Sport brand equity models – Witchcraft or sound practices?

Contact details
Name author(s): Dipl.-SpOec. Tim Ströbel (Research Assistant and Lecturer) & Prof. Dr. Herbert Woratschek (Head of Department of Services Management)
Institution(s) or organisation(s): Department of Services Management, University of Bayreuth
City and country: Bayreuth, Germany
Email address for correspondence: tim.stroebel@uni-bayreuth.de

Aim of paper and research questions
During the last years more and more publications in marketing theory and in sport management focus on brand equity models (Keller, 1993; Gladden, Milne & Sutton, 1998; Bauer, Sauer & Schmitt, 2005). The latest publications in this context deal with brand equity valuation of football clubs. In 2004 a study revealed the brand equity of Real Madrid CF with 278 m. Euro (FutureBrand, 2004). Three years later, in 2007, its brand equity was calculated with about 1,063 bn. Euro (BBDO, 2007). This huge difference of 785 m. Euro could have two reasons: The brand equity increased rapidly within three years or the used brand equity models lead to very different results. In addition the above mentioned difference is not only related to Real Madrid CF, but to all other top European football clubs. (e.g. FC Barcelona 141 vs. 948 m. Euro, FC Chelsea 80 vs. 828 m. Euro) According to this great variety a critical analysis of the existing brand equity models is necessary. Therefore, we raise the following research questions: Are the established models appropriate for defining the equity of sport brands? How could the established models be extended to be more applicable to the field of sports? The answers to these questions are extremely important for marketing, but also for accounting.

Literature review
We conducted a review of the latest literature dealing with brand valuation in general and especially with different views towards the formation of brand equity models. These views can be divided into three main areas: finance-oriented models (e.g. Kern, 1962), customer-oriented models (e.g. Aaker, 1991; Keller, 1993) and combined models (FutureBrand, 2004; BBDO, 2007). Finance-oriented models are based on quantitative data like net present value, market value or costs of the brand, whereas customer-oriented models rather consider qualitative data like loyalty, image or awareness. Furthermore, combined models try to bring these views together by integrating both quantitative and qualitative data. The latest studies, especially in sport management, cope almost without exception with combined models for calculating the equity of a brand. In this context it is quite obvious that there are no consistent results as every management consultancy has its own mostly secret recipe.

Research design and data analysis
In this paper we try to disclose these secrets. By doing this we work out the theoretical foundations of brand equity models. The used models in sport management are based on a lot of subjective valuations which lead to fuzzy results. This makes clear that the published brand equity figures of the best European football clubs are more witchcraft than based on sound practices. This is why we reconsidered the theoretical foundations to make brand equity models more applicable to sport brands. Based on these considerations we propose an innovative framework that shows in a systematic way which variables finally are responsible for the equity of a sport brand. By using the Service-Profit-Chain (Heskett, Sasser, & Schlesinger, 1997) as a theoretical reference we derive the brand Activity-Value-Chain (brand AVC). Brand activities

lead to brand strength consisting of four dimensions (awareness, associations, loyalty, and quality). If brand strength is high, we expect higher incomes leading to higher economic success which could be expressed in case of a sport brand by its brand equity.

Results

The theoretical analysis shows a complex value system which results in a structural equation model measuring brand strength and brand equity. This is an innovative model to calculate brand equity. In case of a sport brand the brand strength should be measured by the additional dimension sporting success. If we consider latest relationship marketing theories (e.g. Vargo & Lusch, 2004) we could also think about integrating the co-creation of fans in this model.
In contrast to the existing literature we argue that brand strength and brand equity cannot be combined by mixing quantitative and qualitative data. This combination is done by calculating brand strength to a weighted score in order to transform it to a financial figure. Therefore the result is always based on subjective weightings producing unclear results. We propose to separate the value of a brand in brand strength and brand equity. Brand strength should be measured in a reflective way by qualitative and quantitative indicators (awareness, associations, loyalty, quality, sporting success, and co-creation). This leads to brand equity that is measured by financial indicators. Our structural equation model shows how brand values are created and how the different brand value definitions are related to each other based on the sport brand AVC.

References

Aaker, D. (1991). *Managing Brand Equity: Capitalizing on the Value of a Brand Name*. New York: The Free Press.

Bauer, H., Sauer, N., & Schmitt, P. (2005). Customer-based brand equity in the team sport industry: Operationalization and impact on the economic success of sport teams. *European Journal of Marketing*, *39(5/6)*, 496-513.

BBDO Consulting (2007). Football club-brand equity-ranking. Retrieved from http://www.bbdo.de/de/home/studien.html.

FutureBrand (2004). *The most valuable football brands in Europe: The 2004 report*. London.

Gladden, J., Milne, G., & Sutton, W. (1998). A Conceptual Framework for Assessing Brand Equity in Division I College Athletics. *Journal of Sport Management*, *12*, 1-19.

Heskett, J., Sasser, W., & Schlesinger, L. (1997). *The service profit chain: how leading companies link profit and growth to loyalty, satisfaction, and value*. New York: The Free Press.

Keller, K. (1993). Conceptualizing, Measuring, and Managing Customer-Based Brand Equity. *Journal of Marketing*, *57*, 1-22.

Kern, W. (1962). Evaluation of trademarks. *BFuP, Betriebswirtschaftliche Forschung und Praxis*, *14(1)*, 17-31.

Vargo, S., & Lusch, R. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing*, *68*, 1-17.