BRAND EQUITY AND BRAND SURVIVAL: EVIDENCE FROM AN EMERGING WINE REGION

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Abstract

This paper presents an investigation into the influence of two important components of brand equity on brand survival in a regional wine market. Consumer level brand equity, as defined in the marketing literature, generally includes brand recognition (awareness) levels and brand evaluation (perceived quality) levels. The influences of brand recognition and brand evaluation were used to examine the relationship between brand equity and brand survival. The brands' evaluation and recognition levels by wine consumers were obtained at one point in time. Longitudinal data were also obtained regarding the dates of a brand's demise, if it died during the sixteen year time period of the study. Twenty-seven brands of wine from wineries of a specific region (Texas) were used for the study. The results offer insights into long-term brand management of wines regarding what wine marketers can do over time to reinforce brand equity and survival.

Key Words: brand equity, brand survival

Introduction

The internationalization of consumer wine markets is leading to greater numbers of wine brands being made available to most wine consumers. Many domestic wine markets that were already relatively fragmented are becoming even more fragmented as new brands arrive from other markets. For instance, there are now approximately 10,000 brands of wine available in the US market alone (O'Connell, 2006, February 8). Since it is physically impossible for a consumer to personally experience all of the brands in markets of that nature, the success of a wine brand depends upon much more than the contents of its bottles.

In recent years, brand equity has become one of the most important concepts for both marketing practice and marketing theory (Aaker, 1991; Berry, 2000; Keller, 1993, 2003). It is widely recognized that equity can be built into brands that will give them value and strength in the market well beyond that which is provided by the inherent characteristics of the products. Indeed, many high equity brand names are used on vastly different types of products, attesting to the value of the brands independently of the products. For instance, the very successful Yamaha brand is used on everything from concert pianos to chain saws. Similarly, brand equity in wine markets has successfully been developed in brands used for wine products from very different vintages and very different types of grapes.

The strength or survivability of a brand is a necessary condition for the development of brand equity. If a brand is not strong enough to survive for very long, it can provide little in terms of equity either in financial terms (e.g., little net present value regardless of brand profitability in the short term) or in terms of the expected future behavior of consumers (e.g., it is difficult for customers to remain loyal to a brand that has vanished). This is especially true in fragmented markets (such as most wine markets), where high brand turnover is often common. Marketers of wine want to be the first brand consumers recall or at least in the evoked set, a small list that come to mind when a consumer thinks of wine (O'Guinn, Allen, & Semenick, 2006). As a result, brand survival is a significant issue for wine marketers.

This paper presents an investigation into the influence of brand equity on brand survival in a regional wine market. Brand equity is essentially the marketing effects that are uniquely attributable to a brand (Keller, 1993). We focus on customer level brand equity. Customer level brand equity, as it is defined in the marketing literature, generally includes brand recognition (awareness) levels, and brand evaluation (perceived quality) levels (Keller, 2003). In this study, the influences of brand recognition and of brand evaluation are used to examine the relationship between brand equity and brand survival.

Brand Equity and Brand Survival

Brand equity has been defined a variety of ways (e.g., Keller, 2003, p. 43). It generally refers to some differences in responses (hopefully beneficial) that markets have toward a company’s product(s) attributable to the brand(s) used to identify the product(s). These differences can manifest themselves either indirectly in the form of the evaluation of the firm and its brand(s) by financial markets, or directly in the form of the behavior of customers toward the firm’s product(s).

If brand equity is viewed at the level of firms and their brands, then it is typically defined in terms of the value that is added (enhanced financial performance) to products by brands when the products would otherwise not be considered unique (Simon & Sullivan, 1993). This view will often result in brand equity being measured in terms of premiums paid for acquiring the brands (firms or stocks) over and above the value of the tangible assets associated with them, or perhaps the difference in the discounted future cash flows (net present value) of the products with, and without, the brand names (Aaker & Jacobson, 1994, 2001; Ailawadi, Lehmann, & Neslin, 2003).

On the other hand, if brand equity is viewed at the level of the relationships between the brands and customers, then it is typically defined in terms of customer attributes and behaviors such as brand recognition levels, perceptions of brand quality, brand loyalty behavior, and/or brand images and associations (such as country of origin, etc.) that the customer attributes to the brand (Keller, 1993; Yoo & Donthu, 2001). Of course, some of these attributes and behaviors can directly translate into financial performance (e.g., brand loyalty) while others may have indirect effects (e.g., images and associations).

Defining brand equity in financial terms is most appropriate when brand equity is used as a tool for investment decisions (e.g., stock purchases, mergers decisions, acquisition decisions, etc.). Defining brand equity in terms of customer attributes and behaviors is a more useful approach for managing the marketing activities of a brand. In this research, we were interested in the dynamics within the set of brands from an emerging region for wine production. In markets such as this one, of the greatest concern for marketing managers is for the survival of the brand. Consequently, it is brand equity defined as a tool for marketing managers that is most appropriate for our purposes.

The two components of brand equity that were used for this research are brand awareness and brand evaluation. Brand awareness is defined at the individual level as the ability of that individual to recall and/or recognize a brand name. At the market level it is defined as the likelihood that a brand is recognized by potential consumers. Brand evaluation is defined as the consumer's perception of a brand's quality. At the market level, this would be defined as the average perceived level of quality. Brand survival is defined simply as the continued existence (availability) of a particular brand in the market. The relationships that are defined among these constructs for this research are the following:

> Both brand awareness and brand evaluation are expected to have a positive influence on the likelihood that a brand will survive.

The logic of these relationships can be briefly stated as follows:

1. Brand awareness allows a brand to more easily become part of the set of options that customers will consider when making purchase decisions. This significantly increases the likelihood that the brand *can be chosen* for purchase (O'Guinn et al., 2006)

2. Additionally, if a customer's evaluation of a brand is positive, then there is a greater likelihood that the brand *will be chosen* from within the consideration set that for purchase (O'Guinn et al., 2006)

3. The greater the likelihood that a brand will be chosen for purchase, the greater the likelihood that the brand will be a financial success and that it will survive in the market.

Of course sometimes brands do disappear despite success in their market. This can occur for reasons including poor management of other aspects of the business (e.g., costs of production, channel relationships, etc.). Conversely, some brands survive in spite of a lack of success in the market. Indeed, wine markets sometimes include "hobby brands" whose primary reason for existence is not to be "successful" in the traditional business sense, but instead to fulfill some other purpose such as an identity or ego need on the part of the owner. Recognizing that both types of "errors" are possible, it is still expected that brand awareness and brand evaluation are likely to have a positive relationship with brand survival. This relationship parallels what Keller (2003) argues, that brand equity relates to the fact that different outcomes occur because of the brand, in our case brand awareness and brand evaluation.

Method

Design and Context of the Study

The investigation of the survival of wine brands was conducted with data from two sources. First, estimates of the brands' evaluation and recognition levels were obtained from wine consumers within the region of the study. Second, longitudinal data were obtained regarding the brand survival, specifically the date of a brand's demise (if it died) during the sixteen year time period of the study. The evaluation and recognition data were collected using a survey conducted at the beginning of this time frame (1990). The original study was conducted using a mailed survey.

There are thousands of brands of wine offered to consumers in the US market alone. Consequently, it is reasonable to assume that most wine consumers are completely unaware of the existence of most wine brand names. In order to keep the task for the respondents both reasonable in length and practical in terms of a respondent's ability to complete it, only the brands of the specific region in which the survey was conducted were used. This approach increased the likelihood of a respondent completing the task, and it increased the likelihood that the respondents would actually have some knowledge of the brands and therefore could provide evaluations.

Twenty-seven brands of wine from wineries of a specific region (Texas) were used for the study. Texas was chosen as a study site because of a dynamic development of its wine industry in a relatively short period of time. Although Texas has not been a traditional wine making region, Texas wine has come a long way since its emergence in the late 1970s as a new industry. During the sixteen year time period of the current study, the number of bonded wineries in Texas increased dramatically, from 27 in 1990 to more than 100 wineries in 2006.

Measures

The questionnaire used in the survey included items addressing a variety of general issues related to wine purchase and consumption behaviors, and also respondent demographic information. Specific questions were included to determine the respondents' evaluations for each specific regional brand, as well as their evaluations of domestic and imported wines as groups, rather than by individual brands (approximately 85% of wine sales in this market at that time was accounted for by California, Texas, and imported wines). Each respondent was asked to indicate their awareness of each of the regional brands. Respondents who indicated an awareness of a particular brand were then asked if they had tried the brand and if so, they were asked to provide an evaluation of that brand. The evaluation responses were scaled on a five point semantic differential scale indicating *excellent quality* to *poor quality* as the end points. The survey instrument was pre-tested and modified as a result of the pretest (Hunt, Sparkman, & Wilcox, 1982). The questionnaire items used to determine brand awareness and brand evaluation are presented in the appendix.

The data regarding the survival of these brands across the time frame of the study were obtained from the Texas Wine Marketing Research Institute. The institute was established to gather and report data regarding the wine industry, with specific emphasis on the consumption and production markets in Texas. The Institute reports that approximately 95% of all wine produced in Texas is consumed in Texas (Dodd, Kolyesnikova, & Revilla, 2004).

Sample

Consumers who are more knowledgeable (expert) have been found to be better (more valid) judges of product attributes (e.g., Fiske, Kinder, & Larter, 1983). Therefore, an effort was made to obtain recognition and evaluation data through a survey of "wine enthusiasts" within the state. The sample frame represented a composite of Texas consumers who (1) had subscribed to wine related periodicals, (2) had participated in mail order purchasing of wine related products, or (3) had registered their names while visiting a winery in the state of Texas. A sample of 3,600 addresses was generated, of which 82% was determined to be deliverable[1], resulting in a potential sample size of 2,952. There were 928 mail questionnaires completed and returned, resulting in a response rate of 31%.

Analysis and Results

The survival variable (which was coded zero = alive, one = dead) was regressed on percent brand recognition and average brand evaluation in a logistic regression. The overall chi-square test of beta = 0 was barely significant at p = .10 (χ^2 = 4.46, df = 2). Sixty-eight percent concordance (of 180 pairs) was achieved, with only brand recognition achieving significance at the .10 level (p = .06). Keeping in mind that only 27 brands were available for this analysis, these modest results are not surprising.

Estimated probabilities of survival generated by the logistic regression were plotted against evaluation and recognition in Figures 1 and 2, respectively. Notice that in Figure 1 the points are widely scattered suggesting only a slight upward trend between survival probability and rating of the wine; high ratings were not a promise of survival. Contrast these results with those in Figure 2 which show a well defined upward slope in the relationship between recognition and probability of survival. Clearly, being better recognized is preferable to being better rated when it comes to survival of a brand.

[1] A correction for undeliverables was made based on a random subsample of individuals called to verify addresses. The response rates were then calculated using the definition recommended by the Board of Directors of the Council of American Survey Research Organizations (CASRO) as reported by Wiseman and Billington (1984).

Figure 1. Probability of Survival by Brand Evaluation

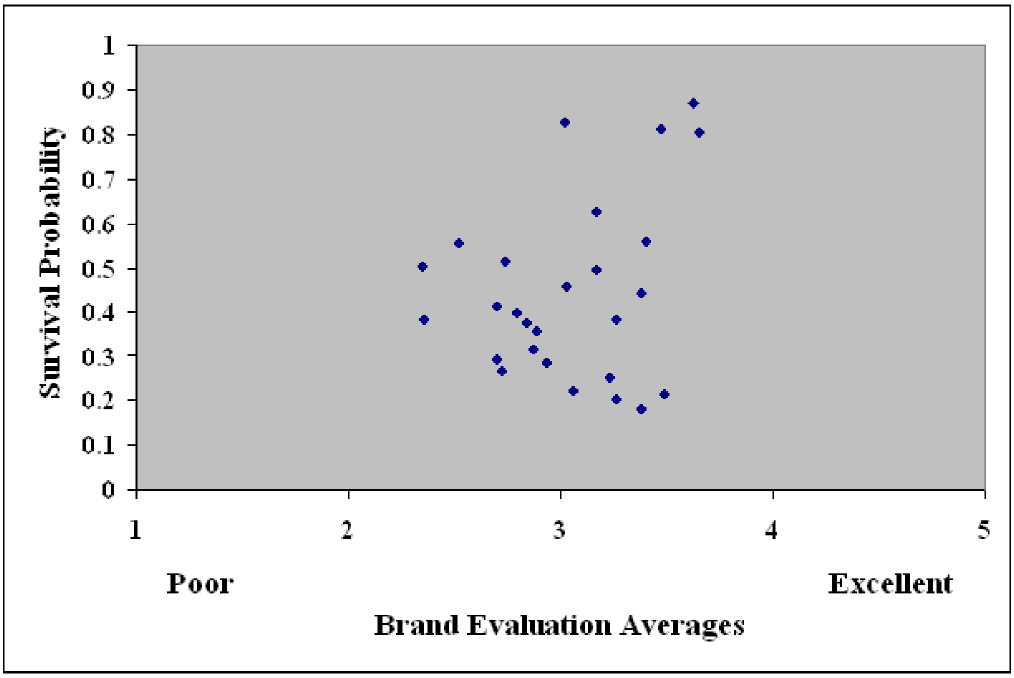
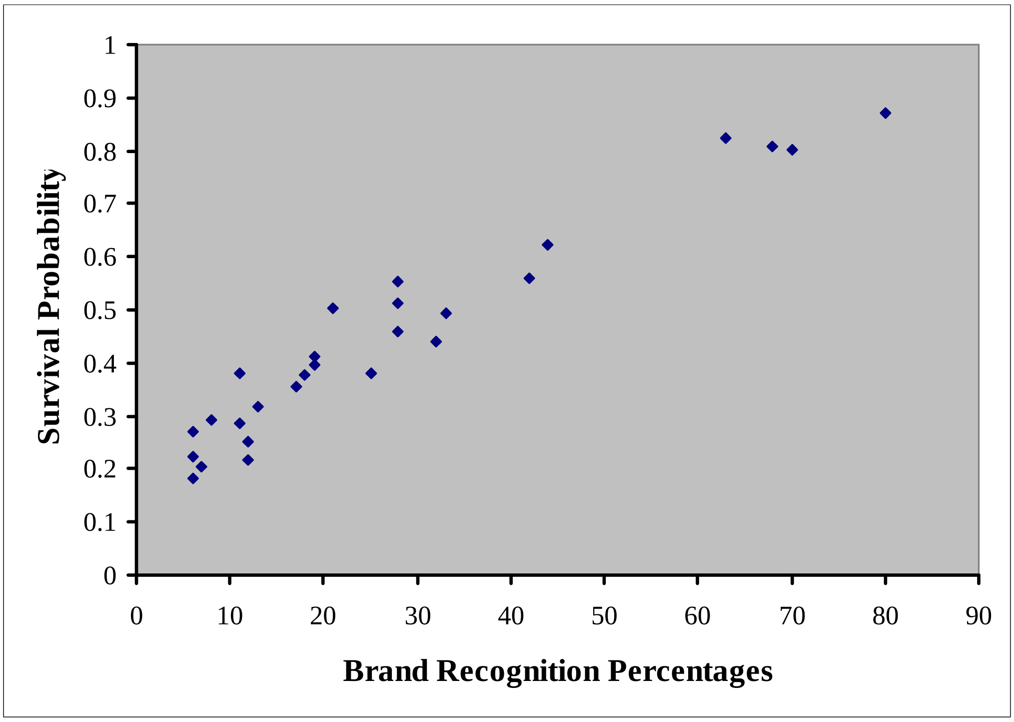
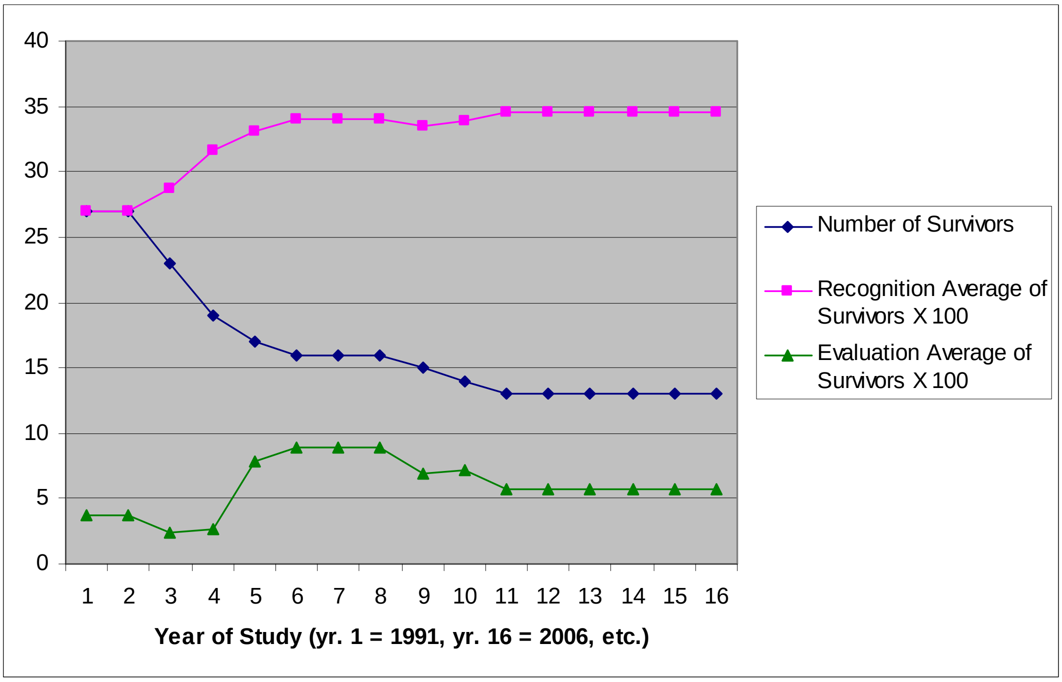


Figure 2. Probability of Survival by Percent Recognition



Further evidence of these relationships is provided in Figure 3, which reflects the average recognition and evaluation scores for the surviving brands. Across the years, as less well recognized brands fall by the wayside, the average recognition score rises. Alternatively, after an initial rise, the average evaluation score actually declines.

Figure 3. Average Recognition and Evaluation Scores for the Surviving Brands



Discussion

Based on these results, it would be tempting to conclude that the survival of a wine brand is more dependent on marketing skill in developing brand recognition than on wine making skill in developing wine quality. Despite the fact that sixty eight percent concordance was achieved using brand recognition and brand evaluation, the differences in the brand evaluations did not explain much of the variance in the survival of wine brands. Given the great emphasis that is often placed on the evaluation of wines in reviews and competitions, this is a somewhat surprising result. Why is this the case?

What these results could indicate is that individual tastes in wine are more widely varied than the quality of the wines themselves. That is, wine brands face the daunting task of finding the group of people to whom they have the greatest appeal without knowing anything about or having any way to identify this desirable segment. That is an empirical question that can be investigated with the data at hand.

To examine this possibility the average variance in ratings from an individual across brands of wine was compared to the average variance of the ratings across people for a single brand. To support the logistic regression finding that recognition was more important than evaluation, the across-brand (within individuals) ratings would have to have more variability than the within-brand (across individuals) ratings. Indeed, this was the case. The average variance of an individual's ratings of brands that they had tried (ranging from 2 to 12 brands) was .664 (*SE* = .02). The average variance of individual's ratings of a single brand was 1.0 (*SE* = .015). Constructing confidence intervals around these estimates would clearly indicate a significant difference between them. Hence, heterogeneity of tastes among wine consumers would appear to be a plausible explanation for the lack of significance of wine evaluations when examining wine brand survival.

The preliminary results presented here from a very small sample tentatively suggest that becoming a recognized brand is more important than being a highly rated brand. This result is consistent with recent findings in other studies of brand equity (e.g., Srinivasan, Park, & Chang, 2005). Moreover, it appears that this is due to the widely differing tastes of wine drinkers. Making your brand known to enough wine drinkers in a very crowded brand space appears to be a prerequisite to survival. Being included in the consideration set when consumers are making purchase decisions appears to be more important that the comparative evaluations of the wines in the market.

The broader implications of these findings relate to two important changes that have occurred, and continue to occur, in the global wine industry. First, changing consumption patterns and growing consumer interest and demand in Asia and the US have provided new opportunities for wine companies. Second, entire regions along with individual producers from Australia, New Zealand, Europe, South America, and various US states have led to substantial changes in the types of wine, brands, labels, and the way wines are marketed. These changes are likely to lead to more fragmentation of the brand space and greater relative benefits from increases in brand recognition levels.

The results from this study of a new wine region potentially have important implications for wineries and wine industries that are trying to develop a presence in the crowded marketplace. In the past 10 years, hundreds of new wineries have become established in the US and every state in the US now has at least one operating winery. A significant number of these states are now actively trying to develop their wine industry. Although many of these wineries will remain small and focused on local customers and the tourist market, others are attempting to develop a regional or national presence.

Even for smaller wineries, developing a recognized brand within their area appears to be critical for their survival in the local community. In many cases it is people in the area that direct visitors to the winery and also provide a stable customer base for the business. This study provides additional support for the importance of the brand in whatever situation they may be and encourages producers to continually develop marketing efforts to enhance that brand.

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Appendix

Please consider the following list of Texas wineries. In each case, indicate (1) whether you recognize the winery name, (2) whether you have tried the wine from the winery, and (3) your evaluation of the winery based on your perceptions or direct experience, if applicable.

Winery	Recognize?	Tried Wine?	Evaluation of Quality					
Names of wineries listed here	Yes / No	Yes / No	Poor		Moderate		Excellent	N/A
			1	2	3	4	5	