

A Case Study in Building Customer-Brand Relationships on the Internet: Application of an Online Brand Equity Model

Lars Grønholdt ¹, Anne Martensen ² & Simon Trajcevski ³

Department of Marketing, Copenhagen Business School, Denmark

¹ Department of Marketing, Copenhagen Business School, Solbjerg Plads 3, 2000 Frederiksberg, Denmark.
Tel: +45 3815 2100. Fax: +45 3815 2101. E-mail: lg.marketing@cbs.dk

² Department of Marketing, Copenhagen Business School, Solbjerg Plads 3, 2000 Frederiksberg, Denmark.
Tel: +45 3815 2100. Fax: +45 3815 2101. E-mail: am.marketing@cbs.dk

³ Department of Marketing, Copenhagen Business School, Solbjerg Plads 3, 2000 Frederiksberg, Denmark.
Tel: +45 3815 2100. Fax: +45 3815 2101. E-mail: bltr96ab@student.cbs.dk

A Case Study in Building Customer-Brand Relationships on the Internet: Application of an Online Brand Equity Model

Abstract

This paper provides empirical evidence of an Online Brand Equity Model and illustrates the application of the model. It is founded on a customer-based brand equity approach, covering important branding topics from the offline as well as the online world. It is formulated as a cause-and-effect model. Based on KILROY Travels, which is the largest international travel agency for young people and students within the Nordic countries, it is demonstrated how the model and measurement system may be a useful management tool for the improvement of the online customer-brand relationships. It gives a better understanding of the position of a brand in the minds of the customers. In this way, the model can help brand managers to set strategic directions for branding on the Internet and support their branding decisions at an action-oriented level.

Key words: Brand management, brand equity, online, customer-brand relationships, structural model.

1. Introduction

A strong brand is among the most valuable intangible assets for any company (Clark, 2002, p. 30; Keller, 2003, p. 11; Keller & Lehmann, 2003, p. 27). In later years, online branding has also become a significant element of the companies' integrated activities. For established companies, a well designed website can help strengthen the company's brand equity, but without existing brand equity a consumer may associate too great a risk with a buying decision. Alternatively, a poorly designed website can actually ruin existing brand equity,

since it may affect how the consumers perceive the quality of the products and services, and they might look for other websites without evaluating the site's content.

A consumer's online evaluation of a company's products depends on her/his expectations of the website. Therefore, a company with high brand equity must continuously assess the quality of its web design to ensure that the consumers perceive it to be of a high quality. A poor web design can have negative effect and damage an established brand in the same way as good website can have positive effect.

For new companies, a well designed website can be apart of the brand building process. Obviously, web design is not the only means within online branding, but it is very important to present a professional image when established brands go online. However, a good online branding strategy is not enough in itself; any 'brick and click' company needs to have brand-building strategies that go beyond the web, ensuring that the on- and offline branding strategies support each other to create mutual synergy effects.

From this perspective, it is essential to have a brand equity measurement and management system (Aaker & Joachimsthaler, 2000) that builds on the established brand building and brand equity theories, but at the same time takes the online website quality and web service into account. This is precisely the perspective in this paper, where the purpose is to empirically validate a new Online Brand Equity Model (Martensen et al., 2004) and show how it may be applied as a tool in the brand management process, on a strategic as well as a tactical level.

The Online Brand Equity Model has been developed to fulfil four main requirements. First, the model should be logical, well integrated, and well founded. Further, the model should be based on state-of-the-art thinking within off- and online branding, from an academic as well as a practical point of view. Second, the model should be simple, yet sufficiently comprehensive to include the most important brand equity topics. Third, the

model should be applicable to all possible types of brands and industries to ensure comparability of the measurements. Fourth, the model should be diagnostic and actionable, i.e. the model's estimates should provide relevant information to support brand management strategy and decisions.

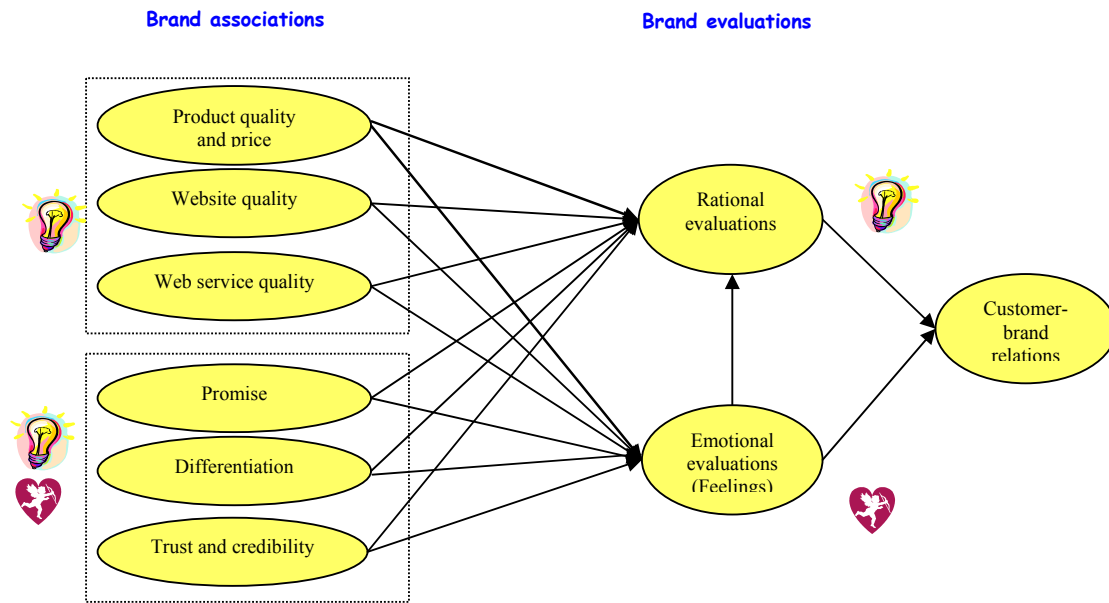
2. The Online Brand Equity Model

Recently, we have developed a new conceptual Online Brand Equity Model (Martensen et al., 2004). The model (Figure 1) links the final response variable, customer-brand relationships, to the drivers rational brand evaluations and emotional brand evaluations, which are in turn linked to product quality and price, web site quality, web service quality, brand promise, brand differentiation and brand trust and credibility. The model proposes two routes to creating brand equity; a rational route and an emotional route, as well as combinations of these routes.

We will not be discussing the individual variables and their relationships here (see Martensen et al., 2004), but merely emphasise the dimensions that are placed under the three variables on the right side of the model:

- Rational evaluations: customer satisfaction and value
- Emotional brand evaluations (feelings): self-expressive benefits and social approval
- Customer-brand relationships: customer loyalty (retention), recommendation, attractiveness and attachment to the brand.

Figure 1. The Online Brand Equity Model



3. Methodology and data

The conceptual model in Figure 1 is specified as a structural equation model with nine latent variables. Each of the latent variables is operationalised by a set of measurement variables, observed by survey questions to the consumers. The questions used to operationalise the model were developed based on literature studies and existing brand equity measurement instruments. 33 questions were designed in a generic way, meaning they were formulated in general terms, allowing them to be used across brands and companies. One of the methodology's central elements is the use of a harmonised model and measurement instrument with generic questions. Hereby, as mentioned above, the estimated results of the model are comparable across brands and companies.

Based on the data collected, the model in Figure 1 can be estimated by using a partial least squares (PLS) method (Fornell & Cha, 1994). PLS estimates the performance level for each of the nine latent variables and impact scores between the variables.

To validate the Online Brand Equity Model, a survey was conducted during December 2003 using KILROY Travels as a case (in the following referred to as KILROY). The data

includes 468 Internet interviews with KILROY customers. A questionnaire was designed consisting of 33 generic questions, 29 specific questions plus screening and background questions. Respondents evaluated all questions on a 5-point scale. Most of the questions were formulated as statements, to which the respondent was asked to rate her/his level of agreement (from 'strongly disagree' to 'strongly agree'). The 33 generic questions are listed in another paper (Martensen et al., 2004, appendix 1).

4. KILROY Travels

In later years, KILROY has focused intensely on the Internet. In the following, the company's historical background, its range of products and target group will be briefly presented. As the focus is on online brand equity, we will of course be addressing how KILROY brands itself on the Internet, using as our point of departure its corporate brand identity, value proposition and brand promise.

4.1 Historical background

In 1946, students organisations in the Nordic countries founded a travel agency SSTS (Scandinavian Student Travel Services) for young people and students, and in 1991 the name was changed to KILROY Travels to create a more consistent and stronger profile. Today, KILROY is the largest travel agency within the Nordic countries for young people and students. KILROY operates in six European countries, with 48 sales offices and seven call centres placed in Denmark, Sweden, Norway, Finland, Holland and Spain.

In this paper, the focus is exclusively on KILROY Travels Denmark, which offers individual trips for young people and students in the Danish market. KILROY Travels Denmark employs 72 people.

4.2 Target group for KILROY Travels Denmark

The company's business focus "individual" addresses a niche segment, consisting of students under 33 and young people under 26, who travel on their own. The target group – also called "The young independent traveller"- consists of young students, who are not interested in standard packaged trips. On the contrary, the customers are looking for independence and freedom to put together their own personal trip at a reasonable price. They want to make their travel dreams come true by exploring the world and experience new cultures with the goal of achieving personal and professional development. KILROY Travels Denmark often addresses its advertising campaigns to higher educations and therefore the 19-27 year olds are well represented in this segment. Furthermore, most young people do not encounter KILROY until they have completed high school/business college, or want to go on an adventure trip or a trip around the world, go trekking or rafting etc.

4.3 Range of products

For many years, customers have only associated KILROY with back packer trips and Interrail. But KILROY is much more. To change the customers' associations with and attitudes to KILROY and make them aware of its many offers, it was necessary to start a new branding strategy a couple of years ago. Thus, KILROY has expanded its range of products within the last two years to accommodate different customers' travelling needs to an even higher degree. KILROY has chosen to brand its other products as sub-brands, so today its range of products consist of seven different sub-brands.

A new branding strategy, introducing sub-brands and focussing on the fact that 'KILROY offers much more than just plane tickets' in the internal as well as the external communication, was necessary to cope with the intense price competition characterising the travel industry. However, a new branding strategy was also launched to create stronger customer-brand relationships, in which the customers wish to maintain their relation to

KILROY, so that next time they are going on an exciting trip they will naturally contact KILROY first.

4.4 www.KILROYtravels.dk

The holding company KILROY Travels International is responsible for the development of KILROY Travels Denmark's website: www.KILROYtravels.dk, and later years have demonstrated an ambitious focus on the Internet with big investments.

The purpose of KILROY's website is to supplement KILROY's offline sales channels; that is, a call-center and six sales offices in Denmark. However, the purpose of the website is also to support and strengthen KILROYs offline channels with information searches, communication, advice and guidance for the customers.

Via KILROY's website, the customers may order flights to European destinations. In addition, as individual trips, especially overseas, often require a much higher degree of involvement and more in depth guidance and advice from the sales assistants, the website is primarily used to search for information or as inspiration for these trips.

4.5 KILROY's corporate identity

KILROY's international management has decided that it is the corporation KILROY Travels should be branded, and today KILROY uses its corporate brand as an effective tool to differentiate itself from the competition and create a positive corporate image both internally among the employees and externally among KILROY's customers and other stakeholders.

KILROY's corporate personality and corporate culture

The essence of the KILROY brand is: "*KILROY Travels is a way of life- an attitude to life.*"

With this focus, KILROY's personality is characterised as a youthful, humorous and

provocative travel guide, with a lot of travel experience and thus knowledgeable about all the exciting and adventurous places in the world for both young people and students. Its personality also expresses a non-traditional and informal travel guide, which also emphasises price and quality. Finally, KILROY is interested in the society, which is reflected in its respect towards the individual and the environment.

Naturally, KILROY's corporate culture takes as its point of departure its corporate personality, and three areas are especially important: customer-orientation, innovation and social responsibility. Regarding the latter, KILROY wishes to play an active role in the societal development by supporting organisations for children and young people and projects that aid children and young people in need. KILROY supports projects that help support the development of the Earth.

KILROY wishes to hold onto and possibly strengthen its position as the market leader in Denmark within the niche segment of young people aged 16 to 32. Therefore, KILROY would like to continue its present strategy of strengthening and expanding knowledge of the company, its products and services.

KILROY's corporate mission and brand essence

KILROY's mission statement is an important part of KILROY's personality. Basically, KILROY's mission consists in offering young people and students exciting trips and destinations to fulfil their travel dreams. The mission takes as its point of departure today's young people and students' "travel spirit" and the dream to/of:

- *do something*
- *to be something*
- *freedom and independence*
- *self-realisation*
- *explore the world*
- *find the meaning of life*

The basis for all KILROY's activities has been expressed in its mission statement:

“The corporate mission of KILROY Travels is providing students and other young people aged 16-32 with affordable quality travel products. We want to supply the most demanded travel conditions, the most appreciated travel services, and the best and most efficient distribution of our travel products to meet the specific needs of our customer group 'The young independent traveller'.”

The mission controls the formulation of the value and direction for the company brand. The products must conform to this formulation; leaning against the value position of the consumers, as this position is the most precious asset within the company (Kunde, 2001, p. 130). Thus, based on the above-mentioned mission statement KILROY's brand essence is *“Dreams - we make them happen”*. And this is further elaborated by the following: *“The dream of doing something, of achieving self-realization, of exploring the world and finding the meaning of life”*.

KILROY's core values and value propositions

KILROY's core values are those values that the company employees work from both internally, but also externally through their contact with the customers:

- We are like our customers
- We are positive travel minded
- We are open for new things
- We are informal
- We are team spirited
- We have fun
- We are committed

Based on these core values, the functional and emotional values that KILROY offers its customers are named. In relation to the model in Figure 1, the functional values are

represented by 'Product quality and price' and the emotional values by 'Promise'. In the table's right column, a brief explanation is listed.

When validating the model in a later section, we will of course take these specific value propositions as our point of departure. Therefore, we have listed the question number in the table's first column in parentheses, which reflects a concrete operationalisation of the value.

Table 1. KILROY's value propositions

Functional Values: Product quality and price	
<i>Cheap and flexible flights. "Change of plans? No problem"</i> (Q50)	KILROY offers its customers competitive prices as well as unique, flexible flights for young people and students.
<i>Exciting trips and destinations. "Got a dream? We'll help you fulfil it"</i> (Q51)	KILROY knows all the exciting trips and destinations, which the customers request and which can contribute to fulfilling the customers' travel dreams
<i>Experienced travel guides. "We know it because we have been there"</i>	KILROY hires sales personnel among its own customers. The sales personnel has travelled around the world and can therefore advise the customers based on their own experience
Emotional values: Brand promise	
<i>Youth and humour</i> (Q18)	KILROY is a youthful travel agency, which shares the same values and travel dreams as the customers themselves
<i>An informal "atmosphere"</i> (Q19)	KILROY offers its customers an informal atmosphere where they can feel a part of a student- and youth environment
<i>Independence</i> (Q20)	KILROY takes great care to fulfil young people and students' dreams of a feeling of freedom and independence when they travel. That is, make them feel like they are standing on their own two feet
<i>Travel experience</i> (Q21)	KILROY's many different trips and destinations as well as the employees' solid experience with travel is a good basis for fulfilling the customers' travel dreams and providing a good travel experience through KILROY

The above core values and value propositions are mentioned on KILROY's website in the following way:

*"We specialise in you, the young independent traveller, giving you the travel conditions you want most - freedom and flexibility. And may we add without the risk of being ripped off. This means that you create **your route** off the beaten track - wherever you want to go. There are no limits for buying tickets or booking departures, and virtually no limits for how long you can be on the road. This sums up to one simple idea: Maximum independence with minimum costs for you".*

5. Applying the model

5.1 Initial data analyses

Several analyses have been carried out to assess the included items and provide methodological validation of the latent variables in the online brand equity model.

Analyses of internal consistency reliability were carried out. Cronbach's alpha was first calculated for the items of each latent variable. All items contributed significantly to the reliability. Cronbach's alpha was 0.71 for the latent variable 'differentiation' and 0.76 for 'product quality and price'. For the remaining seven latent variables, Cronbach's alpha ranged from 0.82-0.90, leaving us with an average Cronbach's alpha for all nine variable of 0.83. All values are clearly higher than the generally recommended lower limit of 0.70 for Cronbach's alpha (Hair et al., 1998, p. 118; Robinson et al., 1991), indicating that all the items in each latent variable form a single, strongly cohesive and conceptual construct.

Furthermore, exploratory factor analyses were conducted to examine whether the items produced proposed factors and whether the individual items were loaded on their appropriate factors as hypothesised. A principal factor analysis with varimax rotation technique was conducted on all items, and the results supported the proposed nine-factor solution.

Finally, confirmatory factor analyses were conducted to assess the items of the latent variables more rigorously, based on the correlation matrix of the items. Specifically, the

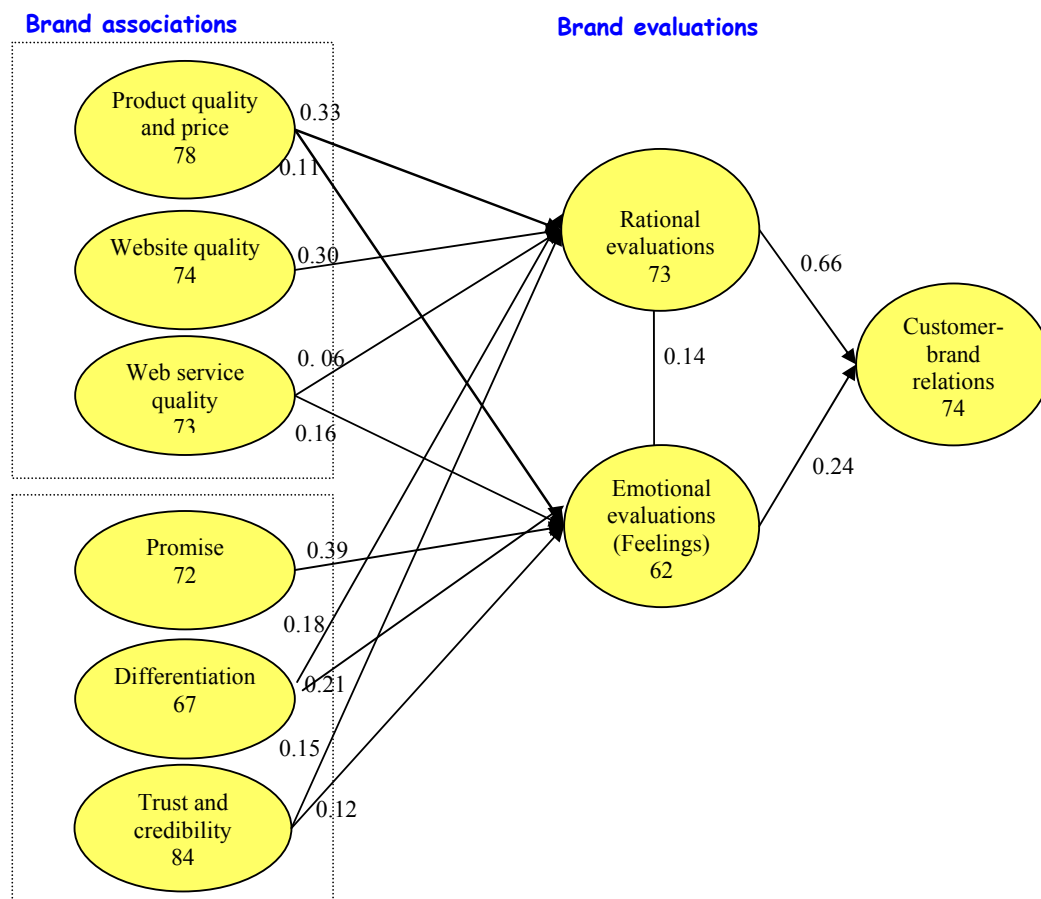
confirmatory factor analysis was used to detect the hypothesised uni-dimensionality of each construct, which the results supported.

These initial results provided evidence of reliability and construct validity.

5.2 Estimation of the model

Figure 2 shows the estimated model for KILROY, based on 468 Internet interviews with KILROY customers. Performance indexes for each latent variable are shown in bold types inside the circles, and impact scores between the latent variables are shown by arrows.

Figure 2. The estimated Online Brand Equity Model



The performance index for a latent variable is estimated by a weighted average of scores from the corresponding measurement variables (questions), transformed from the original 5-point scale to a 0- to 100-point (poor-to-excellent) scale. E.g., differentiation has an estimated performance index of 67 as shown in Figure 2.

An impact score represents the effect of a change in the performance index of 1 point in a latent variable. E.g., a 1-point increase in the performance index for differentiation directly results in a 0.18 increase in the rational evaluations and in a 0.21 increase in the emotional evaluations' index as shown in Figure 2.

All the relationships between the latent variables shown in Figure 1 were tested, and only the significant relationships are shown in Figure 2.

The estimated model in Figure 2 shows that customer-brand relationships are created as an interactive result of rational and emotional evaluations. In this case, the rational route is stronger than the emotional route, an impact of 0.66 compared to 0.24, which is presumably linked to the fact that young people's decisions about choice of and relation to a travel agency are predominantly rational – they should be getting as much as possible out of their limited financial means; they cannot afford only to be run by their emotions. In other product areas, the emotional route may be the stronger one.

A performance index for emotional evaluations of 62 can be observed, which is low and coincidentally the lowest index in the estimated model. Consequently, the customers have a controlled and down-toned attitude to KILROY, ruling out any great emotional reactions. However, compared to the banking and mobile phone industries, where the model and its measuring instrument are also used for offline purposes, emotions are much more at play here. For the above-mentioned industries, we only achieved index values in the interval of 35-38 for this emotional dimension. All in all, the customers have significantly warmer and stronger

feelings of self-expression and social approval towards KILROY than bank customers and mobile phone owners have towards their service provider.

Conversely, we see that to a very high degree KILROY is perceived as a credible travel agency, which the customers trust, as shown by the achieved index of 84. This is the highest of all nine indexes and corresponds to an average customer response of 4.4 on the 5-point scale in the questionnaire.

It can also be observed that KILROY's website only affects the rational evaluations, and thus does not elicit any significant emotional influence. This may be a result of the fact that website quality is actually a purely rational matter. Or it may be a result of the way we have operationalised the latent variable. In another paper (Martensen et al., 2004), we have argued that website quality can be operationalised based on Kearney's (2000) 7 C's framework, but here the operationalisation is solely based on a general question and two questions relating to the content and convenience dimensions. The more emotional dimensions such as customisation, connectivity and communication have only been included on the specific level.

Conversely, we see that brand promise only directly affects the emotional evaluations, and not the rational evaluations as assumed a priori. However, promise still affects the rational evaluations, but only indirectly through the emotional evaluations. Furthermore, it is worth noting that the effect of promise on the emotional evaluations represents the greatest direct effect of all the driver-effects. The second-greatest effects can be observed within product- and web service quality on the rational evaluations with an effect of 0.33 and 0.30, respectively.

This result should probably be viewed from the point of view that KILROY tries to position itself in the minds of its customers as a travel agency that 'creates a dreamy travelling experience for young people', cf. section 4.5. Thus when the time comes for the customers to decide whether KILROY's promise creates positive feelings for the individual and unique experiences on the website, the answers are perhaps unconsciously influenced by the associations created via

KILROY's emotional value propositions: youth and humour, informal atmosphere, independence and travel experience, cf. section 4.5.

Finally, it is interesting to observe that for 'trust and credibility' as well as 'differentiation,' the direct impacts on the rational and emotional evaluations are more or less the same (0.15 versus 0.12 and 0.18 versus 0.21). This, however, is not the case for 'product quality and price' whose impact on the rational evaluations is almost three times greater than for the emotional evaluations (0.33 versus 0.11). The reverse pattern can be observed for web service quality, where the impact scores on the emotional evaluations are 0.16 versus 0.06 for the rational evaluations.

5.3 Validation of the model

By estimating the model in Figure 2, we have achieved a high level of explanatory power. The model is able to explain 69% of what drives customer-brand relationships ($R^2=0.69$). The findings thus indicate good support for the developed model.

The obtained level of explanatory power is very high, compared to other customer analyses. In the pan European customer satisfaction index studies (ECSI/EPSI Rating), it was required that R^2 of customer satisfaction should be at least 0.65 (EPSI Rating, 2002, p. 21). Our experiences from the Danish ECSI pilot project (Martesen et al., 2000; Grønholdt et al., 2000) were that when it comes to customer loyalty, the explanatory power is significantly less; on average, R^2 was 0.47 for the 30 measured Danish companies. We feel that the much higher explanatory power in the estimation of our Online Brand Equity Model is due to the incorporation of emotional elements, which is a new addition compared to traditional customer satisfaction and loyalty analyses.

Furthermore, the validation of the model shows that the proposed division between rational and emotional evaluations was a good idea, since the impact from these two areas is quite

different (0.66 versus 0.24), and it is possible to study the effect of the six determinants not only on the final customer-brand relationships, but also on the intermediate evaluations of a both rational and emotional nature. This provides useful knowledge of how the determinants influence the customers, which can be used in the planning of marketing communications.

5.4 Application of the model in a strategic perspective

Based on the impact scores in Figure 2, the total impact, i.e. the direct and indirect impacts, on customer-brand relationships may be calculated. These numbers are shown in Table 2.

The highest total impact score is obtained for product quality and price: a 1-point improvement in the product quality and price performance index increases the performance index for customer-brand relationships by 0.26. Thus, we are dealing with a brand within the travel industry, whose exciting and flexible quality trips at reasonable prices are very important for the customers. KILROY should therefore continue to position itself using functional values such as ‘cheap and flexible flights’, ‘exciting trips and destinations’ and ‘experienced travel guides’, cf. Table 1 in section 4.5, as these are very important to the customers.

Table 2. Effect of a 1-point improvement in the determinants
on customer-brand relationships

Determinant	Effect on customer-brand relationships
Product quality and price	0.26
Website quality	0.20
Web service quality	0.09
Promise	0.13
Differentiation	0.19
Trust and credibility	0.14

The estimated total impact scores (from Table 2) and performance indexes (from Figure 2) can be combined by categorising each of the determinants into an impact-performance map (Figure 3). Such a data presentation is appealing from a managerial viewpoint and useful in assessing the brand's strength and strategy development; therefore the map is called a brand strength map.

Each determinant may be placed in one of the four cells in the map. The lines separating the cells are based on the average impact scores and performance indexes, respectively. The four cells can be interpreted in managerially useful ways (Rust et al., 1996, p. 265-267; Johnson, 1998, p. 23; Johnson & Gustafsson, 2000, p. 12-14, 142-145; Christopher et al., 2002, p. 70-73).

In the upper-left cell, performance is strong and impact is low. At best, this suggests maintaining status quo. In some cases, there may be opportunities for transferring resources from the areas in this cell.

In the upper-right cell, performance is strong and importance is high. This area presents competitive strengths, and the company should therefore continue the good work.

The lower-left cell represents an area where the company is not doing particularly well, but it does not matter. It is best to ignore these areas – at least they should have very low priority.

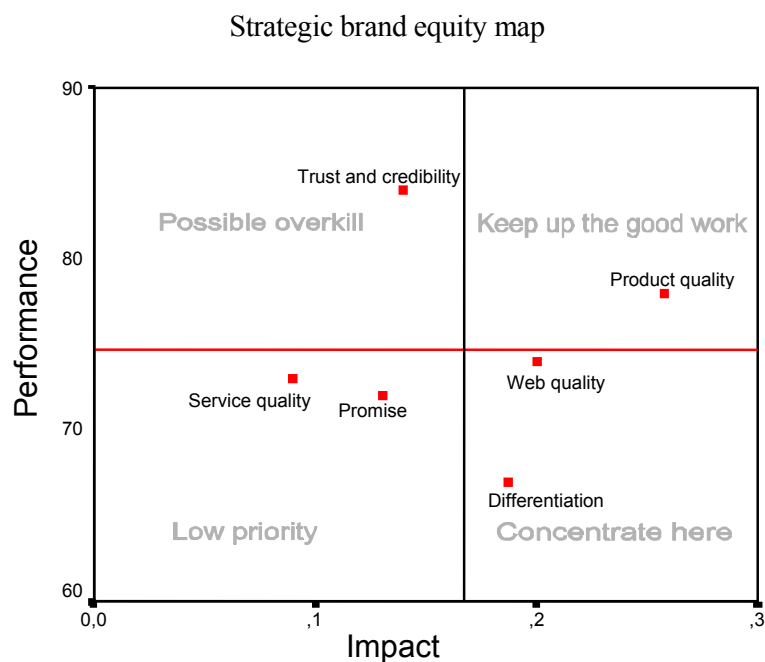
The lower-right cell represents the area of the greatest opportunity. This area is important, and the company is not doing well. The company should concentrate its effort here, and add resources to this area.

As the division into the four cells is determined by average impact and performance, the brand strength map provides a categorisation and recommendation for each driver compared to the other drivers.

Figure 3 fairly clearly shows that KILROY should make an effort to differentiate itself even more from other travel agencies as the customers do not perceive KILROY as particularly

unique compared to other travel agencies. Neither do they perceive KILROY's website to be unique compared to other travel agencies' websites. In other words, KILROY does not offer anything that is clearly unique and different, and which other travel agencies do not offer either. At the same time, differentiation is precisely the determinant with the lowest performance index and has a strong effect on the customer's relationship to KILROY.

Figure 3. Impact versus performance in driving customer-brand relationships:



In Figure 3, the determinant website quality holds a position indicating that improvements should be made as a second priority. It should be noted that the index for website quality is at 73, which at this stage we would interpret as high. However, we do not have any cases to use as a benchmark. Therefore, if other travel agencies' indexes are at 75 or higher, KILROY's performance is 'relatively poor'. Nevertheless, no matter how well you perform, it can always be improved - continuous improvement is required. Especially from the perspective that the Internet is not just a sales channel, but also a branding medium, cf. section 1.

Furthermore, the travel industry is characterised by being among the first to go online. In general, the consumers thus have several years of experience with the use of travel sites, and expectations of searchable information, what you should be able to order, user friendliness etc. quickly become very high on such a site. This is yet another argument in support of allocating more resources to upgrade the website quality.

Generally, you might say that website quality refers to the look, feel and functionality of the site. When browsing the web, the design of a company's site typically influences the consumer's perception of the company. Websites that only use text links with low quality images and awkward navigation leave the impression of a less "professional" website.

As the model shows, 'product quality and price' is located in the area of strength, and therefore this area should not be infused with extra resources. However, the development within this area should be followed very closely as it is located in the lower part of the area of strength. Preferably, the area should remain an area of strength and not end up as a threat to KILROY.

'Promise' can be characterised as a weakness, but is located in the upper right corner of the low priority field, closely bordering on the area of threat. Therefore, KILROY should also follow this area closely, and seriously contemplate making an effort to strengthen KILROY's promise to the consumers. This would correspond well with the primary effort within differentiation, as both areas could be strengthened by an integrated marketing communications effort.

Such a brand equity map provides the brand manager with knowledge about the actions that will improve customer-brand relationships most advantageously.

5.5 Application of the model in an action oriented perspective

Apart from the 33 generic questions we used to estimate the model in Figure 2, all of KILROY's customers answered 29 specific questions. These specific questions may now be used for the purpose of diagnosing – i.e. elaborating on the strategic areas that we are interested in acquiring more detailed information about. To expand a generic model with specific variables is discussed and used in the area of customer satisfaction and loyalty (Kristensen et al., 2000); the same method is applied here.

Since the greatest potential for improving customer-brand relationships is linked to 'differentiation' as well as 'web site quality,' it is natural to want to elaborate on these areas. We will also discuss 'promise,' since it is close to the 'concentrate here' area and thereby has a relatively large impact on customer-brand relationships.

Only three questions help elaborate on the determinant 'differentiation':

- 'KILROY takes my wishes and needs into consideration'
- 'KILROY is a creative and innovative travel agency'
- 'KILROY is a customer oriented travel agency'

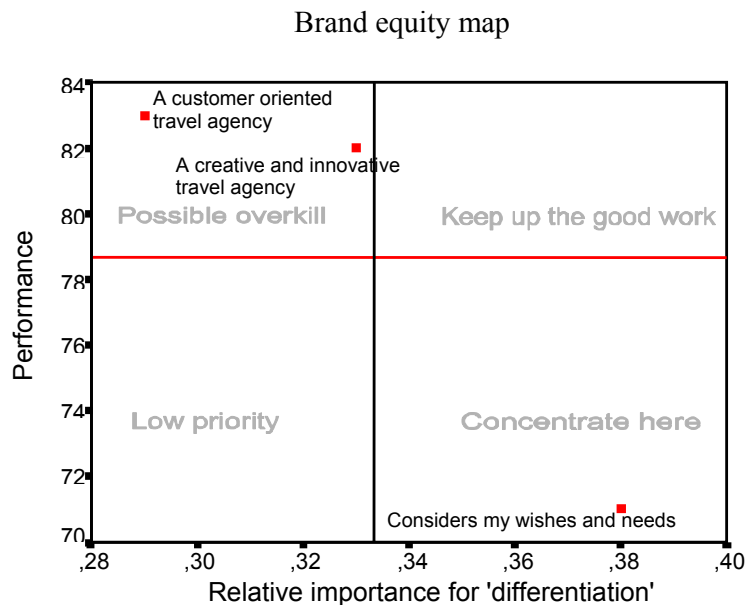
These questions were subsequently used as regressor with the estimated index for 'differentiation' as a dependent variable in a bivariate regression analysis. All three questions had a significant effect on the latent variable 'differentiation', and what is more, in the expected direction (p-values < 0.01).

Based on the results of the bivariate regression analysis, we estimated the importance for each question. The relative importance scores and performance levels (measured as the average performance on a 0 - 100 scale) were then combined by placing the three specific measurement variables in a brand strength map, as depicted in Figure 4.

As it appears from Figure 4, the performance index for the three specific questions related to 'differentiation' is characterised by a great deal of variation between the two questions

placed in the 'possible overkill' area and the one question placed in the 'concentrate here' area (performance index 82 and 83 compared to index 71).

Figure 4. Relative importance versus performance in driving 'differentiation':



Even though all of the three specific variables are relatively high (index 71 or higher) KILROY can always try to do even better.

'Considers my wishes and needs' is the variable to be first and foremost perceived as a threat to KILROY. The customers greatly emphasize this, and KILROY performs *relatively* poor here. Considering that KILROY, cf. section 4.5, wishes to appear as a customer oriented company that respects and focuses on the individual customer and wishes to direct all products, communication and competencies towards the customers and their needs in an attempt to create as strong a relation as possible, KILROY should first and foremost apply their resources in this area.

KILROY wishes to appear as an innovative company. Therefore, KILROY should contemplate how those two specific conditions placed in the 'possible overkill' area can support the above-mentioned recommendation to focus on the customers' wishes and

demands. The customers perceive KILROY as a very customer oriented travel agency (performance index 83), but they think of this aspect as being only of limited importance. In the future, KILROY should clearly point out to their customers that it is important to contact a customer-oriented travel agency. Thus, in future communications, we would recommend that KILROY makes clear to its customers that it is a customer oriented company, which tries to consider individual customers' demands and wishes and that this is precisely what is needed to create the best possible conditions for a good travel experience. In this way, you can ensure a higher degree of correspondence between the employees' actual customer orientated behaviour and those values the KILROY brand is meant to communicate.

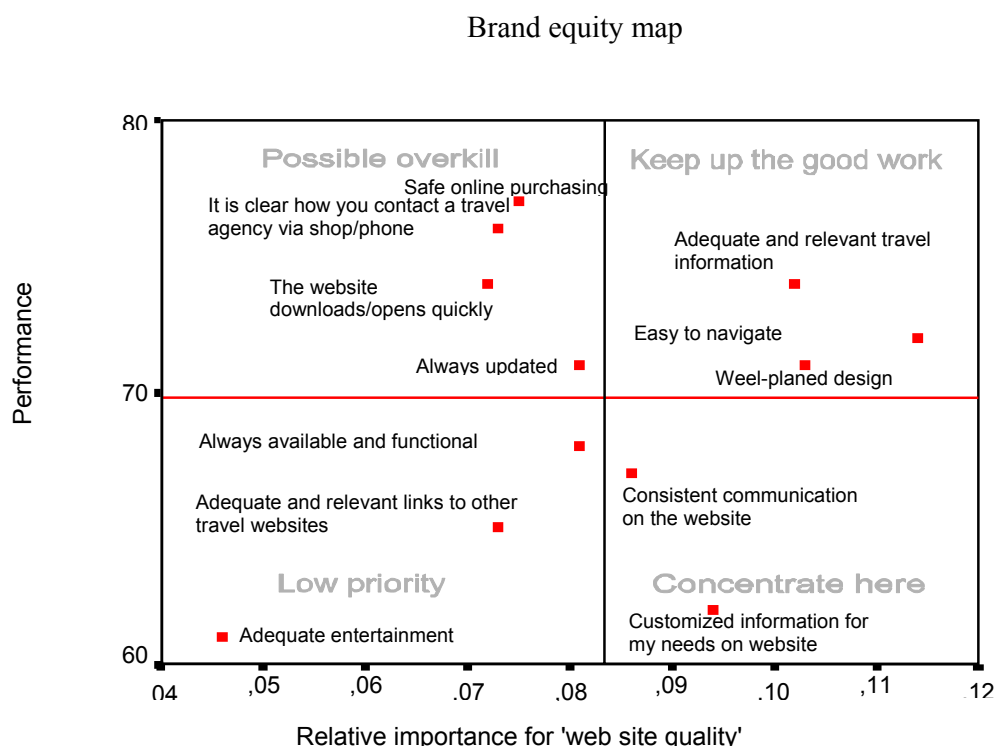
All in all, the conclusion is that KILROY should consider the customer's demands and wishes to a higher degree and subsequently communicate this more clearly. At the same time they should point out that this is an important choice criteria when choosing a travel agency. Via its communication, KILROY should thus try to change the customers' associations and attitudes, so that the company to a higher degree is experienced as customer oriented and innovative, and is thus differentiated from the competition to an even higher degree.

'Website quality' is the determinant with the second-greatest effect on 'customer-brand relationships'. 'Website quality' is located in the upper part of the area 'concentrate here' and is thus categorised as a 'threat' to KILROY. However, this should be taken with some reservation, because as Figure 3 shows 'website quality' achieves an index of 73. Thus in general, we must grant that it is an area where the company does well, however, as pointed out above, you can always do better. Therefore, the question is which areas may be improved even further in the future? For the purpose of answering this question, the brand strength map for 'website quality' is depicted in Figure 5.

Based on Kearney's (2000) 7 C's framework systemising seven conditions that may create added value on the Internet, we have formulated twelve specific questions that capture five of

the 7 C dimensions: two questions relate to *Content*, five questions to *Convenience*, two to *Communication*, two to *Connectivity* and one to *Customisation*.

Figure 5. Relative importance versus performance in driving website quality:



We find that the estimated performance level for the specific questions related to 'website quality' is very different and characterised by great levels of variation between the questions (index between 61 and 77).

Two areas are perceived by the customers to be very important, but also as areas where KILROY does not perform satisfactorily – one area relates to *Customisation* and the other relates to *Communication*.

Firstly, KILROY should make more of an effort to 'customise the information on the website according to the customer needs,' if the customer-brand relationship is to be improved via the website quality. This could for example happen by providing products or services tailored to customers' wants, and by providing personalised communications (e.g. via

e-mails) about the products or services of interest to customers. This corresponds nicely to the recommendations under ‘differentiation’, where ‘considers my wishes and needs’ is the most important area of improvement.

Several studies document that strategies to provide customised products and services positively influence brand equity (Thompson & Tan, 2002). Providing customised products and personalised services can create positive feelings with the customers. Such a feeling of uniqueness will differentiate the brand from others and increase the customers' involvement with the brand (Morris and Martin, 2000). According to Martin (1998), customisation is one of many strategies to maintain relationships with customers. This form of relationship can help separate the brand from competitors' brands and thus result in greater brand equity. Davis (2000) also postulates that the website is one of the key factors to consider in a brand strategy aimed at strengthening customer relationships.

To sum up, this conclusion supports our assumption that branding on the Internet is not an independent activity, but should be seen as part of the total branding activities for the company.

Secondly, KILROY should make more of an effort to ‘communicate consistently on the website;’ this is very important to the customers, but KILROY performs relatively poorly in this area. That is, the customers do not feel that the communication on the website corresponds to the KILROY’s other communications. In accordance with Ind (1998), the advantage of consistent communication is that: *"if you communicate in a consistent tone it confers credibility on what you say, helps people to understand your message and achieves economies of communication"*. The advantages of consistent communication are that it becomes easier for the consumers to put together a clearer picture of the communication that characterises the company.

Ind (1998) says that ideally a company’s communication should be:

1. *A reflection of the company's identity.* By this, he means that generally the company should communicate in accordance with its values (identity), i.e. is KILROY capable of communicating its promises to the consumers so they have a clear perception of what they may expect from KILROY.
2. *Relevant and motivating for the target group at which the communication is aimed.* It is difficult to create relations to the customers if they perceive the company's communication as irrelevant. At best, this means that the customer will more or less consciously discard the communication. At worst, they may perceive the company as uninterested in the individual customer's needs. This would give the impression of distance, which contradicts the idea of a relationship. If, on the other hand, the communication is perceived as relevant, a better basis for a relationship will emerge as the customer can hereby identify with the company.
3. *Unique, non-imitative communication.* Companies should be bold enough to create their own unique communication and not just settle for a revised version of a competitor's successful communication. This supports the idea of a brand, i.e. differentiating itself from the competition, which, of course, also applies to the communication area.
4. *Based on an idea that will last.* It takes time for an idea to penetrate the target group, be incorporated and 'cemented.' A zigzag course is the polar opposite of consistent communication.
5. *Consistency across different forms of communication.* No matter where the consumers encounter the company, the perception should be the same. The brand should have a unique value, which can be multiplied repeatedly and communicated globally (Kunde, 2001, p. 22). This is due to the fact that brand equity is linked to a complex list of associations in the minds of consumers. The moment you produce something that disturbs

that set of associations – the soul of the brand – you’re in trouble” (Franzen & Bouwman (2001, p. 239).

Figure 5 also shows that KILROY’s website has a number of strengths, i.e.:

- ‘Adequate and relevant travel information’
- ‘Easy to navigate’
- ‘Well-planned design’

In all three areas, KILROY’s website performs well, and the customers regard this as important characteristics for a website. The object for KILROY here is thus to maintain the current high standard.

Areas such as:

- ‘Safe online purchasing’
- ‘It is clear how you contact a travel agency via shop/phone’
- ‘The website downloads/opens quickly’
- ‘Always updated’

are potential possibilities, as they are of little importance to the customers, however at the same time, the perception is that KILROY fulfils the customers’ expectations of these areas very well. Either the customers’ perception of the importance of these areas must be strengthened in future so they become areas of strength, or the resources must be reduced so resources and customer experiences correspond better.

According to Teo & Tan (2002), it is essential to install sufficient security features, building up the web site's reputation for reliability, to ensure that customers make repeated purchases or visits to the website. Having privacy statements also serve to guarantee the privacy of customers' personal information so that they are more inclined to revisit the websites and make purchases (Teo & Tan, 2002).

The importance of quick downloads was clearly confirmed by a study of website interactions, in which 48% of respondents cited slow and/or inconsistent response times as the main reason for abandoned online transactions (Teeter & Schointuch, 2000). This study was conducted in 2000 and expectations of quick response times have continued to increase ever since.

'Adequate entertainment' was placed lowest out of all the 12 specific areas in relation to website quality. According to Ghose and Dou (1998), interactive functions are important mechanisms to increase the attractiveness of websites and to differentiate websites from other similar sites. In fact, interactive functions such as games not only serve to entertain customers, but also help to reinforce their impressions about the company's products and services, positively impacting brand recognition and equity. However, in KILROY's case this is deemed to be of very little importance to the customers and may therefore be characterised as a weakness. KILROY should not mix serious elements with entertaining elements on its website. Rather, KILROY should concentrate its efforts in its core online areas – good products and customised information combined with a website that downloads quickly and provides safe purchasing. Thus, KILROY should not try to improve the entertainment area.

'Always available and functional' is close to the area of threat, and KILROY could therefore consider whether it would be possible to improve this convenience dimension by use of relatively few resources.

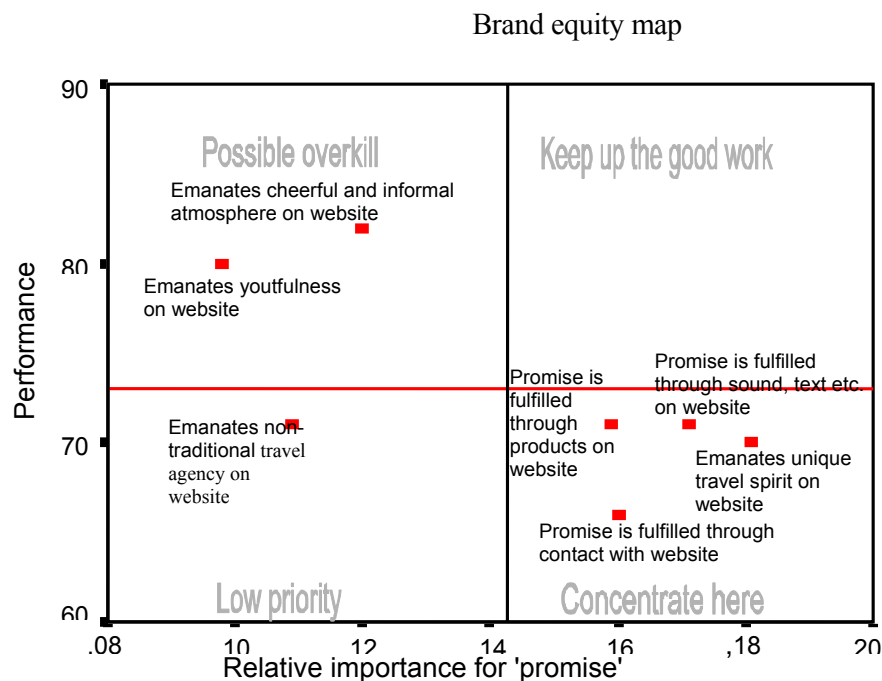
One study (cited in Teeter & Schointuch, 2000) demonstrated the impact of lacking updates and non-functional websites on earnings. E*Trade, for example, experienced a 22% hit to their market capitalisation, because of poor site performance and availability problems in January 1999.

The last brand equity map to be discussed relates to 'promise'.

A brand's personality should be based on unique values that create high value for the consumers and that can easily be communicated regardless of originate. Thus, the brand's unique values should be the core of the communication. You could say that clearly formulated values give the communication direction. A company should thus be built around the brand and the value position it wishes to conquer in the market (Kunde, 2001, p. 29). For KILROY, these core values are mentioned in section 4.5

The unique values should reflect meaningful consumer promises – promises that are credible and that the brand can fulfil. In the case of KILROY, this has resulted in the formulation of 4 emotional consumer promises, cf. section 4.5. These have been supplemented with 3 rational consumer promises. The 7 specific questions, which reflect brand promise, and their location regarding relative importance and performance can be seen in Figure 6.

Figure 6. Relative importance versus performance in driving promise:



The achieved results are very scattered. On the one hand, the customers feel that KILROY to a high degree projects a 'light and informal atmosphere' and 'youthfulness' on the website. These areas represent future possibilities as they mean relatively little to the customers. At the same time, they feel that KILROY is good at fulfilling these areas. Either the customers' perception of the importance of these areas must be strengthened in future to become strengths, or KILROY should consider whether these promises to the consumers should be replaced by other promises that the customers of today appreciate and that lie within the framework of KILROY's brand identity and mission.

On the other hand, the customers are critical towards the perceptions:

- 'Emanates travel spirit on the website'
- 'The promise is fulfilled through contact with the website'
- 'The promise is fulfilled through sound, text etc. on the website'
- 'The promise is fulfilled through products on the website'

These areas represent specific threats to KILROY's promise, as they score relatively low on performance, but are very important to the perception of 'brand promise'. These critical areas are loosely linked to the recommendations of the 'differentiation' and 'website quality' areas. Here, the customers want more consideration of their individual needs and demands together with customised information based on individual needs. This corresponds to our finding that KILROY does not live up to the promise of products on the website through the contact via the website or website performance. The customers' expectations are not adequately fulfilled. In areas where KILROY performs poorly in their offline branding, they seem to perform poorly in their online branding too. Thus, there is a good possibility of creating synergy effects between 'differentiation', 'website quality' and 'promise' if all of the recommended activities are carried out.

Finally, KILROY should be much more explicit in its communication of the values that the customers are meant to associate with KILROY, especially the value 'unique travel spirit'. Via its communication KILROY must thus bring the customers' attention to the four emotional values described above, and work with the customers' attitude so they are more likely to perceive KILROY as a relevant travel agency. This is not just true for communication, but also for the remaining drivers in the Online Brand Equity Model in Figure 2.

Brand equity maps, such as the ones shown in Figure 4, 5 and 6, provide the manager with detailed knowledge about the concrete actions that will improve customer-brand relationships.

6. Managerial implications

The benefit and practical implications of the Online Brand Equity Model and its measurement instrument are evident. For individual brands, the model and measurement system may be a useful management tool in three different ways:

- *Tracking brand performance* across the model's variables.
- *Benchmarking*. Using a battery of similar questions, the model may be used consistently for different brands over some time. In this way, it represents a unique platform for benchmarking. Thus, the question is how does this brand perform in relation to other brands in the same industry, or brands in other industries?
- *Support for brand management strategy development and decisions*. Which determinants should have low priority or high priority? What is the effect of various improvement activities for customer-brand relationships? In which areas should efforts be concentrated to improve the customer-brand relationships and, in turn, to create a stronger brand?

7. Conclusion

The Online Brand Equity Model has been developed based on literature studies and successful experiences from customer satisfaction and loyalty measurement and modelling studies. It is a cause-and-effect model with the response variable customer-brand relationships. The estimation of the model shows that the model structure gives a very good explanation of customer-brand relationships, and our validation gives strong support for the developed model and the associated measurement instrument.

The model may be used both descriptively and normatively in support of management's decisions on actions for the improvement of the customer-brand relationships and thereby the brand's strength. Our example has demonstrated that the use of the model's results yields clear recommendations for areas of improvement.

By expanding the six determinants on the left side of the model with specific questions, we have succeeded in making the model very action-oriented. In this way, the generic measurements and specific measurements are combined to achieve information on a strategic as well as a tactical level, i.e. action-oriented. The model and measurement instrument have thus become a tool to support brand management in strategy development as well as concrete decisions.

References

- Aaker, D., & Joachimsthaler, E. (2000). *Brand Leadership*. New York: The Free Press.
- Christopher, M., Payne, A., & Ballantyne, D. (2002). *Relationship Marketing: Creating Stakeholder Value*. Oxford, England: Butterworth-Heinemann.
- Clark, B. (2002). "Measuring performance: The marketing perspective". In: Neely, A. (Ed.), *Business Performance Measurement: Theory and Practice* (pp. 22-40). Cambridge, UK: Cambridge University Press.
- Davis, S.M. (2000). *Brand Asset Management: Driving Profitable Growth Through Your Brands*. San Francisco, California: Jossey-Bass.
- Dyson, P., Farr, A. & Hollis, N.S. (1996). Understanding, Measuring, and Using Brand Equity. *Journal of Advertising Research*, 36 (6), 9-22.
- EPSI Rating (2002). *Pan European Report 2001: Customer Satisfaction in Europe*. Athens, Greece: European CSI Editorial Board. Available from www.epsi-rating.com.

- Fornell, C., & Cha, J. (1994). Partial Least Squares. In P.P. Bagozzi (Ed.), *Advanced Methods of Marketing Research* (pp. 52-78). Cambridge, Massachusetts: Blackwell.
- Franzen, G., & Bouwman, M. (2001). *The Mental World of Brands: Mind, memory and brand success*. Henley-on-Thames, Oxfordshire, UK: World Advertising Research Center (WARC).
- Ghose, S., & Dou, W. (1998). Interactive functions and their impacts on the appeal of Internet presence sites. *Journal of Advertising Research*, 38 (March/April), 29-43.
- Grønholdt, L., Martensen, A., & Kristensen, K. (2000). The relationship between customer satisfaction and loyalty: cross-industry differences. *Total Quality Management*, 11 (4/5/6), 509-514.
- Hair, J.F., Anderson, R.E., Tatham, R.L. & Black, W.C. (1998). *Multivariate Data Analysis* (Fifth edition). Upper Saddle River, New Jersey, USA: Prentice-Hall.
- Ind, N. (1998). *Making the most of your corporate brand*. London: Financial Times Management.
- Johnson, M.D (1998). *Customer Orientation and Market Action*. Upper Saddle River, New Jersey, USA: Prentice Hall.
- Johnson, M.D., & Gustafsson, A. (2000). *Improving Customer Satisfaction, Loyalty, and Profit: An Integrated Measurement and Management System*, University of Michigan Business School Management Series. San Francisco, California: Jossey-Bass Inc.
- Keller, K.L. (2003). *Strategic Brand Management: Building, Measuring, and Managing Brand Equity* (Second Edition). Upper Saddle River, New Jersey: Pearson Education, Prentice Hall.
- Keller, K.L., & Lehmann, D.R. (2003). How Do Brands Create Value? *Marketing Management*, 12 (3), 26-31.
- Kristensen, K., Martensen, A., & L. Grønholdt (2000). Customer satisfaction measurement at Post Denmark: Results of application of the European Customer Satisfaction Index Methodology. *Total Quality Management*, 11 (7), S1007-S1015.
- Kunde, J. (2001). *Unik nu – eller aldrig: brand'et driver virksomheden i den nye værdiøkonomi*. Copenhagen: Børsens Forlag (in Danish).
- Martensen, A. & Grønholdt, L. (2004). Brand equity and its determinants: a customer-based modelling approach. *Proceedings of the 3rd International Conference on Research in Advertising - ICORIA, Oslo, 6-8 June, 2004*. Oslo, Norway: BI Norwegian School of Management.
- Martensen, A., Grønholdt, L., & Kristensen, K. (2000). The drivers of customer satisfaction and loyalty: cross-industry findings from Denmark. *Total Quality Management*, 11 (4/5/6), 544-553.
- Martensen, A., Grønholdt, L., & Trajcevski, S. (2004). Building customer-brand relationships on the Internet: Development of an online brand equity model. *Proceedings of the 8th International Conference on Corporate Reputation, Identity and Competitiveness, Fort Lauderdale, Florida, 20-23 May 2004*. New York: Reputation Institute.
- Martin, C.L. (1998). Relationship marketing: a highinvolvement product attribute approach. *Journal of Product and Brand Management*, 7 (2), 6-26.
- Morris, R.J., & Martin, C.L. (2000). Beanie Babies: a case study in the engineering of a high-involvement/relationship-prone brand. *Journal of Product and Brand Management*, 9 (2), 78-98.
- Robinson, J.P., Shawer, P.R., & Wrightsman, L.S. (1991). Criteria for Scale Selection and Evaluation. In J.P. Robinson, P.R. Shawer & L.S. Wrightsman (Ed.) *Measures of Personality and Social Psychological Attitudes*. San Diego, California: Academic Press.
- Rust, R.T., Zahorik, A.J. & Keiningham, T.L. (1996). *Service Marketing*. New York: HarperCollins College Publishers.

- Teeter, C., & Schointuch, B. (2000). Controlling Internet Service Quality. *Credit Union Executive Journal*, 40 (6), 6-10.
- Teo, T.S.H., & Tan, J.S. (2002). Senior executives' perceptions of business-to-consumer (B2C) online marketing strategies: The case of Singapore. *Internet Research*, 12 (3), 258-275.