, even in these cases, the brand will always take the wheel".*

For respondent 4: *"it can be useful, but it is a different thing, if the brand doesn't want to go along with it. I do believe encounters are ok. However, brands want to keep having a monologue and they are afraid of dialogue. Brands want to lead the conversation and messages. When they have to share the production of it, they are reluctant to do so. There are brands that don't want to change their speech, those that are used to a monologue and are very static. They won't*

change anything, regardless of what happens outside, they won't co-create. And this is just a different strategy. A brand strategy can be influenced by what the consumer thinks and I change my speech according to what my consumer's thinks. For me, this is a strategy. There is an opposite strategy which is to focus on my own brand values and I don't change them to remain authentic. It can mean that a brand does not move on, but at the same time that it is perceived as authentic. For me, these are different branding strategies. This brand value model can be useful for those brands that want to adapt and be more mainstream or focused on a certain target that of loyal customers. For those brands that don't want to mutate, this model does not work. It's like Apple. If you want it, take it, and if you don't, I don't care. How does the consumer perceive it? It generates bigfanboys, very loyal fans because the brand does not change and it is like a lighthouse, and the influence of consumers on those brands is very low, but for some consumers it's just ok. On the other hand there are other more variable brands, that co-create more but for them it is more difficult to generate fanboys, and they are regarded as having less personality. It means that co-creation could lead to a brand being considered less authentic. This model for both types of brand is useful and is interesting. For me it is a tool to obtain certain inputs that you can take into consideration or not, according to your strategy. For me it is a useful work methodology".

Brand value co-creation and competitive advantage

All the respondents agree on the view of the brand as a strategic asset, if it is well managed. However, not all the interviewees thought that brands could be a source of competitive advantage.

Respondent 11 identifies a clear link between branding and competitive advantage: *“Of course branding is a source of competitive advantage for firms.” It’s all we do, trying to make a difference and make this difference sustainable”.*

However, for respondent 12 and 15, economies of scale and distribution are the primary sources of competitive advantage. These respondents do not consider that working with the consumer in co-developing your brand could give you a strategic edge.

Respondent 7 stated that, *“Due to the particular characteristics of our business, technology is the main source of competitive advantage for our company. Differentiation is based on technology, which gives a differentiation advantage from competitors and a criterion for consumer choice. In this situation, branding is built on the consumer’s experience based of the service itself. In our market, this, and not branding is what provides sources of sustainable competitive advantages”.*

Following the same line of thought, respondent 13 refers to current sources of competitive advantage explaining that: “Business on the Internet has different rules. It’s what is called “the winner takes it all”: 1% of business players have 99% of the market share. This implies cut-throat competition and the competitive advantages are provided by logistics, technology and the combination of both them”.

However, respondent 2 was very clear about the direct link between branding and competitive advantage:

“First of all, we cannot forget why we are working on brands. A product is easily copied but a brand should be the competitive advantage for the firm. All we build around the product to make it different from competitors and to create bonds with customers, will help us to create this competitive advantage. And the way to build this brand (associations, values, personality, image, etc.) needs to be built taking into consideration our customers. Needless to say that this is the essence of marketing, and in a way co-creation (as a way of defining together the brand promise together) has been part of marketing practices since its beginning).

Of course new technologies and social media have made a step-change to the ways consumers can interact and give feedback about the brand, but the basic structure of marketing remains the same: the company makes a proposal (on its own or already with some output from consumers), the consumers experience this, make a assessment, and the company receives this feedback to continue with the marketing process.

To answering your question: Branding is, of course a source of competitive advantage for firms. Actually, the basis of a good branding is to create something bigger than the product itself that can resist the attacks of competitors and establish the basis for differentiation, which are the requirements for competitive advantage”.

Respondent 9 says: *“You are completely right”. Consumers are more and more important everyday. The problem is not the consumer but competitors. The*

product may not be relevant for the consumer. What they are looking for is an answer to the problem they think they have. Prices are fixed by the market, not by the company as Porter says. Pluvio Siro, I b.c. "The cost of a thing is what the consumer is willing to pay for" and I add what competitors will allow. This is the key for strategic positioning. To find a differential and a more attractive position than competitors in the mind of the consumers. This is where branding based on differential positioning can work as a competitive advantage for companies. Marketing determines the business strategy".

Respondent 14 acknowledges that brands can be a source of competitive advantage for companies and indicates under what conditions: *All of us [brand managers] want to build strong brands, achieve high awareness and loyalty from consumers. These are the goals of our job because we know that strong brands have better current and future benefits. I think all your respondents could agree about this. The problem is not the goal, but how to achieve it this. Marketing is an expensive function for the company, and reaching your audience is very expensive. Media planning is becoming more and more complicated and reaching global audiences can cost you a fortune. The problem is that when the Internet and social media appeared, we thought that reaching our audiences was going to be cheaper than the traditional media. The opposite is true. Although apparently we can have a better control over reaching our targets, media planning has not become cheaper and you need to continue to rely on TV and global events if you need global audiences. Social media are not solving all of our problems, and TV and global events such as Super Bowl, Olympic Games, Football championships, etc. are still the platforms for global brands to reach global audiences.*

For me how to use these new channels, how to allocate investments and which communication tools to deploy are the real questions that we need to face on a daily basis. The question is not whether these new channels are important or whether the consumer has the power or not, -because the truth is that he has

more control than ever. The question is how to adapt to and manage this new situation”.

Some of the respondents agree about the fact that not listening to consumers when working with the brand could be a reason for the opposite of creating a competitive advantage, or according to respondent 3 *“to destroy your brand”*. It was expressed that *“not listening is something we can not afford. If you want to compete, you need to be part of this game”* (respondent 1). This goes beyond the hypothesis of this research: *“the only way to be able to compete, is to completely include your consumer in your branding strategy. If you don’t do that, you are not competing”*. (Respondent 4).

Interaction between academic findings and professional practice

In general, little interest has been generated by a framework constructed from the inputs of previous academic research. In the words of Respondent 12:

“Everything sounds very logical and well thought-out, but I would prefer to have the results from the co-creation experience with other brands to really understand how it works. This could be really useful for us, as companies usually do not reveal this information”.

As regards the practical application of academic knowledge, almost all respondents were sceptical about it. In the words of respondent no. 13, *“Our day-to-day challenges require quick action, something that cannot be provided by academics which have not contact at all with real life”.*

Respondent 9 *“I have to say that I don’t believe in research, because research already starts with an expectation of the results, with a direction but it does not work. I only believe in practice”.*

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Additional insights

Respondent 9, as an expert in positioning, suggested that: *“The point that Porter’s hasn’t understood is that the key is not in differentiating the product, but differentiating it in the mind of the consumer. The value proposition is definitely built in the minds of the consumers in comparison with the competitor’s brands. Most of the time we think of our brands in isolation, but this is not true. The way our consumers understand our brands is in comparison with the inputs they have from another brands”.*

Respondent 2 adds an extra point: *“Of course we need to listen to consumers. The key point is whom we should listen to. The captain of the ship needs to take all the information, analyse it, and take a decision, good or bad, on where to go. All this information is a priori for the decision-making process. Then you will see whether the decisions that you have made are right or not. Nobody is going to tell you that. You need to know where you want to take the boat, and the information can facilitate or complicate one direction or another. If I want a mainstream brand, co-creating with consumers is not going to help me too much”.*

Respondent 13 explains his vision about the social media impact on branding: *“After all the hype with the Internet and social media, companies are not sure if the investments they make really pay off. Social media’s KPI (likes, followers, shared content...) are not a clear and real measure of brand success, and the most importantly, there is no clear link to business performance”.*

Following the same line of thought, Respondent 1 states that *“Big brands have dedicated an enormous amount of money to generating engagement through content, but the truth is that people want to engage with people, not brands”.*

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This view is shared also by Respondent 2: *“It’s difficult as a brand to be part of the consumer’s conversation. At the end of the day, we are not so important in their lives”.*

V .DISCUSSION AND CONCLUSIONS

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1. Introduction

The starting point of this research is the notion of brand value co-creation becoming a source of competitive advantage for companies. In this chapter, a model of brand value co-creation is developed for practitioners, so that they can fully take advantage of this possible source of competitive advantage.

Furthermore, this section will validate or reject the central hypothesis of this study, aiming to evaluate the presented model of brand co-creation vis-a-vis the opinions that practitioners presented us with during our qualitative research conducted. Our object is to provide useful insights to brand management and other business affiliates from their opinions and the conclusions we drew from them.

Structure of conclusions is as the following:

- General conclusions
- Validation of the hypothesis presented
- Evaluation of the model presented
- Implications for practitioners

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2. General conclusions

Most of the interviewees agree with Grönroos' statement that the firm is in charge of the value-creating process and the customer is invited to join it as a participant. However, the degree of consumer participation in this process is what constitutes the point of disagreement. From a light degree of participation where consumers can modify peripheral or not essential aspects of the brand, to a 100% co-creation process between the brand and their different stakeholders, several different strategies and view of brand value creation have appeared. A single view for branding co-creation doesn't seem to be realistic, as every brand has different approaches and strategies to generate value.

The handling of social media is one of the most challenging topics identified by our sample of branding professionals. The user networks' power through social media presents both opportunities and threats for companies and brands. Companies have revealed that they accept the relevance of social media and the new role of consumers and that they try to create and maintain a presence in the social networks, because it is where consumers interact. However, companies seem to be reluctant to hand their control over the brands fully to the consumers and thus their attitude is more defensive than cooperative under this new scenario. The question that remains among executives is that whether or not the investments will really pay off, and/or if they actually increase the value of their brands or not.

Contrary to the findings in the literature review where brand value co-creation is an emerging research topic, most of the brand practitioners do not display previous knowledge about brand value co-creation as they mistook it as co-creation of products alongside consumers. This is because of the fact that the concept of "co-creation" relates to a select a group of consumers, generally opinion leaders or experts, and their inputs for new product development. For this research, the meaning of "co-creation" was explained through the

interpretation of the brand's proposal by the consumers. Only a few respondents acknowledge that the output of this co-creation should modify the brand value proposition and that this needs to be considered and introduced again in the brand planning process.

Most of the respondents express that the control of the brand through formal management processes was essential, and that consumers should not run it.

This view is contradicting the literature review, which acknowledges that brands are social constructs developed by the firm and all their stakeholders.

According to these results, there is an important gap between the expressed need for control from brand managers and findings in the literature review. Here again the view of "a necessary evil" is paramount to work with consumers more than a proactive strategy for ensuring win-win benefits.

The reasons of this gap can be numerous. Social media and the new role of the consumer represent some important challenges for companies and managers to face an unprecedented market uncertainty, and at the same time to provide certainty to their CEO or investors about future gains and return of the investment. In this scenario, trying to keep the maximum control over the brand "is almost mandatory".

Brown et al. verify these results since they affirm that "lack of understanding by companies of the 'complex, heterogeneous and experiential' nature of brands often impede their effective development".⁷⁵⁴ Boyle further confirms these outcomes as he states: "brand managers may not appreciate the different roles that they and the consumers play in the brand co-creation process".⁷⁵⁵

⁷⁵⁴ Brown et al. (2003) p. 30

⁷⁵⁵ Boyle (2007) p. 122

The difference between theory and practice appears here as the reality of the work implies budget limitation and the pressure to justify the return of the investment. Managers acknowledge the importance of the consumer within the branding strategy, but due to their budget, resources limitations and the risks involved, they prefer to avoid practices that precede working with consumers in the co-creation of brands.

Some of the topics covered by our qualitative research allow a deeper analysis of the issues raised and wholesome conclusions.

Gap between theory and practice

An important gap between theory and practice is that marketing executives do not seem to be open to brand value co-creation since they interpret this as lack and ineffectiveness of their marketing activities, not as a process of co-creating the brand together. Brand managers still have control over their brands due to internal and external pressure. Although it could seem that marketing practices are more advanced than academic research, the opposite seems to be true. The concept of brand co-creation is not fully recognized by the brand managers and they are reluctant to consider the brand as a social construct. Instead, they still regard the brand as their own property.

There are also important implications of the academic research for practitioners. Although they agree on the possible or hypothetical use of these findings and manifest a certain degree of interest for academic knowledge and theoretical models for brand value creation, they express doubts about its applicability.

Our interviewees generally regarded the academic research on this topic as being useless for professional practice, since they think academia is disconnected from the reality of brands and the marketplace. Additionally, the

current global environment alongside changing technologies, trends, competitors' movements, global markets, and economic and political uncertainty are regarded to be "out of the control" of academic research.

However, findings in academic research provide a more open view on branding in collaborative terms, rather than the conservative views of practitioners about not letting go of the control over brands to the consumers.

Social media's expectations

In 2011, when we started this research, companies were regarding social media and other interaction channels between consumers to have the potential to change the rules of the marketing game forever.

Notwithstanding this excitement, the reality is that social media have not yet lived up to its hype for increased sales, ROI, and customer-based competitive advantages. For all its potential benefits, many social media efforts have been plagued by measurement challenges and the inability to understand how the co-creation of brand content and the brand experience can positively impact consumer engagement and sales. For most companies, the difficulty has not been developing or launching their social media initiatives, but making them truly engaging and valuable to consumers.⁷⁵⁶

Today, although it seems that social media have increased the complexity of the marketing function by adding new channels of interaction and new technological tools, the power is not in the hands of the consumers as it was presumed to be.

⁷⁵⁶ Schultz, Don, Peltier, James. "Social media's slippery slope: challenges, opportunities and future research directions." *Journal of Research in Interactive Marketing*. Vol. 7(2013), no. 2, p. 88

The empowered citizen has become the (dis)empowered citizen, as they don't have the power to change governance and social inequalities. Social media were expected to bring transparency to governments, countries, markets and communities, but this has been not the case.

The situation in Syria, where an estimated of 400,000 Syrians has been killed, has been almost hidden from and unknown in the rest of the world.⁷⁵⁷ This is a cruel and sad example of how information is not as free as citizens wanted it to be.

It seems like information and power are continuously being controlled. As a result, one cannot help but think if the brand managers are also employing a fake strategy of only pretending to listen to customers, because in reality they are actually afraid of losing control over their brands.

The removal of the Pepsi ad is an example of the power of crowds and the necessity of a brand to be honest and to have a coherent brand promise. The real question is whether or not brands are really trying to collaborate with consumers or is just an aesthetic strategy? The answer seems to be "depending on the brand".

Louro's proposal of brand orientation shows that there were four fundamental paradigms to brandings: product, adaptive, projective and relational. The relational paradigm is the one aligned to co-creation, but not all brands follow this paradigm and it has been made clear in our research.

Image-identity versus real co-creation

⁷⁵⁷ CNN. "Syrian Civil War Fast Facts" [On line]
<http://edition.cnn.com/2013/08/27/world/meast/syria-civil-war-fast-facts/> [Accessed 9th April of 2017]

The brand managers interviewed related to the co-creation process in a way that differentiated between identity (inherent to the company) and image (perceived by consumers). Most of them did not acknowledge the active role of multiple stakeholders in creating a brand.

Contrary to the views of the practitioners from the sample, academic research confirms that value co-creation is not brand image resulting from managerial efforts, but on the active role of multiple stakeholders in creating brand value.⁷⁵⁸

The control issue

This research's findings require a new understanding of brand management's role: Brand management is not longer in a position to unilaterally define and control brand meaning. It needs to perceive itself as an actor among many, and all of these actors can take part in brand-related discourse and shape brand meaning depending on the resources they have at their disposition.

Stakeholders are given and take control of brand meaning and ultimately the value it brings to the organization.⁷⁵⁹

However, brand managers we interviewed do not feel comfortable with this new role. Most of them consider that letting part of the control of the brands to consumers means "doing their work badly".

Managers suggest that having control over the brand is the consequence of the consumer's new role. However, findings in the literature review show that the lack of collaboration or the adoption of an open dialogue and mutual understanding between the company and the consumer can cause "value co-destruction". Value

⁷⁵⁸ Vallaster and Wallpach (2013) p. 1513

⁷⁵⁹ Hatch and Schultz (2010) p. 602

co-destruction occurs when some mismatch between the company and the stakeholders happens, such as lack of fairness or common understanding.⁷⁶⁰

The key issue for managers is control. Why is this the case? Power dynamics as identified by Jevons and Gabbott⁷⁶¹ and Vallaster and Wallpack⁷⁶² (among others) have shifted, and companies have to factor in not only aggressive competitors but also empowered customers.⁷⁶³ Under such a climate, how do brand managers approach co-creation? Some of them with fear, some with respect and only a few embrace the positive change.

Co-creation: A valued practice?

This research has proved that the relationship between brand management and their stakeholders has changed: It is not longer dyadic and characterised by dialogue that the brand managers acknowledge. Findings show that the relationship has evolved into a complex discursive process with multiple stakeholders to respond to the interaction of multiple influences that form the entire stakeholder network.

Brand managers agree on the need of understanding and listening consumers, especially because nowadays consumers have more power than ever, but their approach to this situation is most of the time more reactive than proactive: It's another "issue" to control, according to a section of our sample, instead of "an opportunity for value creation for the brand".

⁷⁶⁰ Plé, Loïc; Chumpitaz Cáceres, Ruben. 2010. "Not always co-creation: introducing interactional co-destruction of value in service-dominant logic". *Journal of Services Marketing*. Vol. 24 (2010), n. 6 p. 430-437.

⁷⁶¹ Jevons and Gabbott, (2000) p. 619

⁷⁶² Vallaster and Wallpach (2013) p. 1515

⁷⁶³ Kumar, Vipin, Gupta, Shaphali. "Conceptualizing the Evolution and Future of Advertising." *Journal of Advertising*. Vol. 45 (2016), no. 3, p. 302

Moreover, few respondents view the new role of the consumer and co-creation of brand value from two different perspectives: One is the “necessary evil” approach, and the other as “something to take advantage of”. This could lead to two different strategies in branding, reactive or proactive.

Co-creation’s output

This newly created brand value needs to be harvested and incorporated into the branding planning process in a continuous improvement system. This requires a retroactive process where listening mechanisms are needed.

3. Validation of the presented hypothesis

The purpose of this research is the validation of the hypotheses and to provide useful findings for practitioners when planning and managing their brands. This chapter will validate or reject the presented principal and secondary hypothesis.

H₁ The co-creation of brand value can be a source of competitive advantage for firms.

As validated by the literature review, the co-creation of brand value can be a source of competitive advantage as it allows maintaining and developing through time the potential of creation of value for the different interested parties.⁷⁶⁴

Working with consumers to co-create value provides also valuable functions to firms enabling the adaption of differentiation-based positioning strategies,⁷⁶⁵ as well as create barriers for competitors, which are the basis of competitive advantage.⁷⁶⁶

Additionally, the development of competitive advantage is an interactive process and competition takes place, not only over material resources, but also over the interpretations of multiple constituents about how firms create value,⁷⁶⁷ as is the case in brand value co-creation.

Barney's framework for establishing the conditions under which a business's competitive advantage is sustainable⁷⁶⁸ is used to confirm that brand value co-creation is:

- Valuable for the company

⁷⁶⁴ Barin et al. (2006) p. 880

⁷⁶⁵ Porter (1985)

⁷⁶⁶ Ginsberg, (1994)

⁷⁶⁷ Rindova and Fombrum (1999)

⁷⁶⁸ Barney (1991)

- Rare among a firm's current and potential competitors
- Imperfectly imitable
- It does not have strategically equivalent substitutes for these resources / skills.

However, most of the practitioners interviewed do not share the same view on these outcomes: When asked about competitive advantage they acknowledge that brands, if well managed, can be a source of competitive advantage for firms. However, they are reluctant to acknowledge that co-created brand can be a source of competitive advantage.

H₂: The brand value is co-created with consumers

The analysis of the literature review validates the hypothesis that brand value is co-created with consumers.

This challenges the traditional model of branding that focuses almost exclusively on the idea that brands are created by the firm and consumed by customers to define a new model where brands are produced and consumed by all stakeholders and their value co-created.

However, although respondents acknowledge the active role of the consumer, they do not see the consumer as co-responsible for defining a brand, as they consider that they are the owners of the brand.

4. Evaluation of the model presented

Although most of the respondents find the model relevant, they did not show interest to introduce this new model into their daily work. Respondents ask for information about how marketing and branding can or should be conducted in the new marketplace, and how the effectiveness of these efforts can be evaluated. More than the answer to “how does it work”, they want to know “what do I have to do” and “what will be the result”.

Schultz identifies the disagreement between the practicing brand marketers and the academic view.⁷⁶⁹ According to Schultz, practitioners see the marketplace as a moving set of interlocking pieces and parts involving multiple players who are constantly and continuously evolving, emerging and adapting so that the field is being reinvented on almost a daily basis. They accept the fact that under the current marketplace climate, what is accurate, relevant and cogent today might be worthless tomorrow.

On the contrary, academicians propose stable models, consistent results and continuity of findings, to develop theoretical concepts that are repeatable and reliable. However, their proposals are challenged because consumers, the marketing subject, are unstable. As consumers change and evolve they generate instability in the marketplace. Despite all of these challenges, it is important to try to prelude the future and to make assumptions.

An important conclusion is that the research’s question established by the author of this thesis is wrong: The question is not if this framework is valid or not, but under which circumstances and to which brands this framework can be applied.

⁷⁶⁹ Schultz (2016)

As stated by the interviewees, not all brands are interested in co-creation, and above all, the importance of co-creation varies across different companies, brands, products and market's conditions.

It has been identified by the literature review and the qualitative research, co-creation of brand value is more relevant for those brands which:

- a) Have a collaborative DNA in the company vision, values and management.
- b) Belong to a high involvement product category.
- c) Approach to branding is relational.
- d) Have enough resources to implement listening mechanisms and established marketing plans than incorporate the consumers.
- e) Are in a market situation / competitive situation where to compete they need a competitive edge about their competitors based on branding, not product development, innovation, etc.
- f) Consumers have a high degree of brand literacy.⁷⁷⁰

⁷⁷⁰ Bengtsson (2006)

5. Implications for practitioners

This study has the following implications for practitioners. First, based on the result of the theoretical study and the qualitative research with branding professionals, brands are emerging as a social construct, and need to be built and managed in this manner. Second, this research will help practitioners to develop a better strategy for branding as it presents a broader view of the traditional understanding of the brand building, including the output of different stakeholders of the brand. Third, practitioners can also gain insight on how to apply the concept of brand value co-creation and be encouraged to incorporate this output on current branding strategies while not being afraid of losing control over their brands.

In the following part, implications for practitioners are explained in more detail:

Brand as social constructs

Consumers co-create brand meaning, and meaning is constructed by language and social relationships. As social human beings, we do not consume, experience and live without the others. This social construct is essential to understand the brand building process and its implications are profound. It implies managers to loose control in traditional aspects of the branding processes, as well as a need for an understanding of this new process.

Companies deploy their resources to generate this value depending on their competitive strategies. As identified, managing brands as social constructs provide a competitive edge versus competitors as this perspective provides a richer and more realistic knowledge of what is happening in the market place, allows managers to conduct corrective actions -if needed-, to better respond to

market and consumer's relevant insights, as well as building profitable, relevant competitive brands.

Current marketing paradigm is considered difficult to be changed because it is widespread and taken for granted by marketers. It is considered to be "the reality".⁷⁷¹

As validated by the literature review, society and consumers are evolving to have a protagonist role in the dyadic process of brand value creation. However, as revealed by the qualitative research undertaken for this thesis work, brand managers and company CEO's are reluctant to lose control over their brands, without realising that this type of control is not in their hands anymore, at least not in the traditional way. They need to realise that their intentions to control brand meaning is futile, as are consumers who create this meaning. They need to be open to diverse forms of collaboration and participation into the conversation.

Although this model has been proven to be useful by the interviewees, they also claimed that they often find themselves without the tools, support, or resources necessary to deploy such a deep consumer-focused strategy.

Brands are alive and they follow a different path of evolution during lives. Some brands have had a similar DNA and brand meaning during their lives, whereas some brands have changed dramatically during their existence due to internal and external factors. Other brands have collapsed due to lack of adaptation to new trends and consumer needs. Some, on the contrary, have been created for a certain situation and disappeared after it had faded. Some companies are reluctant to dramatic changes in their products and brands, whereas some embrace change with agility and enthusiasm.

⁷⁷¹ Peñaloza and Venkatesh (2006) p. 308

Strategies behind brands are diverse. It depends on several factors such as internal structure of resources, company philosophy, culture and mission, economic and social environment, leader's vision, synergy between the brand's portfolio and other assets, such as expansion goals, funding needs, etc.

The presented model does not suggest one unique way of understanding and developing branding strategy. However, it does provide a thorough framework of understanding our current world, and a view to understand the reality behind your brand.

Application of this model allows brand managers and CEO's to have essential information and knowledge for their brands and business. This information allows them to make decisions based on a more complete and well-rounded vision of the market reality and not a partial or internal one. Whether to incorporate the output of brand co-creation to correct /adjust/change their brand proposition or only use it merely for monitoring the evolution of the brand depends on their specific strategy.

A necessary paradigmatic shift

The traditional marketing model has been flipped upside down according to Schultz. Former consumers are now advertisers and former advertisers are now responding (or trying to respond) to fulfil customer requests. Marketers only have to capture "value needs" turning "selling and persuasion" into "filling customer's needs", which radically changes the buyer-seller relationship.

Another important shift is taking place from "talking" to "listening", and from "how can marketers create customer value" to "how can marketers identify the value

that customers are seeking to create for themselves and then fill those ‘value needs’? The remaining question is how do we do that?⁷⁷²

We share the view of Peñaloza and Vankatesh⁷⁷³ as they express that “the final conceptual move we encourage for branding academics and practitioners interested in adapting to the paradigmatic shift we are experimenting is to reunite markets and consumers within the social unit of analysis of the market, and forget the ontological and epistemological separation of the two sets of agents, marketers and consumers. In doing this, we gain advancing knowledge of how markets develop and the means to better understand the results of marketer’s activities and the inter-relations with consumers as individual and in groups”.

From this view, the definition and understanding of our brands need to be conformed not by practitioners in boardrooms meetings, but by listening to the social co-construction of brands developed by different stakeholders in collaboration with firms.

The implications of this perspective on research and professional practice are profound. Brands, rather than viewed as assets to be solely exchanged or experimented by consumers, are viewed as the output of a social construction.

A move from subject-object to subject-subject focus is not an easy transition. Giving a more active role to consumers is essential but not enough. Instead, here we argue for the importance of a comprehensive and holistic model to evaluate the evolution of our value propositions into value. Learning is essential to take advantage of new business opportunities, identify consumer insights, rectify strategies, consolidate our value propositions and build stronger brands with a competitive edge.

⁷⁷² Schultz (2016b) p. 157

⁷⁷³ Peñaloza and Venkatesh (2006) p. 309

How companies participate in and encourage this social construction requires further research.

The future of competition lies in an altogether new approach to value creation, based on an individual-centred co-creation of value not just with one company but with whole communities of professionals, service providers and other consumers. The co-creation experience is highly dependant on individuals. Each person affects the co-creation process as well as the co-creation experience. A company cannot create anything of value without the engagement of individuals. Co-creation supplants the exchange process. Relevant scholars such as Lusch and Vargo argue that co-creation will ultimately induce firms to collaborate with customers to co-create the entire marketing program.⁷⁷⁴

Exhorting marketer flexibility

For marketers to compete successfully in the market, high levels of flexibility are required. To have a flexible mindset in order to embrace new paradigms and understand new realities is extremely crucial if marketers and brand managers want to keep themselves at the top of the game.

Learning form the brand value co-creation process

Organizations need to keep learning from the co-creation process, but only if the knowledge generated is shared by the consumers.⁷⁷⁵ As Cova⁷⁷⁶ suggested, consumers possess organizational knowledge of interest to the management and strategizing of the company. The challenge is to access to this knowledge and to be able to incorporate it in the brand strategy of the company.

⁷⁷⁴ Lusch, Robert F. and Vargo, Stephen L. "Service-Dominant Logic as a Foundation for Building a General Theory," in *The Service-Dominant Logic of Marketing*. Lusch, Robert F. and Vargo, Stephen L. Eds. Armonk, NY: M.E. Sharpe, (2006) p. 406–420.

⁷⁷⁵ Ind, Iglesias and Schultz (2013) p. 10

⁷⁷⁶ Cova, Kozinets and Shankar (2007) in Ind, Iglesias and Schultz (2013) p. 10

New brand orientation

The new brand orientation is an approach in which the processes of the organization revolve around the creation, development and protection of brand identity in an on-going interaction with target customers. It aims achieving lasting competitive advantages in the form of brands.⁷⁷⁷

We share the view of Kumar and Gupta who state that the future of advertising lies in evolving from the relationship focus to the engagement focus. This means to empower and engage consumers through relevant, reliable and targeted communication that treat the consumer not as a statistical data point, but as an equal relationship partner.⁷⁷⁸

⁷⁷⁷ Urde (1999) p. 117-118

⁷⁷⁸ Kumar and Gupta (2016) p. 316

6. Limitations of the study

The study entails limitations that need to be addressed. As an exploratory study, we propose a theoretical framework based on the literature review and previous findings in brand co-creation theory. This framework is only validated through qualitative research via in-depth interviews with a limited sample.

Additionally, this study presents several limitations:

- a) Although almost all companies represented in this research were internationals, most of those that were included were only limited to Spanish. A more international view is needed to validate / reject the presented hypothesis.
- b) Although the purpose of this study is exploratory, a larger number of interviewees would provide a broader view of the issue, as well as more insights for the model.
- c) Although representation of the most important economic sectors is included, the number of cases for each economic sector is not enough to draw conclusions by individual sector.
- d) This study does not allow the validation of the framework based on brand's typology or product category.
- e) For some companies, answers from the highest responsible of the brand was not possible due mainly for impossibility of the interviewer to have direct access to them, or brand managers' lack of available time. In these cases, a member of their team or a leader for the marketing department has been asked to participate in the in-depth interview. It can cause a non-deliberated partial blindness to the strategic work developed for the brand.
- f) Although the company names have not been disclosed, some brand managers were reluctant to talk about strategic information about the

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branding strategy. This can cause a deliberated partial blindness on behalf of the brand strategy strategic.

7. Further research

Further research is required to deeply analyse the co-creation of brand value. We present several research paths aligned with the research gaps identified by Boyle⁷⁷⁹ and Grönross:⁷⁸⁰

a) Identification of value sources

Inspired by Vargo's research question "what exactly are the processes involved in value creation?",⁷⁸¹ and confirmed by Boyle,⁷⁸² an important area open for research is the identification of value sources and their importance.

A milestone for this future research path will be provide valuable insights on how to design both value propositions and encounter spaces as the basis of value for consumers.

The analysis of how brand value is (co)-created is not complete then without a well-researched identification of the sources behind the value.

b) Social construction of brands

Further research is needed to guide managers through the complex process of a brand's social construction. Ideally based on Consumer Culture Theory, it should highlight the role of consumer culture and analyse it from a perspective as such.

c) Applicability of the framework

⁷⁷⁹ Boyle (2007) p. 127

⁷⁸⁰ Grönroos and Ravald (2011) p. 296

⁷⁸¹ Vargo (2008) p. 151

⁷⁸² Boyle (2007) p. 127

As pointed out by respondents and explained in detail in the conclusion's section, this framework can be more or less relevant depending on the different factors such as brand literacy, product involvement, company's branding approach, market situation, and company management's vision.

Therefore, further research is needed to understand under which circumstances co-creation is more relevant for companies, and specifically for which brands or products.

d) Methods to measure (co)created brand value

Traditional firms/goods^{783,784} and financial-based⁷⁸⁵ approaches identified in this research do not provide insights about how to measure the co-created brand value. Further research is needed to investigate if existing methods of consumer brand value measurement incorporate the outcome of the co-creation and how it is measured.⁷⁸⁶

Although financial brand value is not part of this research, we recommend incorporating market performance and shareholder indicators and measurements to add an additional step to this model, which is only based on consumer-based brand value.

e) Multi-stakeholders' perspective

Different stakeholders most likely have diverse expectations regarding a brand and access to different resources.⁷⁸⁷ The model presented incorporates this multi-stakeholder perspective in a holistic and global manner, but it does not separate different stakeholders by their specific characteristics (e.g. how

⁷⁸³ Aaker (1992)

⁷⁸⁴ Keller (1993)

⁷⁸⁵ Simon and Sullivan (1993)

⁷⁸⁶ Rios and Riquelme (2010) p. 214

⁷⁸⁷ Vallaster and Wallpach (2013) p. 1505

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employees co-create value). Further research can be dedicated to understand how different stakeholders contribute to the brand value co-creation.

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VI .SOURCES

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VII. APPENDIX

Co-creation of brand value:
The new source of
competitive advantage

1. List of journals

Main journals reviewed:

- *Journal of Marketing*. Impact factor 2015: 3.9⁷⁹⁰. A bimonthly publication of the American Marketing Association (AMA), is one of the premier refereed scholarly journals of the marketing discipline.
- *Journal of Marketing Research*. Impact factor: 2.3⁷⁹¹. A bimonthly publication of the American Marketing Association (AMA)
- *European Journal of Marketing*. Impact factor: 1.006 in 2014⁷⁹². Monthly publication of the Emerald group.
- *International Marketing Review*. Impact factor: 1,865 (year 2014)⁷⁹³. Bimonthly publication of the Emerald Group.
- *International Journal of Research in Marketing*. Impact factor: 1.575 in 2014⁷⁹⁴. Bimonthly publication of the Elsevier group.
- *Journal of Advertising Research*. Impact factor: 2.56 in 2014⁷⁹⁵. Quarterly published by The Advertising Research Foundation.
- *Journal of Consumer Marketing*. Impact factor: 1.54 in 2015/2016. By the Emerald Group⁷⁹⁶.
- *Journal of Consumer Research*. Impact factor: 3.187 in 2016. By the Emerald Group⁷⁹⁷.

⁷⁹⁰ <https://www.ama.org/publications/JournalOfMarketing/Pages/jm-editorial-guidelines.aspx> [on line]] [accessed March 12th 2016]

⁷⁹¹ <https://www.ama.org/academics/Pages/ama-journals-impact-factor-2014.aspx> [on line]] [accessed March 12th 2016]

⁷⁹² <http://www.emeraldgroupublishing.com/products/journals/journals.htm?id=ejm> [on line]] [accessed March 12th 2016]

⁷⁹³ <http://www.journal-database.com/journal/international-marketing-review.html>[on line]] [accessed March 12th 2016]

⁷⁹⁴ <http://www.journals.elsevier.com/international-journal-of-research-in-marketing/> [on line]] [accessed March 12th 2016]

⁷⁹⁵ <http://www.journalofadvertisingresearch.com/content/impact-factor> [on line]] [accessed March 12th 2016]

⁷⁹⁶ https://www.researchgate.net/journal/0736-3761_Journal_of_Consumer_Marketing [on line] [accessed March 12th 2016]

⁷⁹⁷ <http://jcr.oxfordjournals.org/>

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2. Visual references

The objective of this appendix is to provide visual references to illustrate the example given by respondent 6 about the communication crisis suffered by Pepsi with its latest advertising campaign.

These images correspond to different posts on Twitter from critical users to the Pepsi's campaign.⁷⁹⁸



⁷⁹⁸ The Guardian. Pepsi pulls Kendall Jenner ad ridiculed for co-opting protest movements [On line] <https://www.theguardian.com/media/2017/apr/05/pepsi-kendall-jenner-pepsi-apology-ad-protest> [Accessed 6th of April 2017]

Co-creation of brand value:
The new source of
competitive advantage

Esta Tesis Doctoral ha sido defendida el día ____ d _____ de 201__

En el Centro _____

de la Universidad Ramon Llull, ante el Tribunal formado por los Doctores y Doctoras
abajo firmantes, habiendo obtenido la calificación:

Presidente/a

Vocal

Vocal *

Vocal *

Secretario/a

Doctorando/a

(*): Sólo en el caso de tener un tribunal de 5 miembros