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A CONCEPTUAL VIEW OF BRANDING FOR SERVICES

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Abstract

One of the most valuable resources a business has is the reputation of its brands. While a significant body of research exists to guide marketers of physically tangible products in their branding efforts, little study has been given to branding in the services area. Given the significance of services to the global economy, this absence is noteworthy and worthy of further investigation. This paper provides justification for incorporating branding strategies in a services setting and services inclusion in branding research, along with a conceptual overview of how branding may be viewed in a services context.

Key words: brands, branding, brand equity, services.

Introduction

How do consumers use brand names to purchase services? Why are consumers willing to pay a premium price for certain brands and not others? Stated differently, what utility do consumers of brand name products receive? Given the market indications that consumers are more value conscious than ever, the phenomenon of paying a premium price for comparable quality due to the product's brand name would seem contradictory, but is well documented in the brand equity literature (Aaker, 1991; Barwise, Higson, and Likierman, 1990; Bello and Holbrook, 1995). Less widely documented or contemplated is whether these same issues might have merit for services. As the composition of the marketplace is increasingly service-based, this omission deserves more attention and provides services researchers with an exciting research challenge. Additional impetus for directing research toward this topic comes from recent broad-based practitioner interest in services as brands.

This paper will offer a conceptual overview of branding and brand equity and their particular importance within a service context. First, a brief overview of traditional brand-related research is provided. Then, branding and brand equity literature is reviewed and considered in relation to services marketing. In conclusion, the paper examines the strategic importance of branding and brand equity to services marketers, and how managers can make use of these tools in practice.

Brands

A brand is a name, symbol, or logo used to identify and differentiate products in the marketplace (Aaker, 1991; Barwise et al., 1990; Keller, 1993). Dunn, Murphy, and Skelly (1986) suggest that branding is central to marketing. The perception of added value that comes with a brand's image may represent the means for creating a sustainable competitive advantage (Bharradwaj et al., 1993). In an era characterized by the need to go beyond satisfying customers to engendering their loyalty, the usefulness of fostering strong brand names would seem to be indispensable.

As a means of distinguishing one product from another, brand names have also become a repository for meanings that extend beyond the content of the package or the service outcome. These meanings and associations may be the result of direct experience with the product, word of mouth communication about the product, or short-term promotions such as advertisements (Aaker, 1991; Olsen, 1993). In The Image, a review of popular culture and "pseudo-events" as news, Boorstin (1992) notes that the product becomes incidental to the reputation and image of the brand. Boorstin (1992) notes that the expression "brand name" has given way to "name brand" as an expression of particular ownership, thus making the name not the product the central focus.


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An early marketing article by Gardner and Levy (1955) captures the essence of brands in the following quotation:

"... a brand name is more than the label employed to differentiate among manufacturers of a product. It is a complex symbol that represents a variety of ideas and attributes. It tells the consumer many things, not only by the way it sounds (and its literal meaning if it has one) but, more importantly, via the body of associations it has built up and acquired as a public object over a period of time" (p. 35).

Brands do tell consumers many things; they are information. Brands may act as a means of risk reduction, particularly in purchase situations where other information is less than perfect (Kapferer, 1992). Brands are also thought to provide clues as to quality levels prior to making a purchase (Akerlof, 1970; Bharadwaj et al., 1993; Rao and Ruekert, 1994; Wernerfelt, 1988). Brands are vital for market exchanges because they provide the means for differentiating one offering from another. Moreover, brand names are also important as a conduit for brand equity. Keller (1993) describes brand equity as a function of the mental associations consumers have with the brand name. Bharadwaj et al. (1993) also note that strong brand names and symbols positively influence brand equity directly and indirectly through their influence on perceived quality.

**Brand Equity**

Although no consensus exists on a singular, unique definition, brand equity is often defined in correspondence with Aaker's (1991) conceptualization of "... a set of brand assets and liabilities linked to a brand, its name and symbol, that add or subtract from the value provided by a product to a firm and/or that firm's customers" (p. 15). Similarly, Keller (1993) views brand equity as "the differential effect of brand knowledge on consumer response to the marketing of the brand". A group discussion at the Marketing Science Institute's May 1988 conference also suggested that brand equity is a set of brand associations and their strength, transferability, and ability to affect behavior. Farquhar (1989) more briefly defines brand equity as the value that a brand name adds to a product. In particular, consumers seem willing to pay a price premium for better-known brand products with comparable quality levels as non-premium priced lesser-known brand products, due to the perceived value attributed to the brand name (Bello and Holbrook, 1995). Consequently, brand equity is an important marketing construct from a financial, strategic, and consumer behavior perspective.

**Role of Brands and Services**

Brand-related issues have a rich, substantial history of research within the marketing discipline. Brands have been examined as sources of competitive advantage (Bharadwaj et al., 1993; Lassar, Mittal, and Sharma, 1995), as sources of financial value (Rao and Ruekert, 1994), as being company or product based (Kapferer, 1992), as being consumer-based (Keller, 1993), as a marketing management issue (Gardner and Levy, 1955; Shocker, Srivastava, and Ruekert, 1994), and as sources of information (Bharadwaj et al., 1993; Rao and Ruekert, 1994; Zeithaml, 1988). Although a plethora of branding and brand equity research exists, and continues to be a productive stream of literature, the dominant focus remains on goods-type products. Chernatony and Segal-Horn (2001) note this absence and question the wisdom of ignoring a sector that accounts for approximately two thirds of GDP in developed economies. Chernatony and Segal-Horn (2001) rightfully assert that classical branding models function well at the conceptual level for both service brands and physically tangible product brands, the execution of branding strategy for services may warrant new branding models.

To paraphrase Berry (1980), services are different. As Shostack (1977) indicates in her seminal piece on services, the marketing discipline has tended to focus on how physically tangible goods move through the marketplace. Today this assessment remains substantially valid for some aspects

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1 The assumption that quality levels can be objectively measured and compared is less useful for services.
of marketing research, despite the continued growth and economic impact of the service sector. Another assertion of Shostack’s (1977) is that marketers tend to apply goods-based marketing principles to services indiscriminately, often assuming that what works for goods will work equally well for services. While not valid for all research areas within services marketing, this practice remains common in the area of brand studies. The shortage of services-based branding research coupled with service practitioners' acknowledgement of the relevance of branding to their success, would seem to indicate the need to explore this topical area more fully.

The lack of services' branding literature may be partly due to the familiarity of relating brand names and goods, whereas with the connection between brand names and services is less intuitive and familiar. For example, most consumers wouldn't ask "what brand of bank do you use?", they would instead ask for the name of your bank. Despite the semantic differences, service firms' names are their brand names (Berry, 2000; Berry, Lefkowith, and Clark, 1988), and many service organizations are beginning to treat them as such. Recent news stories suggest that some services are already beginning to adopt branding terminology, and allowing branding research to shape their strategies.

Research in marketing and economics has suggested that consumers use brand names as a means of pre-determining the quality of a good (Akerlof, 1970; Bharadwaj et al., 1993; Rao and Ruekert, 1994; Venkataraman, 1981; Wernerfelt, 1988). Shapiro (1982) observes, "When product attributes are difficult to observe prior to purchase, consumers may plausibly use the quality of products produced by the firm in the past as an indicator of present or future quality" (p. 659). Further, if product traits were perfectly observable prior to purchase, past production of high quality items would not become part of the consumers' evaluation of the firm's current product quality (Shapiro, 1982).

Given the nature of services, where service encounters may vary significantly even when purchased from the same provider, a brand name and its equity may increase the efficiency with which the consumer makes a services purchase decision by acting as a heuristic for pre-assessing service quality prior to purchase and consumption; brand-level associations facilitate the use of brand names as a heuristic for service quality. Consider the following scenario. A consumer who is familiar with MCI long distance telephone service (and positive affect toward the brand) decides his/her family needs Internet access from home. The consumer has no or little past experience with buying Internet access and no personal recommendations for which provider to choose, and subsequently selects MCI based on his/her positive experience with other MCI products (long distance service). In this example the consumer is drawing an inference about the quality of the Internet access provider based on the brand name (and subsequent affect and perceptions) attached to it. Brand equity thus, may also offer consumers a useful heuristic for making purchase selections (Bettman, Johnson, and Payne, 1993). Additionally, higher levels of brand equity create opportunities for getting the consumer to include the brand in their evoked set due to positive perceptions of gain-to-cost outcomes (Bharadwaj et al., 1993; Srivastava and Shocker, 1991).

Contemporary business literature offers a few examples of service firms such as cable channel Cartoon Network, NBC, CBS, ABC, AT&T, MasterCard, Visa, various healthcare firms, Southwest Airlines, and the Disney Company expressing concern for protecting their brand name or image (Marx, 1994; McCarthy, 1994; Miller, 1996). By means of illustration, a contemporary article in *Modern Healthcare* extols the value of having a strong brand name, while cautioning against wasting brand equity during mergers and acquisitions (Jaklevic, 1995). Similarly, cable and network channels are working to strengthen their respective brand images in an effort to secure viewer share, advertising dollars, and additional station affiliates (McCarthy, 1994; Miller, 1996). Southwest Airlines, in an effort to protect the company from an onrush of low-fare look-alikes is promoting values "inherent" in their brand (Murphy, 1996). As branding terminology becomes more comfortable to services marketers, they will need guidance in recognizing the importance of naming a brand, and how to best utilize brands as assets.

Turley and Moore (1995) note that some authors consider choosing a brand name for a consumer product the most important marketing management decision. While Berry et al. (1988) recognize "a name cannot make or break a product or company", they do go on to assert the importance of a well-chosen name (p. 28). Specifically, Berry (2000) and Berry et al. (1988) comment that for services, the "branding effect" of a corporate or brand name is particularly important because the
company name is the brand name. As such it provides one mechanism for tangibilizing the service firm's product offering. Because of their inherently intangible nature, it has been suggested that branding and image creation may be particularly vital to the long-term success of services (Bello and Holbrook, 1995; Onkvisit and Shaw, 1989; Turley and Moore, 1995). Chajet (1991) also comments that in addition to distinguishing the product and corporation, brand names clarify the nature of the service performed, and act as a mechanism to capture the consumer's focus and loyalty.

**Brand Equity and Services**

Due to their nature, services purchases may be more difficult to select and evaluate. Consumers purchasing goods may use one or some combination of the following criteria to evaluate purchase decisions, including the multiple cues of style, color, label, feel, package, brand name, and price (Zeithaml, 1981). For services, price and the physical environment surrounding the service have been considered the primary quality cues available to the consumer (Zeithaml, 1981). This paper suggests brand equity may also play a significant role in appraising quality, particularly in the absence of direct experience in that product category. Branding's more pivotal role in choosing a service may be due partly to the service industry's growth beyond the "...local, independent merchants" described in earlier work (Zeithaml, 1981). Service examples once given as instances where price is the only pre-purchase indicator of quality in 1981 (plumbing, housecleaning, and lawn care) (Zeithaml, 1981) are representative of strong service brand names of today (RotoRooter, Merry Maids, ServiceMaster, ChemLawn, etc.).

For services, brands' function as a risk reducer may be even more important since quality may be difficult to determine prior to purchase, or even post-purchase (Bello and Holbrook, 1995; Bharadwaj et al., 1993; Herbig and Milewicz, 1995; Murray, 1991; Zeithaml, 1981). Due to their experiential and credence properties, service encounters may be more influenced by extrinsic cues, such as brands (Bharadwaj et al., 1993; Turley and Kelley, 1995; Zeithaml, 1988). The use of brand names as information and risk reducers is widely noted in the goods-oriented brand equity literature (Brooker, 1984; Murray, 1991; Rao and Ruekert, 1994; Vann, 1984). Some authors do include services in their discussion of brand names and brand equity as information and risk reducers, but without explicit testing in a services context (Kapferer, 1992; Keller, 1993).

The notion of missing information and risk reduction is especially germane to the study of services as service quality may not be knowable before purchase and consumption. An example of missing information and brands as a means of risk reduction can be seen in the following scenario. A consumer is seeking travel information – choosing a destination, selecting an airline, or booking a hotel – but has little or no previous experience in this product category. Wishing to minimize their risk they select American Express' travel services due to the positive connotations the brand name evokes and the characteristics often associated with it (worldliness, exclusivity, high quality).

In a paper otherwise cynical as to brand equity's merit as a research topic, Bello and Holbrook (1995) suggest that for experiential goods, consumers may prefer better-known brands due to the information imparted by them. This is consistent with Murray's (1991) suggestion that the information needs of service consumers vary distinctively from those of goods consumers in that they may have a greater need for risk reducing information. Knowing the basis by which the consumer will evaluate the service makes it possible to influence those evaluations in the desired direction (Gronroos, 1984; Parasuraman, Zeithaml, and Berry, 1985). Shapiro (1983) notes, "The idea of reputation makes sense only [emphasis added] in an imperfect information world" (p. 595). Consequently, the less-than-perfect information scenario that is the reality most consumers face is what makes branding and brand equity particularly vital to the success of services, in that services have few demonstrable, tangible points of difference that would help consumer's make a purchase decision (Bitner, 1990; Gronroos, 1984; Murray, 1991; Shostack, 1977; Taylor, 1987; Zeithaml, 1981). This paper proposes that the presence of a strong brand image could be one such point of differentiation. In addition to tangibilizing the service, brands and brand equity may also serve as a means to increase the consumer's judgments of perceived value, satisfaction, and quality (Shocker et al., 1994), thus fostering repeat purchase behavior, positive word of mouth intentions, and acting as a buffer for service failures. This assertion is consistent with Gronroos' (1984) model of service
quality, wherein image is described as a quality dimension consumers will use to assess service quality, even if their short-term experience contradicts their long-term image assessment (e.g., a hotel the consumer believes to be prestigious loses his/her reservation, has no porters available to carry luggage to the room, cannot accommodate smoking preference, et cetera, may still retain a positive overall image in the consumer's mind providing the poor experience is not repeated on subsequent occasions).

Hence, brand equity may also play an important role in services marketing due to its impact on recovery from service failures (or even as a means of forestalling the consumer’s perception that a failure occurred). Fostering positive brand equity could prompt the consumer to react less negatively to service failures since a poor service encounter would be inconsistent with their previously held attitude regarding the value of the brand name. Effective use of brand equity offers service marketers one avenue for enhancing the initial selection probability, developing loyalty, retaining customers, and supporting relationships (Bharadwaj et al., 1993; Shocker et al., 1994), by acting as a risk reducer.

Because consumers have neither infinite time allotted, nor motivation/ability, to thoroughly compare products prior to purchase, they are likely to employ heuristics to measure product quality among competing brands. Consequently, consumers assume varying degrees of risk when they buy products (Dawar and Parker, 1994). Brooker (1984) proposes that when consumers buy a brand with which they are familiar, they believe the risk to be less than for purchases involving a new brand or new product category. Products with relatively high levels of brand equity are thought to be preferred by consumers to mitigate the risk of making a poor selection, wherein brands act as a cue for predetermining quality (Akerlof, 1970; Kapferer, 1992; Shapiro, 1983; Wernerfelt, 1988).

Economics-based research indicates that the more specific a quality cue, the more useful it is as an indicant of quality (Dawar and Parker, 1994). Brand names are quite specific cues, since no other firm or only a few products within a competitive line of products share them. For services purchases in general, the amount of perceived risk is greater than for goods (Davis, Guiltinan, and Jones, 1979; Murray, 1991; Zeithaml, 1981). As such, the need for additional quality cues would seem particularly relevant to services researcher. Under these circumstances, service brand names should function efficiently as quality-cue information. Zeithaml (1981) does point out that because greater risks, costs, and lack of knowledge concerning alternatives may accompany the purchase of services, consumers may be more brand loyal with services than with goods. Given that humans tend to be innately risk averse and that services are perceived to be riskier purchases, higher levels of brand affinity should not be surprising (Brehm and Kassin, 1993). Additionally, Bharadwaj et al. (1993) suggest that "When buyers cannot easily evaluate the capabilities of the service provider and the quality and value of the service provided, brand reputation serves as an important proxy for quality and other key buying criteria that cannot be easily evaluated" (p. 90).

Summary

One of the most valuable resources a business has is the reputation of its brands (Dacin and Smith, 1993, 1994; Herbig and Milewicz, 1995; Keller, 1993; McManus, 1994; Spethmann, 1994). In addition to distinguishing one market offering from another, consumers often use brand names as a heuristic to indicate the product's quality or reliability (Barwise et al., 1990; Lassar et al., 1995; Rao and Ruekert, 1994; Shocker et al., 1994).

This may be particularly true for purchases where the consumer has little or no experience in that product category, where quality is difficult to assess prior to purchase (or even post-purchase), or where perceived risk is relatively high. While the last two qualities mentioned are especially pertinent to service organizations, branding research in a service setting is limited. Due to their intangible nature, cultivating a strong image or brand identification would seem to be even more critical for services than for goods.

Building brand equity may be an appropriate counter-measure for each scenario. In addition to serving as a source of information for consumers in making a purchase selection, brand names may also serve as a means of retaliation if quality does not meet expectations (Akerlof, 1970;
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Barwise et al., 1990; Rao and Ruekert, 1994). Substandard quality can be punished by not making a repeat purchase or by generating negative word of mouth communication (Akerlof, 1970). A similar effect is at work wherein brands provide a means of reward if the consumer's quality expectations are met or exceeded, which may lead to repeat purchases and an ongoing relationship with the organization. More importantly, brands may operate as a receptacle for accrued good faith. For example, in an isolated or first-time instance of product failure, the stockpile of value consumers imbue the brand with may sustain their faith in the product and cause them to be more likely to make subsequent re-purchases than if the brand is less well known or thought of.

Accordingly then, the concept of brand equity could provide a mechanism for lessening the impact of one-time instances of poor service quality and afford the organization another opportunity to "get it right" with the consumer. In essence, consumer-based brand equity reflects the desirability, perceived superiority, and utility of the brand to the consumer (Aaker, 1991; Keller, 1993; Lassar et al., 1995). Consumer-based brand equity is thought to arise from the consumer's higher level of confidence in that brand as compared to its competitors (Lassar et al., 1995; Muthukrishnan, 1993). As such, brand equity is one means for building long-term consumer loyalty (Bharadwaj et al., 1993; Lassar et al., 1995). As marketing's dominant paradigm has shifted toward a relational view of exchange (Heide, 1994; Morgan and Hunt, 1994; Webster, 1992) where building loyalty may rival, or take precedence (from a resource-use perspective) over attracting new customers, retaining customers has taken on heightened importance.

Fostering positive brand equity could prompt the consumer to react less negatively to service failures since poor service would be inconsistent with their previously held attitude regarding the value of the brand name. Building loyalty via investments in brand equity would then provide one mode for recognizing the value of current customers, and the importance of providing continuing service to them in order to retain them (Berry, 1995; Fisk, Brown, and Bittner, 1993). Accordingly, effective use of brand equity and brand management offers services marketers one route for enhancing the initial selection probability, developing loyalty, retaining customers, and building or enhancing relationships (Shocker et al., 1994).

This paper attempted to provide justification for incorporating branding strategies in a services setting and services inclusion in branding research. George and Berry (1989) assert that while "... differentiation is not easily attained by service firms, its achievement is by no means impossible" (p. 405). Their suggestion is to use distinctive symbols and formats to create continuity in advertising promotions. Taylor (1987) also notes that most other means of creating a strategic advantage (within a service industry) are relatively easy to duplicate. Therefore, other means may not conform to definitions of (strategic) competitive advantage which assert that to offer a legitimate (strategic) competitive advantage, the resource in question must be unique (Bharadwaj et al., 1993). The ability of brands and brand equity to bestow on a service organization an individual personality or image may be the only truly unique means of differentiating a firm's offering from its competitors.

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