Building Strong Energy Brands

Energy Brand Valuation Criteria to Enhance Understanding of the Foundations of Energy Brand Value

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Preface

This thesis is a 30 ECTS research project for a Master of Science degree in Marketing and International Business in 2016 from the University of Iceland. The thesis was written from January to August of 2016.

First of all I would like to thank my children, Thea, Lúkas and Svava for endless patience and understanding during my work on this thesis and my parents for understanding, help and support. Thanks to my supervisor Dr. Friðrik Larsen for great supervision and direction during my work and to Birgir Már Danielsson for good advices. Thanks to my friends and family who helped me reading over and others who helped my with the format and figures. Thanks to all the good people around me who helped me and encouraged me when my confidence in my work on this thesis lacked. I am one lucky person. Hugs and kisses.

Stefania Ingvarsdóttir

August 2016
Abstract

Following the liberalization of energy markets around the world for the past twenty years, energy suppliers that used to operate in monopoly are facing the challenges of the free market. There has been a world wide trend for the past few years in favor of market oriented reforms which have forced energy companies to increase their marketing budgets. One of the tools marketing managers have at their disposal for marketing efforts is branding. In recent years brands have become one of the biggest company assets for many firms, making it even more important for companies and brand owners to understand their brands’ values and the sources of brand value and brand equity for their brands.

In order to be able to build a strong energy brand it is important to understand what elements of energy suppliers lead to an increased brand value. In this research the object has been to identify these elements and find out where energy brand value derives from and what elements form the foundation of a strong energy brand.

Findings were reached through two different methods, one was literature analysis and benchmarking of brand valuation methods frequently used in other sectors to conclude on valuation factors for the brand valuation. And the other method was a research among consumers to identify elements of importance to consumers regarding energy suppliers. Findings were then used to create energy brand valuation criteria based on three pillars, consumer perception, specialist valuation on brand differentiation and company market performance.

Results of the consumer perception study indicate that energy suppliers should build their image and differentiation on trust and responsible behaviour against both society and the nature to create brand value for their brand. Consumers seem to be somewhat sceptical of companies operating on the newly liberalized energy markets. Further, they should emphasise good service, safe distribution of energy and experience.
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1 Introduction

Following the liberalization of energy markets around the world for the past twenty years, energy suppliers that used to operate in monopoly are facing the challenges of the free market. There has been a world wide trend for the past few years in favor of market oriented reforms, which have forced energy companies to increase their marketing budgets. It is increasingly important for energy companies to build strong energy brands and differentiate themselves from competition in order to create value for customers and thereby give them a reason to choose one offer from many competing offers on the market. One of the tools marketing managers have at their disposal for marketing efforts to increase value in consumers’ minds is branding. For branding to be of great effort, it is important for marketers to understand the scources of brand value.

During the last decades brands have become the largest company assets for many firms and for that reason brand valuations are increasingly seen as an important metric on performance for both managers and companies (Mizic and Jacobson, 2008). David Haigh (2000), chief executive at Brand Finance, a brand valuation consultancy, has said that brands will be major drivers of corporate value in the 21st century. He claims that investors and business leaders have recognized this fact and that marketers are increasingly using brand valuation models to facilitate marketing planning and aid marketing management (Haigh, 2000). According to scholars Mizic and Jacobson (2008) components of brand valuation models have been positively impacting financial market performance. Making it increasingly important for managers to understand what brand value is and how to effectively create and capture that value (Mizic and Jacobson, 2008).

A product and a brand are not the same thing. A product, no matter if it’s tangible or intangible, is merely a generic term but a brand on the other hand has a personality and different characteristics and associations that define and differentiate it from competing products with different brand associations (Seetharaman et al, 2001). It is
therefore important for companies and brand owners to actively create and build brands in their favor, thereby creating customer value and improving the company’s competitiveness.

Accounting for a brand’s valuation only has a short life story in financial reporting. Interbrand, a brand valuation consultancy, conducted the first ever brand valuation service in the mid eighties for Rank Hovis McDougal company (Seetharaman et al, 2001) and ever since then, brand equity studies and brand valuations have been gaining importance, mainly because of two reasons, first is financially based motivation to estimate the value of a brand for accounting reasons, and second reason is strategy based motivation to improve marketing productivity (Keller, 1993).

For the past twenty years electricity markets around the world have been liberalized and consumers have for the first time been able to choose which energy supplier they do business with. The changes have created both opportunities and challenges for the energy suppliers that used to operate in monopoly. After the liberalization, energy suppliers, were a subject to the free market, where marketing and branding are important tools to communicate a company’s offer in a competitive environment. Following the liberalization private households and businesses have been able to choose between energy suppliers, circumstances that give consumers an added influence (Larsen, 2014).

Energy is an intangible, pure commodity product that has few or no differentiation factors. This is a challenge for energy companies competing with their offers on the market. Adding to that, it is a newly liberalized market of a product that many consider an important infrastructure of society, that should be made available at affordable prices (Larsen, 2014). Because of the importance of electricity in society, not everybody agrees on the liberalization of the energy markets, and research has shown that the opposition against the liberalization is based on trust related issues (Larsen, 2014). All of the above makes branding of energy a challenge and understanding of where energy brand value derives from important.

According to David Haigh (2000) a well-constructed brand valuation pulls together market research, competitive data and indicators of future performance. Brand valuation models increase the understanding of the brand’s value and it’s contribution
to demand. They also help marketers to identify opportunities for leveraging the brand (Haigh, 2000).

The object of this study is to create energy brand valuation criteria. Most valuation methods are general brand valuations, used to measure brands across different sectors. The object of this study however is to create energy specific brand valuation criteria. This means that the criteria will take into account constructs and elements that are relevant in the energy sector.

The criteria will be based on three different pillars to measure brands, these are:

- Consumer perception.
- Independent valuation of a company’s market performance compared to competition.
- A panel of marketing specialists’ valuation on brand’s differentiation, based on brand elements.

The outcome can serve company managers in the energy sector, on how to effectively build and manage their brands in order to create value for both the company, shareholders and their customers.

The aim of this study is to answer the following questions:

What elements are the foundations of a strong energy brand and create the most value for consumers?

And hence in addition:

What factors should energy brand valuation criteria be based on?

Conclusions were reached through two different methods. One was literature analysis and benchmarking of multiple methods that have previously been used to determine brand value and brand equity in other sectors. The other method was a research among consumers to identify elements of energy suppliers that are considered of importance to energy consumers.

The thesis has five main chapters. Chapter two is a review of the literature which the brand valuation criteria will be based on, starting with a discussion on branding related
to energy as a product. Then a short description of the Icelandic energy market and certain characteristics of newly liberalized markets. Branding concepts and components of brand equity are defined and different valuation methods are discussed. Finally in chapter two is a conclusion on constructs and valuation factors found in the literature relevant to energy brand evaluation. In chapter three the consumer perception research method is outlined and defined. Chapter four contains findings from consumer research. Chapter five contains a discussion on the study and conclusions. The study’s limitations are mentioned as well as suggestions of further research.
2 The increasing importance of branding and brand valuation

For the last few decades, emphasis in markets have been shifting from pure focus on products (product orientation), where consumers are considered to buy whatever products available, to focusing more on the consumer, putting the consumer and his needs first (market orientation) (Kotler and Keller, 2005).

In 1960 Theodore Lewitt published his article *Marketing Myopia*, where he talks about the importance of marketing orientation in different markets, stating that too much focus on products in the past has caused great damage to huge industries. In the article Lewitt puts emphasis on the importance of focusing on the consumer and understanding his needs. He criticizes the old and widespread believe of industries, that a good product will simply sell itself and goes on to saying that it is vital for all businessmen to know and understand that an industry is a customer-satisfying process, not a product production process (Lewitt, 1960).

A valid question within a competitive market is why a consumer chooses a particular offer among many similar, if not identical offers. Companies can affect the consumers’ choices with few different marketing tools they have at their disposal. One of these tool is branding (Kotler and Keller, 2005). According to scholars like Aaker (1996) and Grönroos (2007) companies that have been successful in branding their products, have been able to charge a higher price for their products and increase demand, they do better with brand extensions, their marketing is more effective and they protect their companies and products better from competition (Aaker, 1996; Grönroos, 2007).

As previously mentioned, David Haigh, chief executive at Brand Finance, has stated that brands will be major drivers of corporate value in the 21st century. He claims that investors and business leaders have recognized this fact and that marketers are increasingly using brand valuation models to facilitate marketing planning and aid marketing management. And as previously mentioned he claims that a well-constructed brand valuation pulls together market research, competitive data and indicators of future performance. Brand valuation models increase the understanding of the brand’s value and it’s contribution to demand. They also help marketers to identify opportunities for leveraging the brand (Haigh, 2000).
2.1 Energy branding

Since the purpose of this thesis is to understand the sources of energy brand value in order to develop energy brand valuation criteria, this chapter will be devoted to defining energy as a product and in relation to branding issues. Later is a short description of the Icelandic energy market, which was used to send out a consumer survey to question energy consumers on matters of importance regarding energy suppliers.

Electricity is a commodity, which can be defined as a product that has few or no differentiation factors and is by nature homogenous (Keller, Apéria and Georgson, 2012). Due to almost non-existing perceived difference between competing offers, consumers will choose between them on the basis of price, which forces producers to compete on low price and high volume (Kotler and Pfoertsch, 2007). Competing on a price strategy, without setting focus on differing characteristics of a product, sellers must sell their line of commodities competing on their basic attributes (Pesce, 2002). However, when selling branded products, sellers emphasize differences irrespective of weather they are real or not (Aaker, 1996; Keller, 1993).

In the branding literature, scholars agree on both the importance of differentiation when creating strong brands in consumer markets and the indications of importance of differentiation for companies that are selling pure commodities like energy (Michell et al, 2001; Levitt, 1980; Larsen, 2010; Woo et al, 2014). Pure commodities like energy, have few or no differentiation factors, which makes branding and value creation in consumers’ minds an important matter, to help consumers choose between competing offers of a product that is by nature homogenous.

It is common in the branding literature to refer to energy as a service, since by definition it resembles service in many ways. It is intangible, cannot be kept and needs to be consumed in real time (Larsen, 2014).

Research on differentiation of companies selling pure commodities indicate that intangible attributes are more important and create more value than tangible attributes of pure commodity products and the company selling it (Michell et al, 2001; Mudabi, et al, 1997). Most research on differentiation between energy suppliers, is research on differentiation based on green energy (Hartman and Ibanez, 2006; Hartman and Ibanez
Weather energy is green or not is one of few differentiation factors of the product and researches have shown that energy can be differentiated if it is made from green sources (Ashley and Leonard, 2009; Claudy et al, 2011). Green electricity is normally referred to as renewable energy and in general, renewable energy sources are perceived as good by consumers (Lipp, 2001).

In her masters thesis, a study on weather energy suppliers can use socially responsible behaviour as a differentiation factor, Hrafnhildur Árnadóttir (2015), stated that according to her studies, energy suppliers can create extra value for their customers by building their companies’ differentiation on socially responsible behaviour (Árnadóttir, 2015).

Apart from being a commodity, the intangible nature of energy makes it even more difficult for branding in this spectrum. As stated above branding is based on the consumers’ perception of attributes connected to the product/service regardless of weather they are real or not. Regarding energy suppliers’ differentiation it could be based on service differentiation and a perceived differentiation built on company image.

Brand awareness among consumers is one of the major goals of marketing. That is, to create, generate and maintain brand awareness among consumers. This is particularly important in low involvement situations where consumers engage little in active information search to help with buying decisions, which is the case for energy suppliers (Macdonald and Sharp, 1996).

One of the aims of this study is to find out which attributes consumers consider important elements of energy suppliers, in order to understand the sources of energy brand value and thereby being able to define what is a good and strong electricity brand. On what attributes or elements should an energy supplier build it’s brand image on in order to create value for it’s customers.
2.1.1 The Icelandic energy market

There were big changes in the business environment for Icelandic energy companies when a European directive on electricity markets was implemented into Icelandic law. The directive had been set in 1996 to end the law protected monopoly in European energy markets, and to separate transmission, distribution and selling of energy in European markets. In 2003 the directorate was implemented into Icelandic law and up until then there had been monopoly on the Icelandic energy market. Landsvirkjun was the leading electricity producer and distributor. The whole electricity system was generally considered to be subject to a natural monopoly because of economies of scale. With time that point of view has changed and people started believing that production and distribution of electricity are perhaps not subject to a natural monopoly and that competition on the market might even be more economically efficient. According to the directorate, buyers were allowed to choose between sellers for the first time in 2005 (Friðjónsson, 2002).

Today, there is oligopoly on the Icelandic energy supplier market and customer churn has been low. Five energy suppliers sell energy to all general consumers, general consumers being all consumers apart from heavy industry. There is little difference in prices offered by different sellers. The lowest offer was kr. 6,61 pr. kilowatt-hour in December of 2015, and at the same time the highest price offer was kr. 6,91 pr. kilowatt-hour. The difference was only 4,5% between lowest and highest offer (Neytendasamtökin, 2015).

Nearly all energy produced in Iceland comes from renewable sources. In the year 2013, 72% of energy produced in Iceland came from waterfalls, 24% from thermal heat and nearly 4% from coals (Orkustofnun, 2013b).

There were great changes on the market in 2003 following the energy law implementation on separation between sale and production from transmission and distribution. It opened for competition in producing and selling electricity. However, transmission and distribution are still dependent on government license and can not be defined as free markets (Raforkulög nr. 65/1993). The biggest producer on the Icelandic energy market is Landsvirkjun, producing 72,5% of all electricity. Orkuveita Reykjavikur is second largest producing 16,88%, third is HS orka producing 7,71%, Orkusalan 1,54%,
Orkubú Vestfjarða 0,45% and other producers combined produce 0,86% of energy in Iceland (Orkustofnun, 2012).

The Icelandic energy market is very small and isolated but the energy use compared to gross national production is among the highest in the world. Major part of the electricity produced in Iceland is used in heavy industry, or 80%, only 20% is for general use. Icelandic homes use around 5% of total energy produced in the country (Orkustofnun, 2013a og 2013b).

2.1.2 A market newly liberalized

Even though energy is being sold on a free market in Iceland and it’s neighboring countries, sale is far from being only an issue of the private sector. The immense importance of energy in modern economies can not be overemphasized and for that reason not all agree on that sales of energy for businesses and households should be left to the free market (Larsen, 2014). It is to many a fundamental infrastructure, which access to, should be secured at affordable prices (Morrison, 2001).

One of the questions Dr. Friðrik Larsen (2014) dealt with in his Ph.D dissertation, was to evaluate the perceptions of consumers regarding energy offerings and branding decisions following the liberalization of the energy markets. One of his findings was that many participants in his research opposed to the liberalization and further analysis led to the finding of all elements regarding the liberalization were negative, e.g. higher price, monopoly and corruption, those are trust related issues (Larsen, 2014).

Energy suppliers in newly liberalized markets are facing a changing environment, moving from monopoly to a competitive market. In the new market environment the companies must live up to new opportunities and challenges. In a way they need to redefine their purpose and their relationships with their customers. In today’s competitive markets most companies’ income is based on their ability to understand their customers’ needs and serve them better than the competition (Cravens and Piercy, 2013). On energy markets around the world, energy suppliers are increasingly using marketing tools to serve better their customers’ needs and to acquire new customers (Walsh, Groth and Wiederman, 2005; Hartmann and Ibanez, 2007). The next chapters will be devoted to branding literature related to brand valuation, in order to identify brand equity constructs that are relative in the energy sector.
2.2 Importance of brand management

One of the main importance of branding lies in helping consumers to identify one organization’s goods and services from the goods and services of another. That is branding in it’s simplest form and how branding was used in the beginning. Today brands are built with a special kind of consumer in mind, because consumption of brands define their consumers, how they are, how they wish to be or how they wish to be seen (Kay, 1995; Simoes and Dibb, 2001).

Consumer research has shown that strong brands create meaningful images in the consumers’ minds (Keller, 1993). It is therefore important to actively build and create the associations connected in the consumer’s mind to the brand, in order to affect and manage the favorability of the associations. The reason marketers have invested in branding, is that the brand image and the strength and favorability of associations connected to brands, enhance and differentiate a brand’s reputation and can positively influence buying behaviour when consumers choose between competing offers (deChernatony and McEnally, 1992).

According to Abratt and Bick (2003) brands simplify shopping for customers, aid in the information process of the product and make consumers confident in their purchase decisions. Increasingly managers have become aware of the fact that a company’s brand is one of it’s most important assets and that focus is indeed needed on creating brand equity (Abratt and Bick, 2003).

2.3 Brand

According to Doyle (1994) a successful brand is perceived by consumers as an effective product that has a well defined identity and added values. The American Marketing Association (AMA) defines a brand as “a name, term, design, symbol or any other feature that identifies one seller’s good or service as distinct from other sellers”. The legal term for brand is trademark (American Marketing Association, 2016). Christian Grönroos (2007) criticized AMA’s definition of a brand as too simple and thereby meant that the definition lacks to consider the importance of services in it’s scope. Kotler (1997) defined brands in a similar way as AMA. His definition of a brand is a “name, term, sign, symbol, or design or combination of them that is intended to identify the
goods and services of one seller or groups of sellers and differentiate them from those of competitors” (Kotler, 1997, p. 443).

In the literature, brands are commonly considered to be a multiple level pyramid consisting of basic physical attributes forming the base (Doyle, 1994). On the base lie the tangible benefits, emotional benefits, the brand personal characteristics and on the top of the pyramid rests the soul of the brand. In other words brands can be viewed as a quality product surrounded by layers of increasingly intangible features. A basic brand is a quality product that has been differentiated from competition through marketing mix decisions (Doyle, 1994).

2.3.1 Branding

The effectiveness of branding techniques, depend on many branding factors like how well a product is differentiated from a competing brand. A brand exists in the consumer’s mind and branding is providing a product or service with the power of a brand. Branding is about creating differences and telling consumers about them, generally by advertising or using other marketing tools. Branding is about teaching the consumers who the product is for, what it does and why they should care. This is done by providing them with a mental structure to classify products in their minds. Therefore branding is much more than promoting a catchy name and logo (Kotler and Keller, 2005).

According to Louvier (1994) customers prefer brands based on their own perceptions of the attributes associated with the brand. These preferences are then translated into choice decisions when customers choose the product with the highest expected value or utility. Therefore choice decisions are directly linked to actual behaviour (Louvier, 1994).

Figure 1 shows in a simple way a branding system as put forward by Mudambi, Doyle and Wong (1997). The model shows the degree of branding affecting buyer perception and attitudes and how the perception affects buyer behaviour. The buyer behaviour then affects the brand’s financial performance because sales levels affect the company’s financial profits. The brand’s performance affects the brand strategy since company managers decide on the branding strategy and brand portfolio depending on the brand’s performance. Accordingly it all affects branding strategy, but in reality the relationships and processes are more complex (Mudambi et al., 1997).
One of the benefits of successful branding is that the brand then adds dimensions to the product at hand and subsequently differentiates it from competing products in the same field that satisfy the same needs for consumers (Kotler and Keller, 2005). Companies that have been successful in branding their products, have been able to charge a higher price for their products and increase demand, they do better with brand extensions, their marketing is more effective and they protect their companies and products better from competition (Aaker, 1996; Grönroos, 2007).

### 2.4 Brand image

Today marketers generally don’t focus only on brand elements such as name, logo, design or symbol, instead they focus on the sum of ideas and associations these elements create in the minds of consumers, the brand’s image (De Cernatony and McDonald, 1998; Simoes and Dibb, 2001).

Brand image is physically a part of the product, but it’s an extrinsic attribute related to it, that affects the consumer’s whole perception of the brand, that is, the image of the brand in the consumer’s mind. This image helps consumers recognize the product, evaluate it’s quality and it lowers the consumer’s purchase risk. The brand image also gives the consumer a certain experience satisfaction through product differentiation (Lin and Lin, 2007).

In 1955, Gardner and Levy theorized that products have many intangible attributes, like associations, characteristics and personalities that can be more effective and important for overall perceptions and sales of the brand, than many of it’s technical attributes. This means that the set of feelings, motivations, ideas, attitudes and logics that consumers link to the image of a brand, have very important affect on the consumer’s purchase choice. And it also means that products have a physical, social and
psychological nature that consumers base their image on, among other factors. Researchers have continued on Gardner’s and Levy’s path, and today brand image is considered by some scholars to be the key component of brand equity (Aaker, 1991; Keller, 1993).

The conventional viewpoint of brand image is that companies have great impact on brand image by the way they communicate their marketing messages, however in more recent times some have pointed out that the image of a brand is also shaped by the consumer’s memory and experience. Keller (1993) stated that the brand image in a consumer’s mind is echoed by brand associations held in the consumer’s memory and therefore, individual differences shape how a brand is perceived, and thereby it’s image (Keller, 1993). This individual image of brands in minds of consumers depends on and is affected by linkages to the brand in the consumer’s memory (Aaker, 1996). For this reason it can be concluded that image is not a singular concept, but rather a set of images. These images are rooted in the individual consumer’s memory, shape his current perception of a brand, and thereby affect the way he reacts to a company’s marketing communication (Brown et al, 2006).

2.5 Brand awareness
It has long been agitated that one of the major goals of marketing is to create, generate and maintain brand awareness among consumers. This is particularly important in low involvement situations where consumers engage little in active information search to help with buying decisions. Repeated advertising is used to keep brands in the consumers’ consideration set, which is the set of a brand to which the consumer gives attention to, considers and chooses from when it comes to decide on buying decision (Macdonald and Sharp, 1996).

Brand awareness affects the purchase choice through its use as a heuristic for choice (e.g., “I'll choose the brand I know”) and also it’s affect on perceived quality of the brand, (“I've heard of the brand, so it must be good”) (Hoyer and Brown, 1990).

Brand awareness is an aspect of the branding concept and a very important element in the whole branding process. According to Seetharaman et al (2001) there are four different levels of awareness: Dominant or top-of-mind, recall, recognition and unaware of brand (Seetharaman et al, 2001). Figure 2 shows the four stages of awareness that
have been put in a pyramid. Considering one specific brand, it is a fact, that the biggest part of consumers are unaware of the brand, as can be seen in the pyramid in figure 2. The higher a brand gets in the awareness pyramid there are fewer consumers, but stronger awareness of the brand in the consumers’ minds.

![Awareness Pyramid](image)

Figure 2 The awareness pyramid (Seetharaman et al, 2001).

### 2.6 Brand loyalty

According to Aaker (1992) brand loyalty is a key consideration when placing value on a brand, because of how customers’ loyalty to a brand translates into a profit stream. Loyal customers can be expected to generate a predictable sales and profit stream. Customer satisfaction that is mirrored by repeated buying patterns can be an indication of a healthy brand and efforts to enhance them will build brand strength (Aaker, 1992).

According to Seetharaman et al (2001) brand loyalty has five stages or categories, first is non customers, second is price switchers, who always buy the cheapest product, third is passively loyal who buy the product out of habit, but no particular reason, fourth is fence sitters who buy the product out of convenience and price, and fifth stage is committed clients who buy the product at any particular time and place. In figure 3 Seetharaman’s five stages of loyalty have been put in a pyramid for explanation (Seetharaman et al, 2001).
Brand loyalty is heavily related to perceived quality, which often generates premium price, but price premium can only be charged for products that conceive perceived quality in the consumer’s mind. For a product to be perceived as a quality product it has to live up to certain quality standards, which may not be tests of true quality, but quality in the consumer’s mind (Seetharaman et al, 2001).

2.7 Differentiation
The concept of differentiation is strongly related to image. But even though the concept of brand image has been undergoing evaluation in the way researchers believe image should be viewed. Discussion on the concept of differentiation was largely settled in 2008 and has not been much changed since (Keller, 2008).

Differentiation is a key component of a brand’s positioning on a market. It is important for a brand to be differentiated from competitors on the market in order to create a positive image in the consumers’ minds (Keller et al, 2012) and thereby create added value for the consumer (Aaker, 2004). Since a company’s value proposition is rooted in it’s differentiation, it is crucial that it is well chosen and considered with the needs of the company’s target group in mind. It is important that consumers perceive a differentiation between competitors’ products even though there might be little or no real difference between competing offers. Without a perceived differentiation, especially regarding intangibles and pure commodities like electricity, that have no physical differentiation, consumers have little to rely on when choosing between
competing offers, specially if there is also little difference in price (Kotler and Armstrong, 2012).

In the literature of differentiation are various types of differentiation or ways to differentiate a company’s product from a competing one. Including those:

- Product differentiation.
- Service differentiation.
- Perceived differentiation.

Watkins (1986) said that branding is at the core of differentiation and that it should be integrated in companies’ strategies to make their products different from competitors’ by making the customers believe their products are superior to competition (Watkins, 1986). Dickson (1997) has defined product differentiation as a way of distinguishing a product from competition on one or more performance or image features. Because of the intangible nature of service and the way it is consumed, some have argued that it is more difficult to differentiate service and other intangibles than tangible products (Davies et al, 2003).

One way of getting differentiation from competing products, Grönroos (1988) has said of differentiation, without necessarily creating a real difference in a product or service offered, is by creating an image in the consumers’ mind of being different, and branding is the most common way of doing that (Grönroos, 1988). Perceived differentiation is a way of differentiating products or services that have few or no other differentiating factors like pure commodities, for example energy.

Perceived differentiation, takes a motivational perspective in the marketing literature. A good and meaningful perceived differentiation provides consumers with a reason to buy a certain product and be loyal to the brand (Aaker, 2001; Kotler, 1994).

According to Roumaniuk (2007) it is not enough for a company to create differentiation from competitors in the consumers’ minds, it is important that the differentiation creates strong, positive and unique associations to the brand. The stronger, more positive and unique the associations connected to the brand are, the more loyal customers the brand has (Keller, 1993).
2.8 Brand equity

Brand equity is derived from the overall brand image created by the complete set of brand associations as perceived by consumers (Michell, King and Reast, 2001) and therefore a thorough discussion is needed on the concept in regard to brand valuation.

In the eighties the concept of brand equity started to surface. It has since become one of the most researched areas within the field of marketing and by no surprise, since the concept embraces the single most important aspect of today’s marketing, how to measure the value of a brand (Hampf and Lindberg-Repo, 2011). According to Farquhar (1989) brand equity is the added value with which a brand endows a product. The added value can be viewed from the perspective of the firm, the trade or the customer (Fraquhar, 1989).

Due to the large research field of brand equity, the concept has been considered in many contexts. However Kim et al (2003) stated that the three main viewpoints for considering brand equity are:

- financial perspective,
- consumer based perspective and
- combined perspective (Kim et al, 2003).

Investment in branding activities can create brand equity, which exists when consumers are aware of the brand, are loyal to it and perceive it as a quality product (Seetharaman et al, 2001).

In the years after 1990 marketers like Kevin Lane Keller (1993) and David A. Aaker (1992) started writing about and conceptualizing brand equity. Aaker considered brand equity as the set of brand assets and liabilities linked to a brand, that add to or subtract from the value provided by the product or service (Aaker, 1991). Keller (1993) added to this definition by stating that customer-based brand equity, as compared to financial-based brand equity, is “the differential effect of brand knowledge on the consumer response to the marketing of the brand” (Keller, 1993, p. 1). Keller and Aaker both considered the role of brand associations to be very important.

Aaker (1991) in his book *Managing Brand Equity*, defined brand associations as anything that is linked in a consumers’ memory to a brand and states that the main importance of brand associations is to create meaning to consumers.
In 1992, Aaker published his conceptual study *The Value of Brand Equity* where he put forward a model on how brand equity generates value for both the firm and its customers. According to Aaker brand equity is one of the firm’s key assets and that five brand equity assets are the source of the value created. Those are brand loyalty, contributing to reduced marketing costs, trade leverage, attracting new customers by creating awareness and reassurance. Brand loyalty also works as a defence mechanism against a competitor’s marketing because happy customers are more difficult to attract by a competitor. The second brand equity asset is brand awareness, third, perceived customer brand quality, which among other elements increases positive differentiation for the brand from competitors as well as giving price premium and increasing margins. Fourth is brand associations. By building many strong and positive associations to the brand, in images that the consumer connects to the brand in his mind, a firm increases positive differentiation from competitors and a good position for the brand in the customer’s mind, and thereby giving him a reason to buy the branded product. Fifth are other proprietary brand assets that increase competitive advantage (Aaker, 1992). Figure 4 displays Aaker’s five assets model of brand equity.

![Five assets model of brand equity (Aaker, 1991).](image)

Keller published his study *Conceptualizing, Measuring and Managing Customer Based Brand Equity* in 1993 in which he discussed brand equity and defined it as “the differential effect of brand knowledge on consumer response to the marketing of the brand” (Keller, 1993, p. 1). He further defined brand knowledge in terms of two components, brand awareness (recall and recognition) and brand image, which he said
should be measured in terms of the favorability, strength and uniqueness of the brand associations. Figure 5 displays Keller’s model of the brand equity based in the customer’s mind.

![Figure 5 Customer based brand equity (Keller, 1993).](image)

Both Keller and Aaker focused on measuring brand equity in terms of consumer perceptions of the brand and considered the consumer’s knowledge of the brand and brand associations as core building blocks of brand image (Till et al, 2011).

Keller (1998a) stated that accurate brand equity valuation would further ensure that brand licensing fees reflected the benefits received. According to Seetharaman et al (2001), investing in branding activities creates brand equity. When customers are aware of the brand, are loyal to the brand and perceived it as having quality, then brand equity exists. They claim three main components of successful brands are awareness, loyalty and quality perception (Seetharaman et al, 2001).

### 2.8.1 Brand equity construct

The brand equity concept has been developed over the past few decades (Aaker, 1991; Keller, 1998a). However, one of the main issues still to be figured out is how to properly value brands. After summarizing articles on brand evaluation and choice, Malhotra et al (1999) came down to the conclusion that future research should focus on further measurements of the brand equity construct. They proposed that a generally accepted
measure would help managers and researchers to understand the strategic role of brand equity in extending the brand and how it financially benefits the firm (Malhotra et al., 1999). With a number of different methods to valuate brands, it is a problem for managers that it is uncertain which approach is the best, and issues around the discount rate, growth rate and useful life must be resolved (Kapferer, 1997).

2.9 Brand value

Value can be defined as the benefit the customer achieves against what he gives up for the product or service (Kotler og Armstrong, 2012). On a regular basis consumers must choose between a wide range of offers of products and services that in one way or another fullfill their needs. Consumers choose between these offers according to their expectations of the products or services and according to how well they believe it can satisfy their needs and wants.

A brand’s value proposition includes the brand’s promise of benefits or the value that fullfills the customer’s needs. The value proposition stands for what differentiates one brand from the competing brands and answers the question why consumers should choose one brand over a competing one (Kotler og Armstrong, 2012).

Brands create value, both for consumers who use their preferred brands and for the companies who own the brand, and therefore brand value is an important concept for everyone engaging in business. After 1980, with the rise of mergers and acquisitions explosion among enterprises, the business community has increasingly been focusing on brand value and valuation. Different scholars base their studies on brand value evaluation on principles of objectivity, measurability and perspective. However, because of different reasons for research on brand values and different backgrounds, brand value has been explained from different angles and therefore suggest different valuation methods, based on the purpose of the evaluation (Yoo et al., 2000).

2.9.1 Dimensions of brand value

Brand value can be considered from three dimensions or angles (Huang, 2015). First dimension is asset perspective. Esteban-Bravo and Lado (2011) stated that brand value is the added value of the brand in the company finance. Therefore brand value has close ties with the financial value and is cash flow brought by the brand to products or
services (Esteban-Bravo and Lado, 2011). Michael Birkin (1999) the CEO of Interbrand company, said that brand value, is similar to other economic assets value. It reflects the present value of the equity in the future. Because of this, brand value can be defined as the financial benefits for an enterprise created by brand as an asset (Tom et al 1999).

Second dimension is customer loyalty. According to Keller brand value is based on weather people continue buying the brand’s products or services, which would indicate brand value has close ties with customer’s brand loyalty (Keller, 1993). In a later publication he went on to stating that brand value is an exceptional commitment to the customer provided by brand, worthy both to own and to trust (Keller, 1998b). This means that the stronger the relationship between the customer and the brand, the higher the brand value (Huang, 2015).

Third dimension includes both assets and customers, looking at brand value from a comprehensive perspective. According to this view, brand value are the factors that the customers connect to the brand image, and to some extent have effect on the customer’s positive or negative values. These factors have great economic value (Paul and Yin, 2000). The brand value is derived from the asset value as well as the customer value (Zhang et al, 2010). From the above analysis, brand value evaluation is based on three perspectives, asset based, customer based and based on a combination of asset and customer perspectives, a comprehensive perspective (Huang, 2015).

2.9.2 Brand valuation
While there has been much research on branding and brand equity, relatively little has been researched and published on brand valuation and different methods to value brands. Even though it is an important managerial issue for companies (Abratt and Bick, 2003).

In today’s marketplace, capital flow is becoming less of a constraint on businesses and therefore emphasis is increasing on how this capital is used to differentiate the organization. The abundant flow of capital makes replication of physical assets easier than ever before (Drucker, 1998). Differentiation and the source of value for the organization’s shareholders will come from intangible assets. Two main reasons drive the need to understand the methods used to value brands, first is the need to measure
the productivity of the organization’s spend on marketing (Sheth and Sisoda, 2000) and the other reason is accounting requirements for selling and purchasing brands.

Among the benefits of finding the correct brand value is that the organization’s resources will be channeled to where they deliver the greatest value. Decision making in the marketing process and whether to build a strong brand, will become more simple and easier, as well as finding the correct value regarding mergers and acquisitions (Abratt and Bick, 2003).

The valuation of brands originates from two different areas. One is marketing measurements of brand equity, ideas that Keller first came forward with around 1990. A concept that has since been researched and developed further in later studies like Lassar et al (1995) on measuring brand strength and Aaker (1996) and Montameini and Shahrokhi (1998) on valuing brand equity across local and global markets. The other area brand valuation originates from, is financial treatment of brands (Abratt and Bick, 2003) which stems from the recognition of brands on the balance sheet. Uncertainty of the nature of benefits from brands in the future and therefore the reliability of information presented on the balance sheet caused problems and created a need for a solution for the accounting profession (Barwise et al., 1989; Oldroyd, 1994, 1998).

2.9.3 Obstacles to brand valuation
The number one concern regarding the valuation of brands is the wide range of valuation methods which yield considerably different results on a brand’s valuation (Robbin, 1991). Another concern is that there is not an active market for brands, which means that empirical testing on the estimates of model accuracy is not an option, nor can the results of a brand’s valuation be tested by putting the brand to the market. Yet another obstacle to a brand’s valuation is the fact that it is difficult to separate brand equity from other intangible assets like goodwill (Robbin, 1991). Reilly and Schweihis (1999) listed possible intangible assets, including marketing related assets like trademarks, logos, brand names and corporate identity. On the list were also customer related intangible assets like customer lists and customer relationships (Reilly and Schweihis, 1999).
2.9.4 Brands on the balance sheet

The financial treatment of brands originates from the recognitions of brands on the balance sheet. The matter causes problems to the accounting profession because of uncertainty when dealing with the future nature of the benefits deriving from brands and the reliability of information about financial benefits for companies caused by an owned brand (Barwise et al, 1989).

An ongoing debate has been on the distinction between goodwill and intangible brand assets (Tollington, 1989). Further studies have investigated impact on the stock price of consumer perceptions of perceived quality, which is a component of brand equity and the link between shareholder value and the financial value of the company’s brand (Kerin and Sethuraman, 1998).

The codependency of the marketing and the accounting professions in providing joint assessments in valuations of brands has been recognized by scholars like Cravens and Guilding (1999) who provided useful alternatives to the classic marketing perspectives of brands (Aaker, 1991; Kapferer, 1997; Keller, 1993).

2.10 Different approaches to brand valuation

Value has different meanings to different people and thus is not an objective concept. The valuation approach used is objective of the valuation and in the same way the objective of the valuation is determined by it’s use. Some of the more common valuation approaches can be classified into four categories (Cravens and Guilding, 1999):

1. Cost based approaches:

The basis of this approach is that it aggregates all the historical marketing cost involved in developing the brand (Keller, 1998). All actual cost associated with acquiring, building and maintaining the brand is incurred in the valuation. The cost could be for marketing research, advertising or product development. This method provides little or no consideration on the future and is the most conservative of all the approaches complying with standard accounting practice for asset valuation. For accountants this would be the most appropriate way of valuating brands (Seetharaman et al, 2001).
2. **Market based approaches:**

The focus is on external management of the brand as the valuation is based on the amount that can be gained by selling the brand. The benefits of owning the brand in the future are included to determine it’s market value and are then discounted to the present value (Seetharaman et al, 2001). The biggest problem facing the users of this method is that it requires being able to determine a market value because there is no actual market of brands, managers have few opportunities to valuate brand based on actual selling.

3. **Economic use or income based approaches:**

When using economic approaches, also called “in-use” or income based approaches, the valuation is based on future net earnings directly attributable to the brand, to determine the brand’s value in it’s current use (Keller, 1998, Reilly and Schweihs, 1999, Cravens and Guilding, 1999). The approach hence focuses on future potentials of a brand, avoiding problems regarding dependency on cost. It is necessary to determine the net revenues attributable to the brand in the future and discounting to the present value (Seetharaman et al, 2001).

4. **Formulary approaches:**

Formulary approaches to brand valuation involve a multiple criteria and are suitable for both internal management purposes and external financial reporting. A financial figure from within the company that indicates brand profitability is used in some formulary methods. When computing a brand’s profitability, factors that relate to the brand’s identity need to be considered. A multiplier is attached to the valuation after determining brand profitability. Different methods use different factors to evaluate brand strength, in other words, use different kinds of brand indexes in their valuations. The factors considered need to relate directly to the brand’s identity (Seetharaman et al, 2001).
2.10.1 A standard for monetary brand valuation

In the fall of 2010 a standard for a monetary brand valuation was released by the International Organization for Standardization (ISO).

In the introduction to ISO 10668 is written that: “Intangible assets are recognised as highly valued properties. Arguably the most valuable but least understood intangible assets are brands” (ISO 10668: 2010).

The purpose of the standard is to provide a consistent and reliable approach to brand valuation. The standard describes the key financial brand valuation methodologies which fall into the three main camps which are income, market and cost based approaches. Since the purpose of this thesis is to create a valuation criteria for energy brands, based on formulary approach, based on three pillars, which are consumer perception of the brands, specialist valuation on brand differentiation and company performance in relation to competition, the ISO 10668 standard will not be further discussed.

Due to the nature of this research, from now on there will only be further discussion on formulary approaches. Cost based, market based and income based approaches are completely based on financial figures related to the brand. In this thesis however the emphasis is on a brand valuation based on consumer perception, specialists valuation and company performance on chosen factors related to the brand’s strength compared with competition.

2.10.2 Managerial issues

According to Abratt and Bick (1996) there are six managerial issues to consider when deciding which approach to choose when valuing a brand. Apart from considering the legal landscape in the country at hand, they listed six issues to be given a special consideration. First is the brand portfolio effect. Some companies have for strategic reasons built up a brand portfolio, but the valuation of the portfolio as a whole is not equal to valuation of each brand individually. A method of portfolio valuation would be to value a single brand in it’s current use and then add on the effect of the portfolio.

Second issue to consider is that umbrella brands or co-brands get benefits from the associations with the company (Aaker, 1996) here the difficulty would be to figure out
which of the benefits are due to the brand at consideration and which are due to the umbrella or corporate brand.

Third to consider is that media inflation affects the brand valuation. Some of a brand’s strengths are related to awareness levels, that can partly be caused by media inflation. Fourth is the entering of a new competitor into the market which could result in decline of market share. That would be considered a reduction of brand equity in most models, as a debate, it can be argued that the remaining customers are worth more due to high loyalty levels, resulting in an increased brand equity (Abratt and Bick, 2003).

Fifth, is what Aaker (1991) consideres to be the effect of sales promotions on brand equity and an effort to milk the brand. Since majority of models use current sales, there is a mathematical temptation to discount the brand and thereby raising revenues in order to increase brand equity. Sixth managerial issue to consider is that if the approach being used relies on marketing research, it is important that the research conforms scientific standards in order to avoid errors that affect the calculations, leading to biased conlusions (Abratt and Bick, 2003).

2.10.3 Multiple criteria
When using formulary approaches, multiple criteria are used to determine the value of a brand. Formulary approaches are in some respect similar to income based approaches, however formulary approaches use strength indexes of different aspects of a brand as a multiplier. These are the approaches most extensively used by both consulting and other organizations when valuating brands (Abratt and Bick, 2003). The brand valuation methods that will be discussed here are Interbrand’s approach, The Financial world’s method, Aaker’s Brand Equity Ten method, Keller’s CBBE model, The Brand Finance method and The BranZ method.

2.10.3.1 Interbrand’s approach
Interbrand’s brand valuation approach is a variation of brand earnings approach, as it determines the brands earnings and capitalizes them after making suitable adjustments to each brand (Keller, 1998). When using the Interbrand method, the economic profit (EVA) is determined by taking the forecast profit and deducting a capital charge. It is then attempted to determine the brand’s earnings by using a special brand index that is
based on seven factors (Abratt and Bick, 2003). These seven factors are listed below, as well as each factor’s weight. The brand index is a diagnostic tool used to measure a brand’s strength relative to competition (Rocha, 2014).

1. Market (10%): How stable is the market? Is it growing and does it have strong barriers to entry? Some product markets are more valuable to brands than other markets because of their ability to generate greater volume of sales (Abratt and Bick, 2003; Seetharaman, 2001).

2. Stability (15%): Long established brands that constantly command customer loyalty score high on this factor. The brand’s ability to retain its image and customer loyalty over long time.

3. Leadership (25%): Takes into account whether the brand is a leader in its competing sector. The ability of the brand to function as a market leader and to hold a dominant market share. Leadership can also be generated into market position.

4. Trend (10%): Gives an indication where the brand is moving. The ability of the brand to stay current in consumers’ minds and to maintain a consistent level of perception.

5. Support (10%): How strong support has the brand received? Organizations that are able to give great support and are consistently managed gain higher score on this factor than brands without any organizational investment.

6. Internationalization/international image (25%): How strong is the brand in the international arena? An international brand has greater possibilities than a regional or domestic brand.

7. Protection (5%): How strong is the company’s ability to protect the brand? Protection relates to legal issues associated with brands like registered trademarks that strengthen legal rights to protect the brand.
All of the discussion above on Interbrand’s valuation factors is based on Abratt and Bick (2003) and Seetharaman et al (2001). For the brand valuation a multiplier is determined by an evaluation of a brand’s strength on these seven factors. The scores on the factors are calculated into one number which serves as a multiplier in a formula used to calculate the brand’s brand value (Seetharaman et al, 2001). The formula is used to connect the brand’s strength score on the index to a brand’s specific discount rate (Rocha, 2014).

According to Abratt and Bick (2003) the advantages of this approach lie among other reasons in how widely accepted it is and the fact that it takes into account all aspects of branding. All additional costs and marketing spend have been accounted for by using the economic profit figure. However they state that the approach’s major shortcomings lie in what they call “comparing apples and oranges” as they believe the international component should not be applied over the local brand earnings, stating that, if a company wanted to bring international aspects into account it must include possible international profits. Because of this, two different valuation bases are mixed up, on one hand there is in use basis and on the other is an open market valuation. Since parts of the risk normally included in the discount rate have been factored into the brand index score, the appropriate discount rate can be very hard to determine. It is even difficult to ascertain the appropriate rate for the capital charge (Abratt and Bick, 2003).

Aaker (1996) indicated that the Interbrand method is lacking consideration of the brand’s possibility to support extensions into other product classes. The company’s support of the brand may be ineffective, money spent on advertising may not indicate effective brand building and even if trademark protection is possible, it does not itself create brand value.

2.10.3.2 Financial World method

The Financial World magazine uses Interbrand’s brand strength index as a multiplier in it’s brand value calculations. Using the same combination of the seven factors and weightings as Interbrand. However the premium profit attributable to the brand is calculated in a different way, so The Financial World uses the same valuation factors and weightings as Interbrand but a different financial figure when calculating the brand value. The Financial World financial figure is determined by deducting the earnings of a
comparable unbranded product from the estimation of the operating profit attributable to a brand (Abratt and Bick, 2003). The earnings of a comparable unbranded version could for example be determined by assuming that a generic version of the product would generate a 5% net return on capital employed (Keller, 1998). The premium is then adjusted for taxes and multiplied by the brand index (Abratt and Bicks, 2003).

Due to the similarities of the Interbrand approach and The Financial World method, the pros and cons of the two methods are of similar nature. In the discussion about Interbrand’s approach to brand valuation here above, some of the methods’ pros and cons are mentioned.

2.10.3.3 Brand Equity Ten: Aaker’s method

Aaker’s Brand equity ten model, is based on a comprehensive perspective, meaning it establishes a link between brand asset and customer perception. According to the comprehensive perspective, the value is brought to the customer and the company at the same time by the brand (Huang, 2015). The model is based on five categories or core dimensions, which include ten elements to base measures of brand equity on. These are:

1. **Loyalty measures**: (1. price premium, 2. customer satisfaction or loyalty).

2. **Perceived quality or leadership measures**: (3. perceived quality, 4. leadership or popularity).

3. **Other customer-oriented associations or differencing measures**: (5. perceived value, 6. brand personality, 7. organizational associations).

4. **Awareness measures**: (8. brand awareness).

5. **Market behaviour measures**: (9. market share, 10. market price and distribution coverage).

According to this method the brand value is calculated like this:

\[
\text{Brand value} = (\text{price advantage + satisfaction/loyalty}) + (\text{perceived quality + leading brand/popularity}) + (\text{perceived value + brand personality + organization association}) + \text{brand awareness} + (\text{market prices and distribution channels + market share}) \text{ (Huang, 2015, p. 73).}
\]
Table 1 shows Aaker’s model of brand equity. The five categories or core dimensions have been put in the table showing which element, or evaluation factor belongs to which category.

Table 1 Brand Equity Ten Model

<table>
<thead>
<tr>
<th>Core dimensions</th>
<th>Evaluation factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand loyalty</td>
<td>Price advantage</td>
</tr>
<tr>
<td></td>
<td>Satisfaction/ loyalty</td>
</tr>
<tr>
<td>Brand perception</td>
<td>Leading brand/ popularity</td>
</tr>
<tr>
<td></td>
<td>Perceived quality</td>
</tr>
<tr>
<td>Brand association</td>
<td>Brand personality</td>
</tr>
<tr>
<td></td>
<td>Organization association</td>
</tr>
<tr>
<td></td>
<td>Perceived value</td>
</tr>
<tr>
<td>Brand awareness</td>
<td>Brand awareness</td>
</tr>
<tr>
<td>Brand market situation</td>
<td>Market prices/ distribution channels</td>
</tr>
<tr>
<td></td>
<td>Market share</td>
</tr>
</tbody>
</table>

2.10.3.4 Keller’s CBBE model

The core of this method is how to measure the value of brand equity from the customer’s level. In this model the brand’s strength is measured by the difficulty and the frequency that the brand can be identified in a variety of situations by the customer (Huang, 2015). In 2008 Keller reinforced his definition of consumer based brand equity (CBBE), discussed earlier in this thesis, stating that the “power of a brand lies in what customers have learnt, felt, seen and heard about the brand as a result of their experiences over time” and thereby acknowledging the temporal dimension of brand image (Keller, 2008).

According to Keller’s method brand value should be measured as follows:

\[
\text{Brand value} = \text{Brand significance} + (\text{brand performance} + \text{brand image}) + (\text{brand evaluation} + \text{brand feeling} + \text{brand resonance}) \quad (\text{Huang, 2015, p. 74}).
\]

Figure 6 shows Keller’s CBBE pyramid and how the relationship and involvement between the customer and the brand strengthens as it gets higher in the pyramid.
According to the CBBE model, building a strong brand involves four steps in relation to customers as shown in figure 6, the higher the step in the pyramid the stronger the relationship between the customer and the brand and more customer equity:

1. Establishing the proper brand identity, which means, establishing breadth and depth of brand awareness.

2. Creating the appropriate brand image, meaning through strong, favorable and unique brand associations.

3. Eliciting positive, accessible brand responses or how the customers evaluate or perceive the brand in relation to quality, credibility, consideration or superiority.

4. Forging brand relationships with customers that are characterized by intense, active loyalty. This is the most valuable step and occurs when all the other building blocks have been established. With true brand resonance, customers express a high degree of loyalty to the brand, actively seek means to interact with it and share their experiences with others (Keller, 2001).
Achieving these four steps also involves establishing six brand-building blocks, those are brand significance or awareness, brand performance, brand imagery, brand judgments, brand feelings, and brand resonance (Keller, 2001).

2.10.3.5 Brand Finance method

The UK consulting organization, Brand Finance Limited has developed a commercial brand valuation method which is based on four elements (Jones, 1999). The four elements are listed here:

- **Total market modeling:** To identify the brand’s position in a competitive market.
- **Specific branded business forecasting:** To identify total business earnings from the brand.
- **Business drivers research:** Determination of the added value of total earnings specially attributed to the brand.
- **Brand risk review:** Assessing the earnings or Beta risk factor associated with the earnings (Jones, 1999).

The Brand Finance method is based on the Royalty Relief approach, which involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that could be charged for the use of the brand, if not owned, but licenced (Brand Finance, 2016). The Royalty relief approach is an income based approach (Salinas and Ambler, 2009) not formulary, however the the brand’s royalty relief rate, is multiplied by the brand’s score on a brand strength index and the brand’s forecast revenues (Brand Finance, 2016). Brand Finance’s brand value is calculated like this:

\[
\text{Brand strength index } \times \text{ brand royalty rate } \times \text{ brand revenues} = \text{ brand value}
\]

The brand strength index is based on brand investment, brand equity and the brand’s performance on the market (Brand Finance, 2016).
2.10.3.6 *BrandZ’s method*

BrandZ’s brand valuation includes three steps:

1. **Calculating financial value by analyzing financial info from annual reports.**

2. **Calculating brand contribution:** Brand contribution as defined here, the heart of a brand’s value is it’s ability to appeal to relevant and potential customers. BrandZ measures this appeal and validates it against actual sales performance. Brands that succeed in creating the greatest attraction power are those that are, meaningful, different and salient. BrandZ is the only brand valuation methodology that obtains this customer viewpoint by conducting worldwide ongoing, in-depth quantitative consumer research ([BrandZ™ Brand Valuation Methodology, 2016](#)).

3. **Calculating brand value:** Financial value x brand contribution = brand value.

According to the BrandZ valuation method, three elements are used for the measure of a brand contribution, as defined here, the heart of a brand’s value. These elements are:

- **Meaningful:** Does the brand manage to generate love and meet the expectations and needs of it’s customers.
- **Different:** Is the brand unique in a positive way and does it "set the trends," staying ahead of the curve for the benefit of the consumer.
- **Salient:** Does the brand come spontaneously to mind as the brand of choice for key need ([BrandZ™, 2016](#)).

Within the valuation factors used by the different valuation methods discussed here in previous chapters, concepts and constructs considered of importance in the branding literature have been built-in by alternate ways. Meaning, different concepts of branding and brand equity are built-in and measured by different valuation factors within different valuation methods.

Since the aim of this study is to create an energy brand valuation criteria, the concepts and constructs of importance have been identified within the valuation factors in order to analyze which valuation factors would be most suitable when valuating an energy brand. In the next chapter will be a compilation and discussion on constructs found in the branding literature and within the brand valuation factors of the methods discussed in previous chapters.
2.11 Conclusions from the literature on energy brand evaluation factors

Brand strength measures the ability of the brand to create continuity of demand into the future through loyalty and thereby reducing risk and defending the brand from competitive propositions and marketing efforts (Mike Rocha, 2014).

In this chapter will be a discussion on constructs identified in the literature and were found within the evaluation factors of the brand valuation methods previously discussed. This is done in order to detect the valuation factors suitable to base the energy brand valuation criteria on. The energy brand valuation criteria will be based on valuation factors that measure elements that form the basis of a strong energy brand.

The constructs that were identified to be of importance for a strong energy brand after analysing the branding literature and benchmarking of various brand valuation methods are, image, loyalty, market position/leadership, level of perception and awareness. The branding concepts were identified within the valuation factors of the different brand valuation methods. These constructs were used to create two integrated dimensions and then renamed, these are:

- Brand image and perception (image, level of perception and awareness).
- Company performance in relation to competition (market position/leadership, loyalty).

Since a brand’s level of consumer perception and awareness can only be evaluated by consumers, a consumer survey was sent out in the form of a quantitative questions list to measure what attributes of energy suppliers consumers consider important. This was done in order to be able to identify the attributes most important and of most value to consumers. The consumer survey will be further discussed and described in chapters three and four.

A company’s performance in relation to competition is valued by independent analysis of competitive data from the market, like market share, customer churn, how good the company’s web page is according to certain standards and the opportunities of the market the company operates in. A brand’s image, it’s promise and differentiation that is based on brand elements, will be valued by a panel of industry specialists.

Table 2 shows the totality of valuation factors that are used by the valuation methods previously discussed, Interbrand’s approach, Financial World’s method, Aaker’s Brand Equity Ten, Keller’s CBBE model, Brand Finance’s method and BrandZ
method. The methods’ different perspectives of brand valuation, asset perspective and comprehensive perspective, which is a combination of asset and consumer perspective, as has been discussed in a previous chapter, have also been put in the table.

Table 2 Brand evaluation factors used by different methods.

<table>
<thead>
<tr>
<th>Evaluation factor</th>
<th>Core dimensions</th>
<th>Brand value perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interbrand/Financial World</strong></td>
<td></td>
<td>Asset perspective</td>
</tr>
<tr>
<td>Leadership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International image</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trend</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand strength</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brand Finance</strong></td>
<td>Asset perspective</td>
<td></td>
</tr>
<tr>
<td>Total market modelling</td>
<td>Market position</td>
<td></td>
</tr>
<tr>
<td>Special branded business forecasting</td>
<td>Business earnings from brand</td>
<td></td>
</tr>
<tr>
<td>Business drivers research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand risk review</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aaker</strong></td>
<td>Comprehensive perspective</td>
<td></td>
</tr>
<tr>
<td>Price advantage</td>
<td>Brand loyalty</td>
<td></td>
</tr>
<tr>
<td>Satisfaction/ loyalty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leading brand/ popularity</td>
<td>Brand perception</td>
<td></td>
</tr>
<tr>
<td>Perceived value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand personality</td>
<td>Brand association</td>
<td></td>
</tr>
<tr>
<td>Organization association</td>
<td>Brand awareness</td>
<td></td>
</tr>
<tr>
<td>Brand awareness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market prices/ distribution channels</td>
<td>Brand market situation</td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Keller</strong></td>
<td>Comprehensive perspective</td>
<td></td>
</tr>
<tr>
<td>Brand significance/salience</td>
<td>Brand Identification/awareness</td>
<td></td>
</tr>
<tr>
<td>Brand performance</td>
<td>Brand connotation</td>
<td></td>
</tr>
<tr>
<td>Brand image</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand evaluation</td>
<td>Brand reflection</td>
<td></td>
</tr>
<tr>
<td>Brand perception</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resonance</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brandz</strong></td>
<td>Comprehensive perspective</td>
<td></td>
</tr>
<tr>
<td>Meaningful</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Different</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salient/significance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3 shows the valuation factors and how the five brand equity constructs identified in the literature analysis are embodied within different valuation factors. This is done for easier analysis and in order to identify common and related constructs within the evaluation factors. Within different valuation models related concepts or constructs have been merged in valuation factors that have been given different names.

Table 3 Brand equity constructs within the valuation factors.

<table>
<thead>
<tr>
<th>Method</th>
<th>Image</th>
<th>Loyalty</th>
<th>Market position/leadership</th>
<th>Perception</th>
<th>Awareness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interbrand/Financial World</td>
<td>International image</td>
<td>Stability</td>
<td>Leadership</td>
<td>Trend</td>
<td></td>
</tr>
<tr>
<td>Brand Finance</td>
<td></td>
<td></td>
<td>Total market modeling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aaker</td>
<td>Brand association (brand personality)</td>
<td>Loyalty (price advantage, satisfaction, perceived quality)</td>
<td>Brand market situation (market prices, distribution channels and market share)</td>
<td>Brand perception (leading brand/popularity, perceived value)</td>
<td>Brand awareness</td>
</tr>
<tr>
<td>Keller</td>
<td>Brand connotation (Brand performance, brand image)</td>
<td>Brand relationship (resonance)</td>
<td>Brand reflection (brand evaluation, brand perception)</td>
<td>Brand salience (identification, awareness)</td>
<td></td>
</tr>
<tr>
<td>BrandZ</td>
<td>Different</td>
<td>Meaningful</td>
<td>Sailent</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The valuation factors chosen for this energy brand valuation criteria have been drawn from the literature after analysis and benchmarking of the brand valuation models. The valuation factors were chosen in terms of the constructs identified within each factor and combined in an entity consisting of all constructs found to be of importance. The valuation factors are leadership, stability, market opportunities, web page, differentiation and awareness.

One of the valuation factors chosen, market opportunities is shown in table 4 but not shown in table 5, since it does not embody one of the five constructs, image, loyalty, market position/leadership, level of perception and awareness. Market opportunities is one of the valuation factors in Interbrand’s and Financial World’s model. The reason that factor is included in this criteria is that energy suppliers operate on different markets with different opportunities. Web page is another valuation factor that is not included in the tables. However web page is considered an important valuation factor when valuing energy brands since an energy supplier’s web page is one of the company’s main touching point with it’s customers. Each of the valuation factors will be explained individually in the following chapters.
2.11.1 Valuation factors

Following is a discussion on the factors chosen for valuation of an energy brand from the branding literature and the models previously discussed. The factors were chosen in regard to the brand equity constructs identified within and thereby their ability to create brand value, and their relevance when evaluating brands in the energy sector. In the following chapters is a discussion on the factors chosen for energy brand valuation in regard to the company’s performance on the market, which are leadership, stability, market opportunities and web page. There is also a discussion on differentiation, which is to be evaluated by a marketing industry specialist and lastly there is a discussion on awareness, a factor which is a part of the consumer perception valuation.

2.11.1.1 Leadership

Market leadership can be generated into market position, it is based on percentage of market share and takes into account whether the brand is a leader in it’s competing sector (Rocha, 2014). The business dictionary defines market leader as a brand, product or a company that has the largest percentage of total sales revenue, the market share, of a market. A market leader often dominates its competitors in customer loyalty, distribution coverage, image, perceived value, price, profit, and promotional spending (The Business dictionary, 2016).

The ability of the brand to function as a market leader and to hold a dominant market share is an indicator of competitive advantage against competition. Market share is therefore a good measure to identify the brand’s performance in a competitive market. According to Aaker (1996) market share can be a clear indicator of consumers’ perceptions and satisfaction with a brand. A decreasing market share on the other hand, is an indicator that the brand is slipping in the consumers’ estimations (Aaker, 1996).

2.11.1.2 Stability

Stability refers to the brand’s ability to retain it’s image and customer loyalty over long time. Does the brand manage to stay relevant over time and continue to meet it’s customers’ needs? Long established brands that constantly command customer loyalty score high on this factor.

This can be measured by a company’s customer churn in percentages per year, compared with average market customer churn. Stability is strongly related to brand
loyalty and according to David Haigh (2000), chief executive at Brand Finance, loyalty is the ultimate goal of branding and is a measure of the consumers’ overall attraction to the brand (David Haigh, 2000). Keller (2001) said similar of brand loyalty, according to him, loyalty occurs when customers have relationships with brands that are characterized by intense, active loyalty. This is the most valuable step of brand building and occurs when all the other brand building blocks have been established according to his CBBE model. With true brand resonance, customers express a high degree of loyalty to the brand, actively seek means to interact with it and share their experiences with others (Keller, 2001).

2.11.1.3 Market opportunities
Markets can be of different levels considering companies’ opportunities to grow and increase sales. This factor, market opportunities is therefore meant to compare brands between markets as each market gets a single valuation and in addition all companies competing on the same market score equal on this factor.

Different elements are taken into account like market size, competition, possibilities, and growth. How stable is the market? Is it growing and does it have strong barriers to entry? Some product markets are more valuable to brands than other markets because of their ability to generate greater volume of sales.

2.11.1.4 Web page
As competition and customer churn is likely to increase in the world’s energy markets following their liberalization, the quality of energy suppliers’ web pages is considered here of a major importance. The reason is that the web pages are the companies’ main touch points with their customers and thereby increase their possibility of differentiation through good service.

It is already the case that energy suppliers on markets with higher levels of competition and customer churn, like e.g. in New Zealand have been increasing the quality of their websites and mobile apps to allow customers to better monitor and manage their energy usage and to provide information and easy access for customers to company employees (Electricity Authority, 2016).

A web page’s design, usability, SEO (search engine optimization), quality of content and integration are among factors that affect how easily the customer can use the web
page and acquire the information he is looking for (Yu, 2016). Doing this well can contribute to the company’s image and add to the consumers value and good customer experience by providing good service, information and easier access to the company (Roberts and Zahay, 2013).

2.11.1.5 Differentiation
According to the BranZ valuation method, there are three elements at the heart of a brand’s value, one of those is different. Different has to do with weather the brand is unique in a positive way and "sets the trends," staying ahead of the curve for the benefit of the consumer? (BranZ, 2016). Keller (1993) talked about how uniqueness of brand associations connected to the brand in the consumers’ minds, adds to brand equity (Keller, 1993).

The question is, is the brand doing something different, something that makes it stand out from competitors and creates value for both company and it’s customers? Establishing a brand identity requires something distinctive. The brand simply needs to have one special thing that separates it from the competition (DeMers, 2013).

In branding terms, a differentiator defines what brand qualities separate your brand from your competitor’s brand. Difference is a point or way in which people or things are not the same. Unique, however is being the only one of its kind: unlike anything else (Valderrama, 2014). So the ultimate goal of a brand differentiation, according to marketing specialist Alex Walderrama (2014), should be a unique brand.

For differentiation as a valuation factor, a market industry specialist’s opinion is needed to valuate brand differentiation. Uniqueness, name, logo, products and brand promise are elements that are subjects to the specialists’ valuation on brand differentiation.

2.11.1.6 Awareness
Weather a brand comes spontaneously to mind as the brand of choice for a key need, is according to some of the specialists in the branding literature an important matter (Keller, 1993; Aaker 1991; BranZ, 2016). It has long been debated that one of the major goals of marketing is to create, generate and maintain brand awareness among consumers. This is particularly important in low involvement situations where consumers engage little in active information search to help with buying decisions.
Repeated advertising is used to keep brands in the consumers’ consideration set, which is the set of a brand to which the consumer gives attention to, considers and chooses from when it comes to decide on buying decision (Macdonald and Sharp, 1996).

Awareness is one aspect of consumer perception of brands, which is one of the three pillars the energy brand evaluation criteria will be based on. Quantitative questionnaire was sent out to consumers, containing questions for energy consumers on certain attributes that all contribute to brand value on the constructs previously discussed. Awareness refers to how easily the brand comes to the consumer’s mind and for that reason brand awareness needs to be measured in a research among consumers and should be part of the consumer survey questions list. In the following chapters the consumer survey will be discussed. Method and findings will be described and discussed. But first the parts of the energy brand model, that have already been discussed, will be described.

2.11.2 Energy brand valuation model

The brand valuation criteria is based on three pillars, consumer perception, marketing specialist valuation on brand differentiation and an independent analysis of company performance based on data from the market. In previous chapters has been a discussion on brand valuation factors belonging to two of the pillars, the marketing specialist valuation and company performance. There has also been discussion on awareness, which is a valuation factor belonging to the consumer perception pillar. Figure 7 shows how the three pillars of brand valuation factors combine in the final brand value. The consumer perception part has been shaded since it hasn’t been fully discussed yet. The figure also shows the valuation factors belonging to each pillar.
In the next chapters there will be a discussion on the consumer survey sent out in order to study what attributes connected to energy suppliers are most important to consumers. The attributes were chosen according to the constructs identified to be of importance in the literature analysis. All the attributes chosen for the consumer survey contribute to one or more of the constructs, *image, loyalty, market position/leadership, level of perception* and *awareness*. The aim of the consumer research is to find out how the attributes score among consumers. This is done in order to decide on how much each attribute should weigh within the brand valuation criteria. For example the attribute that gets the highest score, which indicates the attribute’s effectiveness in brand value creation, will be given the highest weight in the consumer survey part of the brand valuation criteria. In the next chapters the consumer survey will be further discussed and described.
3 Method

In this chapter, the methodology of the consumer perception research will be outlined. In order to find out what attributes are most important to energy consumers, a consumer perception survey was sent out in the form of a quantitative questionnaire to collect data for comparisons of means and other statistical analysis. The attributes were chosen according to the constructs identified in the literature analysis, image, loyalty, market position/leadership, level of perception and awareness. Each attribute contributes to a brand’s value on one or more of the constructs. Consumers were asked to rate importance of the attributes in relation to energy suppliers. The attributes will be given weight in the brand valuation criteria according to scores in this survey.

Descriptive statistics, component analysis, t-test and one way ANOVA were used for the analysis. In the next chapter there will be a description of the participants in the study. In the following chapters the measures will be outlined and the procedure described.

3.1 Participants

Participants in this study were 204, a questionnaire was sent out to 1553 e-mails in Iceland (See Appendix 1 for the e-mail sent out to recipients) and receivers were asked to rate the importance of fourteen attributes related to energy suppliers. The e-mail list was composed of e-mails from lists sent out in previous researches in the University of Iceland. The aim was to reach a wide range of participants considering both sex, age and education level. There were in total 204 people who completed the survey. A number of 343 viewed it, 230 started answering, but twenty dropped out before finishing, so dropout rate after starting was 8,7%.

Table 4 shows the participants divided by sex. As can be seen majority of participants were women.
Table 4 Participants divided by sex

<table>
<thead>
<tr>
<th>Sex</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>77</td>
<td>37,7</td>
</tr>
<tr>
<td>Female</td>
<td>127</td>
<td>62,3</td>
</tr>
<tr>
<td>Total</td>
<td>204</td>
<td>100</td>
</tr>
</tbody>
</table>

As shown in table 5, the age division of participants in the study could be better as 62,6% are 30 years of age or younger. 35,8% are between 31 and 60 years of age, but only 1,5% are between 61 and 70 years of age.

Table 5 Participants divided by age

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>%</th>
<th>Valid %</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 years or younger</td>
<td>23</td>
<td>11,3</td>
<td>11,3</td>
<td>11,3</td>
</tr>
<tr>
<td>21-30 ára</td>
<td>104</td>
<td>51</td>
<td>51,2</td>
<td>62,6</td>
</tr>
<tr>
<td>31-40 ára</td>
<td>25</td>
<td>12,3</td>
<td>12,3</td>
<td>74,9</td>
</tr>
<tr>
<td>41-50 ára</td>
<td>27</td>
<td>13,2</td>
<td>13,3</td>
<td>88,2</td>
</tr>
<tr>
<td>51-60 ára</td>
<td>21</td>
<td>10,3</td>
<td>10,3</td>
<td>98,5</td>
</tr>
<tr>
<td>61-70 ára</td>
<td>3</td>
<td>1,5</td>
<td>1,5</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 6 shows the participants’ educational level. The educational level is quite even, except for the vocational education, which is considerably lower than other levels of education finished.

Table 6 Participants’ education levels

<table>
<thead>
<tr>
<th>Education</th>
<th>N</th>
<th>%</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highschool</td>
<td>19</td>
<td>9,3</td>
<td>9,3</td>
</tr>
<tr>
<td>College</td>
<td>75</td>
<td>36,8</td>
<td>46,1</td>
</tr>
<tr>
<td>Vocational education</td>
<td>14</td>
<td>6,9</td>
<td>52,9</td>
</tr>
<tr>
<td>Bachelor degree</td>
<td>54</td>
<td>26,5</td>
<td>79,4</td>
</tr>
<tr>
<td>Masters degree</td>
<td>31</td>
<td>15,2</td>
<td>94,6</td>
</tr>
<tr>
<td>Annað</td>
<td>11</td>
<td>5,4</td>
<td>100</td>
</tr>
</tbody>
</table>

The number of participants that concluded the survey is sufficient for the analysis conducted in this study, which is components analysis, independent samples t-test and one way Anova, a comparison of means.
3.2 Measures

In order to seek answers to the research question a study was designed in the form of a consumer survey. A questionnaire was sent out to consumers. The questionnaire used in this study consisted of fourteen questions, each regarding a certain attribute of energy suppliers. Participants were also asked to answer three questions about their background, sex, age and educational level (See Appendix 2 for the survey questionnaire). This was done to be able to study if background affects participants’ way of answering.

The aim of the study was to shed a light on which attributes are of most importance to energy consumers and hence create most value in the consumers’ minds. The attributes were chosen in regard to how they contribute to a brand’s value on the constructs found in the literature analysis, image, loyalty, market position/leadership, level of perception and awareness. Each contributes to the value on one or more of the constructs. Some of the attributes have also been found to be of importance in previous qualitative studies on energy consumers’ perception of the product e.g. trust (Larsen, 2014), green energy (Lipp, 2001) and socially responsible (Árnadóttir, 2001). Those qualities and the others like good service, safe distribution of energy and good web page also contribute to brand value on the constructs and hence good perception of a company, increased customer value and positive differentiation from competition, which in turn can lead to a better image and increased loyalty and market share.

The participants were given a choice of answers on a five point Likert scale. The answer choices were as shown in table 7.

<table>
<thead>
<tr>
<th>Five point Likert scale</th>
<th>1 = very unimportant</th>
<th>2 = rather unimportant</th>
<th>3 = neither nor</th>
<th>4 = rather important</th>
<th>5 = very important</th>
</tr>
</thead>
</table>

Participants were asked to give scores on the importance of the fourteen attributes as if they were answering how important they would consider the attributes regarding their own energy supplier. The attributes the participants were asked to give scores on are listed in table 8:
Table 8 Attributes related to energy suppliers

<table>
<thead>
<tr>
<th>How unimportant/important is it that your energy supplier is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustworthy/safe</td>
</tr>
<tr>
<td>Kind to nature</td>
</tr>
<tr>
<td>Socially responsible</td>
</tr>
<tr>
<td>Progressive</td>
</tr>
<tr>
<td>Modern</td>
</tr>
<tr>
<td>Experienced in energy matters</td>
</tr>
<tr>
<td>Fun</td>
</tr>
<tr>
<td>Old fashioned</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How unimportant/important is it that your energy supplier provides:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good service</td>
</tr>
<tr>
<td>Green/renewable energy</td>
</tr>
<tr>
<td>Good webpage</td>
</tr>
<tr>
<td>Variety of products/services</td>
</tr>
<tr>
<td>Safe distribution of energy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How unimportant/important is it that you, regarding your energy supplier:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceive quality?</td>
</tr>
</tbody>
</table>

Following is a discussion on each of the attributes:

- **Trustworthy**: Results from previous qualitative studies on energy consumer perception, regarding companies in the energy sector, show that trust is an important element for consumers regarding energy companies. According to Friðrik Larsen’s (2014) research results, consumers were concerned about trust related issues and for that reason companies in the energy sector should address matters of trust in their marketing before going into general image building (Larsen, 2014). If consumers perceive an energy supplier as trustworthy it has a strong and positive image that is likely to lead to customer loyalty.

- **Save distribution of energy**: A trust related issue as well as performance related. The importance of energy in modern time society makes consumers especially dependent on it for every day life. It is important for them to be able count on safe distribution of energy in order to prevent from powerlessness. Distribution of energy is the core of what energy companies do and what their customers are looking for. If an energy company is perceived as a safe distributor of energy it contributes to strong image and can lead to customer loyalty.
➢ **Socially responsible:** The concept of differentiation is strongly related to image. Positive differentiation leads to strong and good image. Differentiation is a key component of a brand’s positioning on a market. It is important for a brand to be differentiated from competitors on the market in order to create a positive image in the consumers’ minds (Keller et al, 2012) and thereby create added value for the consumer (Aaker, 2004). Social responsibility creates positive differentiation for energy suppliers (Árnadóttir, 2015).

➢ **Good service:** Good customer service adds value to the customer, which in turn is more likely to be a happy and loyal customer. Good service is a rather general term, which reflects several of the other attributes on this questionnaire like safe distribution of energy, perceived quality and web page. If a company is perceived as having good service and being customer minded it has a positive image and differentiation that in turn can lead to customer loyalty.

➢ **Green energy:** Weather energy is green or not is one of few differentiation factors of the product and researches have shown that energy can be differentiated if it is made from green sources (Ashley and Leonard, 2009; Claudy et al, 2011). Green electricity is normally referred to as renewable energy and in general, renewable energy sources are perceived as good by consumers (Lipp, 2001).

➢ **Experienced in energy matters:** Being perceived by consumers as experienced in what you do is positive and trustworthy. As previous researches have shown trust is important in the energy sector and consumers dread the idea of powerlessness. Experience in energy matters is likely to reduce the risk of powerlessness.

➢ **Perceived quality:** According to Aaker perceived customer brand quality, is one of five brand equity assets that are the source of the value created. Perceived quality among other elements increases positive differentiation for the brand from competitors as well as giving price premium and increasing margins (Aaker,1992).

➢ **Good web page:** As competition and customer churn is likely to increase in the world’s energy markets following their liberalization, the quality of energy suppliers’ web pages is considered here of a major importance. The reason is
that the web pages are the companies’ main touch points with their customers and thereby increase their possibility of positive differentiation through good service and an increased customer value.

- **Progressive:** Is a wide concept, to be progressive is to be up-and-coming, growing and facing forward. It is a related concept to both innovative and modern, all of the above mentioned concepts are generally considered to refer to improve or at least an attempt to improve the current situation.

- **Modern:** See above, discussion on progressive.

- **Variety of products/services:** It adds value to customers to be able to choose between different “packages” of energy, choose the way that serves best their needs. Some might want to pay extra for extra service and others may want to be able to pay less for using energy on cheaper hours, like for example night time or even on Mondays. Added customer value leads to a happier customer and loyalty.

- **Fun:** This attribute was chosen in regard to how well a certain company on the Icelandic telecom market has been doing, by differentiating itself from competing companies by being the “fun” company on the market. The idea is based on similarities between the energy and telecom markets and considered interesting weather the image of being fun related to energy consumers regarding energy suppliers.

- **Old fashioned:** Here again the issue is trust, as old fashioned and conservative are at times considered stable and trustworthy.

### 3.3 Procedure

The sample used in this study was a random utility sample of energy consumers in Iceland and the survey was sent out to a list of 1553 e-mails. In the e-mail, recipients were informed on the survey’s object, which was to find out how important consumers considered the attributes, listed in the questionnaire, in relation to energy suppliers. The recipients were also informed on who the researcher was and that individual answers would be classified. The survey was set up in Questionpro and was first sent out on the 18th of April 2016. On the 22nd of April a remainder was sent out and on May 1st 2016 the survey was closed. Data was exported from Questionpro into SPSS where
the statistical analysis was done. Before the survey was sent out for the first time, the researcher sent it to few co-students and friends to pre-test if there was something that should be done better regarding the survey and the directions participants were given.

The first time the survey was sent out, there was an invitation to sign in on a list for a chance to win a gift card for a dinner for two. In the remainder, the possibility of a dinner gift card was also in the subject of the e-mail.
4 Findings from consumer perception survey

In this chapter results and findings from the consumer survey will be discussed, beginning with descriptive analysis. Components analysis was later conducted to seek dimensions in the data and inner reliability of dimensions were checked. Lastly there were conducted t-tests and one-way ANOVA, to check if background, sex, age and educational levels had affects on how the participants answered their questions.

4.1 Descriptive analysis

Table 9 shows descriptive results from participants’ answers, the table shows the attributes’ mean scores, the standard deviations and score range. Attributes are listed in descending order, according to scores received.

Table 9 Descriptive statistics of attributes’ scores in descending order.

<table>
<thead>
<tr>
<th>Attributes connected to energy suppliers</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Sd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustworthy/safe</td>
<td>202</td>
<td>1</td>
<td>5</td>
<td>4,7</td>
<td>0,65</td>
</tr>
<tr>
<td>Save distribution of energy</td>
<td>202</td>
<td>1</td>
<td>5</td>
<td>4,6</td>
<td>0,68</td>
</tr>
<tr>
<td>Socially responsible</td>
<td>202</td>
<td>1</td>
<td>5</td>
<td>4,5</td>
<td>0,85</td>
</tr>
<tr>
<td>Provides good service</td>
<td>200</td>
<td>1</td>
<td>5</td>
<td>4,5</td>
<td>0,74</td>
</tr>
<tr>
<td>Kind to nature</td>
<td>201</td>
<td>1</td>
<td>5</td>
<td>4,5</td>
<td>0,85</td>
</tr>
<tr>
<td>Green/renewable energy</td>
<td>201</td>
<td>1</td>
<td>5</td>
<td>4,4</td>
<td>0,86</td>
</tr>
<tr>
<td>Experienced in energy matters</td>
<td>203</td>
<td>1</td>
<td>5</td>
<td>4,3</td>
<td>0,84</td>
</tr>
<tr>
<td>You perceive quality</td>
<td>201</td>
<td>1</td>
<td>5</td>
<td>4,1</td>
<td>0,89</td>
</tr>
<tr>
<td>Good webpage</td>
<td>204</td>
<td>1</td>
<td>5</td>
<td>3,8</td>
<td>1,00</td>
</tr>
<tr>
<td>Progressive</td>
<td>204</td>
<td>1</td>
<td>5</td>
<td>3,8</td>
<td>0,92</td>
</tr>
<tr>
<td>Modern</td>
<td>204</td>
<td>1</td>
<td>5</td>
<td>3,7</td>
<td>1,01</td>
</tr>
<tr>
<td>Variety of products/ services</td>
<td>200</td>
<td>1</td>
<td>5</td>
<td>3,4</td>
<td>0,94</td>
</tr>
<tr>
<td>Fun</td>
<td>203</td>
<td>1</td>
<td>4</td>
<td>2,4</td>
<td>0,99</td>
</tr>
<tr>
<td>Old fashioned</td>
<td>202</td>
<td>1</td>
<td>5</td>
<td>2,2</td>
<td>0,93</td>
</tr>
</tbody>
</table>

4.2 Component analysis

Component analysis was conducted to seek out dimensions in the data. The correlations output showed high correlation of 0,855 between two variables, green/renewable energy and kind to nature, meaning the attributes/variables were measuring the same concept. Therefore decision was made to combine the two variables into one, the new variable name is green energy. Two variables, fun and old fashioned had correlation...
with all variables under 0.3 and therefore decision was made that they would be excluded from further analysis.

Table 10 shows descriptive statistics of the attributes after the changes discussed above. Again, listed in descending order, according to scores received.

Table 10 Attributes’ importance in descending order after change.

<table>
<thead>
<tr>
<th>Attributes connected to energy suppliers</th>
<th>N</th>
<th>Min.</th>
<th>Max</th>
<th>Mean</th>
<th>Sd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustworthy</td>
<td>202</td>
<td>1</td>
<td>5</td>
<td>4.72</td>
<td>0.65</td>
</tr>
<tr>
<td>Save distribution of energy</td>
<td>202</td>
<td>1</td>
<td>5</td>
<td>4.61</td>
<td>0.68</td>
</tr>
<tr>
<td>Socially responsible</td>
<td>202</td>
<td>1</td>
<td>5</td>
<td>4.48</td>
<td>0.85</td>
</tr>
<tr>
<td>Good service</td>
<td>200</td>
<td>1</td>
<td>5</td>
<td>4.47</td>
<td>0.74</td>
</tr>
<tr>
<td>Green energy</td>
<td>200</td>
<td>1</td>
<td>5</td>
<td>4.42</td>
<td>0.82</td>
</tr>
<tr>
<td>Experienced in energy matters</td>
<td>203</td>
<td>1</td>
<td>5</td>
<td>4.29</td>
<td>0.84</td>
</tr>
<tr>
<td>Perceived quality</td>
<td>201</td>
<td>1</td>
<td>5</td>
<td>4.14</td>
<td>0.9</td>
</tr>
<tr>
<td>Good webpage</td>
<td>204</td>
<td>1</td>
<td>5</td>
<td>3.78</td>
<td>1</td>
</tr>
<tr>
<td>Progressive</td>
<td>204</td>
<td>1</td>
<td>5</td>
<td>3.78</td>
<td>0.92</td>
</tr>
<tr>
<td>Modern</td>
<td>204</td>
<td>1</td>
<td>5</td>
<td>3.72</td>
<td>1.01</td>
</tr>
<tr>
<td>Variety of products/services</td>
<td>200</td>
<td>1</td>
<td>5</td>
<td>3.37</td>
<td>0.94</td>
</tr>
</tbody>
</table>

After this had been done, analysis was conducted again. This time correlations output showed all variables had correlation over 0.3 with more than two other variables and no two variables had high correlation of around 0.9 with another. KMO test showed 0.83 so the data qualifies for a component analysis and Bartlet’s test of sphericity showed correlation between the variables is significant, \( p < 0.05 \). The rotated components matrix loaded the variables on two components or dimensions as can be seen in table 11.

Table 11 Variables in each dimension and inner reliability of factors.

<table>
<thead>
<tr>
<th>Dimension 1</th>
<th>Dimension 2</th>
<th>Equal on both Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe distribution of energy</td>
<td>Trustworthy/safe</td>
<td>Modern</td>
</tr>
<tr>
<td>Good service</td>
<td>Socially responsible</td>
<td></td>
</tr>
<tr>
<td>Experienced in energy matters</td>
<td>Green energy</td>
<td></td>
</tr>
<tr>
<td>Perceived quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good webpage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variety of products/services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textit{Chron. alpha 0.8} \quad \textit{Chron. alpha 0.72}
Looking at variables or attributes belonging to each dimension, it seems as if one dimension consists of attributes related to company performance and the other dimension consists of attributes more related to the company’s responsible behaviour or trust. Reliability analysis was run to check on each dimension’s inner reliability, Chronbach’s alpha for factor 1 was 0,8 and Chronbach’s alpha for factor 2 was 0,72, in both cases significant inner reliability for a dimension. It can be stated that performance and responsible behaviour/trust are two different dimensions in this dataset. According to the total variance explained table, these two factors account for 51% of the variance in the data.

4.2.1 Dimension 1: Company performance
This dimension consists of attributes that have to do with the company’s performance, safe distribution of energy, good service, experience in energy matters, good web page and variety of products/services. Perceived quality can be seen as product quality, however it can also be connected to perceived quality of company performance, which is more likely, since electricity is a pure commodity product and does not have a physical differentiation like more or less quality electricity as a physical attribute (Keller, Apéria and Georgson, 2012). Safe distribution of energy gets the highest score in the company performance dimension. Safe distribution of energy is a trust related element at the same time as being performance related, indicating how important it is for energy consumers to be able to trust energy companies.

4.2.2 Dimension 2: Responsible behaviour/trust
This dimension consists of trust related attributes. It can be stated that trustworthy/safe, socially responsible and green energy are all related to trust. It is important to the participants in this study that they can trust their energy supplier, both in general and also regarding the companies’ behaviour against society and the nature. It is interesting like previously mentioned, that the attribute that had the highest score in dimension 1, company performance, is also trust related, as safe distribution of energy implies that the consumer needs to be able to trust or rely on the company’s safe distribution of energy, in order to prevent from powerlessness.
4.3 Difference of means

To evaluate whether differences of means were significant between attributes and groups of participants, t-tests and one way ANOVA statistical tests were conducted.

4.3.1 Attributes

A paired samples t-test was conducted to seek out whether there is a significant difference between the means of the attributes that scored the highest and second, trustworthy/safe and safe distribution of energy.

Results of t-test were: $t(199) = -2.25; p < 0.05$.

There is a significant difference of means, trustworthy scores higher than safe distribution of energy. This indicates trust is the most important issue for consumers regarding their energy supplier.

A comparison of means between safe distribution of energy and third ranked attribute, socially responsible, also showed a significant difference of means. Safe distribution scored higher than whether the energy distributor is socially responsible.

Results of t-test were: $t(199) = 2.18; p < 0.05$.

Given these results, trust is the most important element of energy suppliers for consumers, followed by safe distribution of energy and socially responsible behaviour. All are subject to trust related issues, indicating that consumers may be somewhat sceptical towards energy companies and that being able to trust in the way they operate and behave is a very important issue to energy consumers.

4.3.2 Participants’ background

To check if the subjects’ background groups like sex, age or education, had effects on how they answered, there were also conducted tests to compare if differences of means were significant between the groups.

4.3.2.1 Differences between men and women

Independent t-tests showed difference between men and women on their opinion of the importance of three attributes/variables, those are socially responsible, perceived quality and good service. On all occasions women scored higher, indicating women consider these attributes more important.
4.3.2.2 Differences between age groups

To see if age affected the way subjects answered, one-way ANOVA analysis of variance test was conducted to check for a difference of means between age groups. First however, because of uneven distribution of subjects in different age groups, some age groups were united. Table 12 shows age groups after change.

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>%</th>
<th>Cum. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 years and younger</td>
<td>23</td>
<td>11.3</td>
<td>11.3</td>
</tr>
<tr>
<td>21-30 years</td>
<td>104</td>
<td>51</td>
<td>62.6</td>
</tr>
<tr>
<td>31-50 years</td>
<td>52</td>
<td>25.5</td>
<td>88.2</td>
</tr>
<tr>
<td>51-70 years</td>
<td>24</td>
<td>11.8</td>
<td>100</td>
</tr>
</tbody>
</table>

The only significant difference of means between the age groups was found between 20 years and younger and 31-50 years and also between 20 years and younger and 51-70 years on one attribute, variety of products/services. Younger people find it more important than older that energy suppliers offer a wide variety of products and services. Young people grow up, in most cases, with wider variety of all sorts of products and services. Therefore they probably score higher on this matter, being more used to variety of all sorts of products and services than older people.

Results were: \( F(3,195) = 3.32; p < 0.05 \).

4.3.2.3 Differences between levels of education

To check if education levels affects how participants answer, one way ANOVA test were also conducted. No significant differences were found between different levels of education groups on any of the attributes/variables, indicating educational level does not affect participants’ opinion on importance of the attributes being studied.

4.4 Energy brand value model

Figure 8 shows the energy brand value model. At this point all parts of it have been discussed and explained and now the energy supplier attributes have been added to the model in a descending order according to the consumer research findings. Trust comes first as it got the highest score in the consumer survey, then safe distribution of energy etc.
The model shows how the three different pillars of brand valuation, representing the consumer, the specialist and company market performance, combine in the energy brand value.

**Figure 8 Energy brand value model**
5 Discussion

Companies on newly liberalized energy markets are facing new challenges in a competitive environment. Energy suppliers must live up to changing surroundings, moving from monopoly to a competitive market. In today’s competitive markets most companies’ income is based on their ability to understand their customers’ needs and serve them better than the competition (Cravens and Piercy, 2013). In a way, the companies need to redefine their purpose and their relationships with their customers. In energy markets around the world suppliers are increasingly using marketing tools, like branding to serve better their customers’ needs and to acquire new customers (Walsh, Groth and Wiederman, 2005; Hartmann and Ibanez, 2007).

Because of the intangible commodity nature of electricity, energy suppliers need to rely heavily on branding to create an image and a perceived differentiation for their products in consumers’ minds. Homogeneity and lack of differentiation along with consumers’ lack of knowledge and awareness on the energy market are among reasons for low competition and customer churn. However, there are indications that competition on the markets will increase with time, like has happened on other markets. To get the best results from marketing efforts, it is important to understand what elements create the most value in the consumers’ minds. On what elements should the brand’s image and differentiation be based, to create the most value for consumers? Since pure commodities and intangibles like energy have no physical differentiation, consumers have little to rely on when choosing between competing offers, specially if there is also little difference in price, but perceived differentiation (Kotler and Armstrong, 2012) making understanding of where energy brand value derives from important.

The energy companies now face the challenge of creating a clear differentiation from competitors. Create company differentiation built on an image that increases customer’s perceived value and gives them a reason to choose one supplier over another and stay loyal to the company. Good image, positive differentiation from
competition and perceived value increase along with awareness, the brand value of the brand and strengthen it’s position on the market.

The aim of this thesis has been to create an energy brand valuation criteria. In order to do that, a research was conducted to study the foundations of energy brand value. Conclusions were reached through two different methods, one was literature analysis and benchmarking of multiple brand valuation methods frequently used in other sectors. This was done in order to identify constructs of importance when it comes to valuating brands and adjusted to the energy sector. The purpose was to be able to define elements that create the most value for energy consumers and hence, brand value for energy brands.

The other method was a consumer survey in the form of a quantitative questionnaire, sent out to study on what elements or attributes of energy suppliers, consumers consider the most important and thereby create the most value in the consumers’ minds. The findings from the survey will be used to give weight on the these attributes in the consumer perception part of the brand valuation criteria.

The brand valuation criteria is based on three pillars, consumer perception, the company’s market performance compared with it’s competition and lastly marketing specialist valuation of the brand’s promise and differentiation. The company’s market performance valuation will be based on independent data from the market. Consumer perception will be valuated by results from surveys sent out to consumers and brand differentiation will be valuated by a panel of marketing industry specialists’ on brand differentiation. The consumer research in this study sought out to evaluate the importance of multiple attributes related to energy suppliers, and later, weight will be given to the attributes in the brand valuation criteria, according to scores received in this study.

Going through the branding literature and the concepts frequently mentioned, researched and considered important by branding scholars, like awareness, image, loyalty, differentiation and other aspects of brand equity, and later analyzing the valuation factors of multiple brand valuation methods, it was evident how those concepts/constructs were involved and built-in within different valuation factors used by various brand valuation methods and therefore scores on the valuation factors
reflect brand value on the constructs entwined within the valuation factors. Scores on the valuation factors indicate a brand’s success and value creation on the constructs.

The constructs identified in the literature analysis and benchmarking of the brand valuation methods were, image, loyalty, market position/leadership, level of perception and awareness. Those constructs are entwined in all the valuation factors and therefore a brand’s performance on each factor gives an indication on brand value. The attributes consumers were asked to rate in the consumer survey were chosen in regard to how they contribute to a brand’s value on the constructs found in the literature analysis. Each attribute contributes to the value of one or more of the constructs. Some of the attributes have also been found to be of importance in previous qualitative studies on energy consumers’ perception of the product. The aim of the consumer research was to shed a light on which attributes are of most importance to energy consumers and hence create most value in consumers’ minds.

Like previously discussed, one object of this research was to find out which elements of energy suppliers consumers consider important, in order to define and understand what is a good and strong energy brand. On what attributes or elements should an energy supplier build it’s brand image and differentiation in order to create value for it’s customers and in addition, a strong energy brand. Another object of this thesis has been to create a brand valuation criteria for energy brands. Accordingly the aim is to be able to answer the following research questions:

- What elements are the foundations of a strong energy brand and create the most value for consumers?

And hence in addition:

- What factors should energy brand valuation criteria be based on?

The valuation factors, leadership, stability, market opportunities, web page, differentiation and awareness embody the constructs of brand value, image, loyalty, market position/leadership, level of perception and awareness, therefore scores on the valuation factors reflect brand value on the constructs. Following is a recitation and review of the valuation factors.

According to the business dictionary market leader can be defined as a brand, product or a company that has the largest percentage of total sales revenue, the market
share, of a market. A market leader often dominates its competitors in customer loyalty, distribution coverage, image and perceived value (The Business Dictionary, 2016).

The ability of the brand to function as a market leader and to hold a dominant market share is an indicator of competitive advantage against competition. Market share is therefore a good measure to identify the brand’s performance in a competitive market. According to Aaker (1996) market share can be a clear indicator of consumers’ perceptions and satisfaction with a brand (Aaker, 1996).

Stability is measured by a company’s customer churn in percentages per year, compared with average market customer churn. Stability is strongly related to brand loyalty and according to David Haigh (2000), chief executive at Brand Finance, loyalty is the ultimate goal of branding and is a measure of the consumers’ overall attraction to the brand (David Haigh, 2000). Keller (2001) said similar of brand loyalty, according to him, loyalty occurs when customers have relationships with brands that are characterized by intense, active loyalty (Keller, 2001).

Markets can be of different levels considering companies’ opportunities to grow and increase sales. This factor, market opportunities is therefore meant to compare brands between markets as each market gets a single valuation and in addition all companies competing on the same market score equal on this factor.

Awareness is essential for consumers to have associations and feelings towards a brand in their minds (Keller, 2001). Weather the brand comes spontaneously to mind as the brand of choice for a key need is, according to some of the specialists in the branding literature an important matter (Keller, 1993; Aaker 1991; BranZ, 2016). It has long been debated that one of the major goals of marketing is to create, generate and maintain brand awareness among consumers. This is particularly important in low involvement situations where consumers engage little in active information search to help with buying decisions. It is therefore important to measure brand awareness among consumers (Macdonald and Sharp, 1996).

Differentiation is very important according to the literature. A good brand has to be well differentiated from competition and according to marketing specialist Alex Walderrama (2014) the ultimate goal of a brand differentiation should be a unique
brand. The question is, is the brand doing something different, something that makes it stand out from competitors and creates value for both company and it’s customers? Establishing a brand identity requires something distinctive. The brand simply needs to have one special thing that separates it from the competition (DeMers, 2013). Just like the valuation factors reflect brand value on the constructs, the attributes listed in the consumer survey questionnaire all contribute to brand value on the constructs.

When statistical tests were conducted on the data from the consumer survey, two dimensions were found, trust and company performance. Attributes in the trust dimension are in a descending scoring order, trustworthy/safe, socially responsible and green energy. Given the results of the consumer survey, trust is the most important element of energy suppliers for consumers, followed by safe distribution of energy and socially responsible behaviour. All are subject to trust related issues, indicating that consumers may be somewhat sceptical towards energy companies and that being able to trust in the way they operate and behave is a very important issue to energy consumers.

As previously discussed, one of Friðrik Larsen’s (2014) findings in a research on consumer perception regarding energy offerings and branding decisions following the liberalization of the energy markets, was that trust is an important issue. Many of the participants in his research opposed to the liberalization of the energy markets, and further analysis led to the finding of the fact that the participants’ opposition were based on trust related issues.

According to Larsen’s (2014) research results, consumers were concerned about issues like higher price, monopoly and corruption after the liberalization of energy markets. Those elements have to do with trust. No positive elements, like e.g. better service were found. For this reason companies in the energy sector should address matters of trust in their marketing before going into general image building, because there is a possibility that consumers might not be receptive of messages of that nature. This is a sharp contrast to many other industries and according to Larsen (2014) energy companies need to address negative things in marketing and send out messages that they are not there just to make money, but to be there for their customers (Larsen, 2014). Yet another issue concerning trust towards energy suppliers is that energy is an important infrastructure of society and many are concerned about it being available on
The results of this research support Larsen’s findings regarding trust issues in the energy sector.

The findings in this study are also according to Hrafnhildur Árnadóttir’s (2015) findings in her masters thesis, a study on weather energy suppliers can use socially responsible behaviour as a differentiation factor. She stated that according to her studies, energy suppliers can create extra value for their customers, building their companies’ differentiation on socially responsible behaviour (Hrafnhildur Árnadóttir, 2015). The findings of green energy as important to consumers also support findings from a previous study about green electricity, which is normally referred to as renewable energy, and the study results also indicated that in general renewable energy sources are perceived as good by consumers (Lipp, 2001).

Results of the consumer perception study show that consumers are concerned about trust related issues when it comes to energy suppliers, it is important to consumers that the energy companies are trustworthy and show responsible behaviour against both society and nature.

Further results showed company performance as another dimension in the data. The attribute that scored highest in the dimension company performance was safe distribution of energy, an element related to trust issues, just as well as company performance. In a descending order the other attributes in this dimension were, good service, experience, quality, good web page and variety of products and services.

Web page scored rather low compared with some of the other attributes. Considering it is one of the main touch points for customers of energy suppliers with the company at hand, it would be interesting to compare these results from the Icelandic electricity market, which has oligopoly, few competing companies, low customer churn and low level of competition (Neytendasamtökin, 2015), to results of the same study if conducted on a market with a higher level of competition and customer churn, like e.g. in New Zealand. In New Zealand, energy suppliers have been emphasizing innovation in web page quality and apps in order to increase good service to their customers and for example to allow them to better monitor and manage their energy usage and provide information and easy access for customers to company employees. (Electricity Authority, 2016).
5.1 Conclusions

Conclusions that can be drawn from this research are that brand value derives from the five constructs found and certain attributes that consumers consider important and positive regarding energy suppliers. If an energy company is perceived by consumers to be trustworthy, socially responsible and green for example, the company image is strong and positive, so is the company’s differentiation, which in turn increases possibility of customer loyalty. Similar can be said of for example good service, if a customer is happy with the company’s services, he is more likely to stay a loyal customer, than an unhappy customer is.

Consumers’ perception of the brand is based on what they have learnt about the product or brand over time (Keller, 2001). For that reason companies try to affect how consumers perceive it by influencing the brand’s differentiation and image in the consumers’ minds with their marketing efforts (Kotler and Armstrong, 2012). Marketing is about creating value for the target group that serves their needs and expectations in order to create positive associations with the product or brand (Kotler and Armstrong, 2012). For that reason, Silk (2006) has stated that companies should differentiate themselves according to the added value their offer brings to the consumer, rather than according to the product itself. Hence build an image and create differentiation for the brand that increases value in the consumers’ minds. According to this study energy suppliers should build their differentiation and image on trust related matters, like responsible behaviour towards both society and nature as well as certain company performance matters like safe distribution of energy, good service and the company’s experience in energy matters, in order to create value for consumers and in addition brand value for the brand at hand.

According to this research’s findings energy brands should be evaluated by the valuation factors in the energy brand valuation model previously discussed and shown in figure 8 and energy suppliers should build their image and differentiation on the attributes listed in the consumer perception pillar of the model, in order to create value for their customers and in addition brand value for their brand. The higher the attributes are listed, the more weight they have in value creation for consumers.
Energy suppliers should build their differentiation and image on trust related matters, like responsible behaviour towards both society and nature as well as certain company performance matters like safe distribution of energy, good service and the company’s experience in energy matters, in order to create value for consumers and in addition brand value for the brand at hand. The valuation factors discovered in this research’s finding seem to be of importance and value creation for consumers and accordingly seem to be worth building on when creating an image and differentiation for energy consumers in order to attain and keep loyal customers for energy brands.

5.2 Limitations and further studies

This study contains some limitations that need to be taken into account before generalizing on the basis of the results. The sample used in this study, the consumer survey, was a convenient sample and rather small with 204 participants. Sufficient for the results, but to be able to get more reliable results and also be able to compare groups and check if background affects participants’ opinions, a bigger sample would be more reliable. Participants in this study were rather young and majority were women. More even distribution between age groups and sex would be ideal.

Price was left out in the consumer research, partly because of lack of competition on the Icelandic energy market and because energy legislation in Iceland allows little difference in price offerings. Further research on weather price is more important to consumers than other elements related to image, like trust and responsible behaviour would be interesting. It would also be interesting to compare if price scores higher in higher competition markets, or whether other elements regarding image and differentiation has more weight on more mature consumer markets.

Like mentioned in a previous chapter, web page scored rather low in this consumer survey. Further research on weather consumers in energy markets with higher customer churn and competition consider web page a more important element and relate to it as a good and convenient service. Considering the web page is one of the energy supplier’s main touching points with the customer, it is considered here to be likely to gain importance in the future with increased customer churn and competition. On more mature energy markets like in previously mentioned New Zealand market, energy
suppliers are already emphasizing web page quality as an important part of their innovations.

Even though not a subject of this research, but nevertheless worth considering is whether remains of monopoly in a newly liberalized market, currently an oligopoly, affect the competing companies’ market share. The position of the market leader, as well as other companies’ on the market, might not only be caused by competitive advantage through loyalty and image, but be caused by other factors like remains of a monopolistic position, low customer churn and lack of competition on the market. Further research regarding that matter is suggested.
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Appendix

Appendix 1. E-mail sent with survey questionnaire

Kæri viðtakandi

Þessi könnun er hluti af meistaraverkefninu mín í markaðsfraeði og alþjóðaviðskiptum við Viðskiptafráðideild Háskóla Íslands. Markmið könnunarinnar er að skoða hvernig neytendur meta eiginleika orkusólufyrirtækja.

Það á ekki að taka nema 2-3 mínútur að svara könnuninni, sem er nafnlaus og svör verða ekki rakin til þátttakenda.

Það er mikilvægt að få sem flest svör og því væri þátttaka þin mikils metin og ég mjög þakklát ef þú sæir þér fært að svara.

Heppinn þátttakandi verður dreginn út og eru verðlaunin gjafabréf fyrir tvo á veitingastaðnum Sushi samba. Til að eiga kost á að vera dreginn út þarf að skrá netfang aftast í könnunina. Svara könnun

Með fyrirfram þakklæti

Stefanía Ingvarsdóttir
Appendix 2. Survey questionnaire

INTRO

Kæri þátttakandi

Takk kærliga fyrir að taka þátt.

Tilgangurinn með könnuninni er, eins og áður sagði, að skoða hvernig neytendur meta ákveðna eiginleika í fari orkusólufyrirtækja.
Eiginleikarnir eru listðir upp og svörin eru í fimm stigum, frá mjög litilvægt til mjög mikilvægt.
Nú er bara spurning hvað þúkir vera litilvægir/mikilvægir eiginleikar í fari þess orkusólufyrirtækis sem þú átt viðskipti við.

Q2

Hversu litilvægt/mikilvægt finnst þér að þitt orkusólufyrirtæki sé nútímalegt?

- Mjög litilvægt
- Frekar litilvægt
- Hvorki né
- Frekar mikilvægt
- Mjög mikilvægt

Q3

Hversu litilvægt/mikilvægt finnst þér að þitt orkusólufyrirtæki sé skemmtilegt?

- Mjög litilvægt
- Frekar litilvægt
- Hvorki né
- Frekar mikilvægt
- Mjög mikilvægt
Q4
Hversu lítilvægt/mikilvægt finnst þér að þitt orkusólufyrirtæki sé framsaðið?
- Mjög lítilvægt
- Frekar lítilvægt
- Hverki né
- Frekar mikilvægt
- Mjög mikilvægt

Q5
Hversu lítilvægt/mikilvægt finnst þér að þitt orkusólufyrirtæki sé traust/þrugt?
- Mjög lítilvægt
- Frekar lítilvægt
- Hverki né
- Frekar mikilvægt
- Mjög mikilvægt

Q6
Hversu lítilvægt/mikilvægt finnst þér að þitt orkusólufyrirtæki sé gamaldags?
- Mjög lítilvægt
- Frekar lítilvægt
- Hverki né
- Frekar mikilvægt
- Mjög mikilvægt
Q7
Hversu lítilvægt/mikilvægt finnst þér að þitt orkusólufyrtæki sé samfélagsslega ábyrgt?
- Mjög lítilvægt
- Frekar lítilvægt
- Hvori nê
- Frekar mikilvægt
- Mjög mikilvægt

Q8
Hversu lítilvægt/mikilvægt finnst þér að þitt orkusólufyrtæki búi yfir mikilli reynslu á sviði orkumála?
- Mjög lítilvægt
- Frekar lítilvægt
- Hvori nê
- Frekar mikilvægt
- Mjög mikilvægt

Q9
Hversu lítilvægt/mikilvægt finnst þér að þitt orkusólufyrtæki bjóði uppá mikill úrval vóru/bjónustu?
- Mjög lítilvægt
- Frekar lítilvægt
- Hvori nê
- Frekar mikilvægt
- Mjög mikilvægt
Q10
Hversu lítilvægt/mikilvægt finnst þér að þú upplifir gæði í tengslum við þitt orkúsóluflýristæki?
- Mjög lítilvægt
- Frekar lítilvægt
- Hvorti nē
- Frekar mikilvægt
- Mjög mikilvægt

Q11
Hversu lítilvægt/mikilvægt finnst þér að þitt orkúsóluflýristæki bjóði uppá örrugsa dreifingu raforku?
- Mjög lítilvægt
- Frekar lítilvægt
- Hvorti nē
- Frekar mikilvægt
- Mjög mikilvægt

Q12
Hversu lítilvægt/mikilvægt finnst þér að þitt orkúsóluflýristæki bjóði uppá graena/endurnýjanlega raforku?
- Mjög lítilvægt
- Frekar lítilvægt
- Hvorti nē
- Frekar mikilvægt
- Mjög mikilvægt
Q13

Hversu litilvægt/mikilvægt finnst þér að þitt orkusöluvírtæki sé nätúruvænt?

☐ Mjög litilvægt

☐ Frekar litilvægt

☐ Hvorli né

☐ Frekar mikilvægt

☐ Mjög mikilvægt

Q14

Hversu litilvægt/mikilvægt finnst þér að þitt orkusöluvírtæki bjöði uppa góaða bjónusta?

☐ Mjög litilvægt

☐ Frekar litilvægt

☐ Hvorli né

☐ Frekar mikilvægt

☐ Mjög mikilvægt

Q15

Hversu litilvægt/mikilvægt finnst þér að þitt orkusöluvírtæki hafi góða heimasíðu?

☐ Mjög litilvægt

☐ Frekar litilvægt

☐ Hvorli né

☐ Frekar mikilvægt

☐ Mjög mikilvægt

Q16

Hvert er kyn þitt?

☐ Karl

☐ Kona

☐ Ég skilgreini mig hvorki sem karl eða konu
Q17

Hver er aldur þinn?

- 20 ára eða yngri
- 21-30 ára
- 31-40 ára
- 41-50 ára
- 51-60 ára
- 61-70 ára
- 71 árs eða eldri

Hvert er hæsta menntunarstíg sem þú hefur lokkuð?

- Grunnskólapróf
- Stúdentspróf
- Íþróttmenntun
- Grunnám í háskóla
- Framþálsnám í háskóla
- Annð próf

Q19

Ef þú vilt eiga möguleika á gjafbréfinu á Sushi samba, skráðu þá netfangið þitt hér.