Antecedents of Brand Strength: Perceived Hedonic and Utilitarian Brand Benefits

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ABSTRACT

What are the antecedents of brand strength? In order for the chief marketing officer of a firm to identify and eliminate the sources of brand weakness and further improve the sources of brand strength, it is important to know the answer to this question. This paper studies the sources of brand strength along the two primary dimensions of customer benefits—hedonic and utilitarian. The results show that, 1) stronger brands are perceived by customers to offer greater hedonic benefits than utilitarian benefits; and, 2) weaker brands are perceived by customers to offer greater utilitarian benefits than hedonic benefits. The paper concludes with a discussion of the results and their implications for a firm’s brand management strategy.

INTRODUCTION

One of the primary tasks of the Chief Marketing Officer (CMO) of a firm is to create a strong brand. It is well established that a strong brand leads to greater brand equity and greater financial value of the brand (Aaker 1996; Keller 2007). A stronger brand is a market-based asset that increases the level of cash flow and reduces the volatility of cash flow thereby improving the financial performance of the firm (Srivastava, Shervani, and Fahey 1998). In order to better manage a brand, the CMO needs to understand the antecedents of brand strength in terms of the customer benefits the brand offers. To facilitate the synergy between brand and product management, it is important to use a conceptual framework that is common with the product benefits framework. Chitturi, Raghunathan, and Mahajan (2007) in their recent work proposed and tested a framework for product benefits along the two primary dimensions—hedonic and utilitarian. However, this framework has not been tested for brands. We use this framework to study the antecedents of brand strength in terms of the perceived hedonic and utilitarian benefits offered by the brand. In this paper we ask the following research questions: 1) are there differences in the hedonic and utilitarian perceptions of stronger versus weaker brands? And, 2) are stronger brands perceived to be more utilitarian or more hedonic compared to weaker brands? The results show that, 1) stronger brands are perceived by customers to offer greater hedonic benefits than utilitarian benefits; and, 2) weaker brands are perceived by customers to offer greater utilitarian benefits than hedonic benefits.

The paper addresses the main research question with the help of two studies involving automobile brands. The hypotheses are developed based on the recent work on the principle of precedence and the principle of hedonic dominance (Chitturi, Raghunathan, and Mahajan 2007). The Principle of Precedence is based on protestant work ethics (Weber 1998). It says that humans should work hard to make money and spend it frugally on necessities rather than luxuries (Berry 1994; Scitovsky 1976). The results from Kivetz and Simonson (2002) also show a correspondence between utilitarian benefits and necessities, and between hedonic benefits and luxuries. Chitturi, Raghunathan, and Mahajan (2007) demonstrate the effect of the principle of precedence on customer preference in the context of product attributes that offer different levels of hedonic and utilitarian benefits. However, the Principle of Hedonic Dominance states that consumers give greater importance to hedonic benefits over utilitarian benefits once the minimum utilitarian needs are satisfied (Chitturi, Raghunathan, and Mahajan 2007). The principle of hedonic dominance identifies the boundary condition for the principle of precedence and operates beyond that boundary (Chitturi, Raghunathan, and Mahajan 2007).
First, on the basis of the principle of precedence, we hypothesize and demonstrate that weaker brands are perceived to be more utilitarian (i.e., functional) than hedonic (i.e., aesthetic). The results show that weaker brands are perceived by the customers as offering greater utilitarian benefits than hedonic benefits. Second, on the basis of the principle of hedonic dominance (Chitturi, Raghunathan, and Mahajan 2007), we hypothesize and show that stronger brands are perceived to be more hedonic than utilitarian. The results show that stronger brands are perceived by customers as offering greater hedonic benefits than utilitarian benefits. The findings from this research will help product designers and marketing managers better manage their brands and align their product design strategy with their branding strategy. We begin in the next section with a literature review, followed by hypotheses development. This is followed by a discussion of the studies and the results. The paper concludes with a discussion of the theoretical and managerial implications of these findings for product and brand managers.

LITERATURE REVIEW AND HYPOTHESES

In recent years, the strategy of creating products that look aesthetically pleasing in addition to being functionally satisfactory has paid dividends for brands such as Apple, Audi, and PT Cruiser (Postrel 2003). The product design benefits of aesthetics and functionality can be broadly categorized along two main product benefit dimensions—hedonic and utilitarian (Batra and Ahtola 1990; Dhar and Wertenbroch 2000; Okada 2005). Voss, Spangenberg and Grohmann (2003, p. 310, emphasis added) state, “Investigation of the hedonic and utilitarian components of attitude has been suggested in such diverse disciplines as sociology, psychology, and economics. This multidisciplinary recognition of the hedonic and utilitarian elements of consumption mirrors parallel theoretical development in marketing, mainly from a series of articles (e.g., Hirschman and Holbrook 1982; Dhar and Wertenbroch 2000).” For more recent work see Okada (2005) and Chitturi, Raghunathan, and Mahajan (2007).

Ultimately, customers value products as well as brands for the benefits they offer. It is not only the attributes, features, or functions, but the hedonic and utilitarian benefits they provide, that enhance value for customers (Chitturi, Raghunathan, and Mahajan 2007). Hedonic and utilitarian product benefits have been shown to influence customer satisfaction and loyalty differently (Chitturi, Raghunathan, and Mahajan 2008). Therefore, it is important to understand the differences in how the hedonic and utilitarian brand benefits influence brand strength.

HEDONIC VERSUS UTILITARIAN BRAND BENEFITS AND BRAND STRENGTH

Consistent with previous research in marketing, we will use utilitarian benefits to refer to the functional, instrumental and practical benefits of brands, and hedonics to refer to their aesthetic, experiential, and enjoyment-related benefits (Batra and Ahtola 1990; Dhar and Wertenbroch 2000; Hirschman and Holbrook 1982). Holbrook (1999, p8) says that consumer value is a function of the experience resulting from the consumption of such benefits. For example, in the case of a BMW car, the social prestige and unique visual appeal are hedonic benefits while its precise handling on icy roads is a utilitarian benefit.

In this paper, we propose and test a conceptual framework where brands are a combination of hedonic and utilitarian benefits. Voss, Spangenberg, and Grohmann (2003) have shown that hedonism and utilitarianism are not two ends of a uni-dimensional scale for benefits. Therefore, competing brands can have different levels of hedonic and utilitarian benefits seeking customer patronage. Our primary focus in this research is to study: 1) the influence of perceived hedonic and utilitarian brand benefits on brand strength; and, 2) the changes in the relative influence of these benefits on strong versus weak brands. Substantively, we intend to determine if the brand strength as perceived by customers is associated with greater hedonic benefits or greater utilitarian benefits.

THE PRINCIPLE OF PRECEDENCE, UTILITARIAN BRAND BENEFITS, AND BRAND STRENGTH
Kivetz and Simonson (2002, page 199) discuss that, by definition, necessities have higher status than luxuries in the hierarchy of needs (Maslow 1970). They also draw a parallel between hedonic benefits and luxuries, and utilitarian benefits and necessities. Furthermore, the principle of precedence says that consumers should give greater importance to necessities over luxuries (Weber 1998; Scitovsky 1976; Berry 1994). In a recent paper, Chitturi, Raghunathan, and Mahajan (2007) successfully test for the principle of precedence using cars that are a combination of attributes that offer hedonic and utilitarian benefits. They argue that the prospect of increasing hedonic consumption at the expense of meeting minimum utilitarian needs evokes guilt, whereas the prospect of lower utilitarian benefits not meeting minimum needs evokes anxiety. The results from their study show that consumers are likely to choose a more utilitarian product over a more hedonic product to minimize feelings of guilt and anxiety associated with a more hedonic choice; especially in the absence of the certainty of meeting their minimum utilitarian needs. This implies that consumers are more likely to choose a more utilitarian product over a more hedonic product for two reasons: 1) if they cannot reduce anxiety associated with lower utilitarian benefits; and/or, 2) if they have to choose one or the other because they cannot afford to pay for both—utilitarian as well as hedonic brand benefits. It is expected that stronger brands will offer greater benefits, both hedonic and utilitarian, than weaker brands. Therefore, stronger brands are likely to be priced higher than weaker brands.

THE PRINCIPLE OF HEDONIC DOMINANCE, HEDONIC BRAND BENEFITS, AND BRAND STRENGTH

Chitturi et al’s (2007) principle of hedonic dominance says that consumers give greater importance to hedonic benefits over utilitarian benefits when both brands meet or exceed their utilitarian needs, resulting in the choice of a more hedonic brand over a more utilitarian brand. Furthermore, they also show that consumers are willing to pay more for a more hedonic brand over a more utilitarian brand. Additionally, they show that once the minimum utilitarian needs are satisfied, thereby lowering the anxiety associated with utilitarian performance, and offering a justification for hedonic consumption by lowering guilt, the principle of hedonic dominance takes effect—i.e., consumers give greater importance to hedonic benefits over utilitarian benefits. However, prior work does not directly test the differences in perceptions of hedonic and utilitarian benefits involving stronger versus weaker brands. This research attempts to test the theory that stronger brands are perceived to offer greater levels of hedonic benefits than utilitarian benefits.

We know that stronger brands are priced higher than weaker brands. Chitturi et al., (2007) have shown that customers value hedonic benefits more than utilitarian benefits, once the minimum utilitarian needs are met, by showing greater willingness to pay for products that offer greater hedonic benefits than utilitarian benefits. Therefore, we hypothesize that stronger brands are perceived to offer greater hedonic benefits than utilitarian benefits whereas weaker brands are perceived to offer greater utilitarian benefits than hedonic benefits.

\[ H_1: \text{Stronger brands are perceived to offer both greater hedonic and utilitarian benefits than weaker brands} \]

\[ H_2: \text{Weaker brands are perceived to offer greater utilitarian benefits than hedonic benefits} \]

\[ H_3: \text{Stronger brands are perceived to offer greater hedonic benefits than utilitarian benefits} \]

RESEARCH STUDIES AND RESULTS

STUDY 1

The main purpose of study 1 was to identify the automobile brands with the strongest and the weakest overall perceptions in the market. The product category of automobiles was selected for this research because they are purchased directly by consumers, are widely used, and easily understood. Also, they are of such value that their purchase will require more deliberation than the purchase of a relatively inexpensive consumable. Moreover, automobiles can be clearly defined which allows respondents to make comparisons among competing profiles.
Design. Each task consisted of ranking (1 = strongest; 10 = weakest) the ten most common brands listed in alphabetical order. The task asked subjects to rank the listed brands based on their overall perceptions of each brand. A total of 110 subjects (62 females and 48 males) completed the survey. The cover page of the survey stated that the researcher was interested in finding how respondents perceive a brand in comparison with other brands. It emphasized that there were no right or wrong answers in the survey. Page two of the survey introduced the automobile brand ranking task. Page three of the survey asked respondents to indicate the level of importance they would give to hedonic and utilitarian benefits in the case of automobiles. It also included questions on the respondent’s demographic characteristics such as gender. Data collected was captured on a spreadsheet.

Results. One hundred and ten subjects completed the survey. Each subject ranked the ten automobile brands from 1 (strongest) to 10 (weakest). The average points allocated to each alternative are given in Figure 1. Mercedes-Benz, BMW, and Lexus were ranked the strongest with the average rankings of 2.38, 2.45, and 2.87 respectively. On the contrary, VW and Hyundai were ranked the weakest brands with the average rankings of 7.09 and 8.93 respectively.

**Figure 1: Average Brand Strength for Each Automobile Brand**

(1 = Strongest; 10 = Weakest)

<table>
<thead>
<tr>
<th>AUTOMOBILE BRANDS</th>
<th>HIGH BRAND STRENGTH</th>
<th>MEDIUM BRAND STRENGTH</th>
<th>LOW BRAND STRENGTH</th>
</tr>
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<tbody>
<tr>
<td>MERCEDES-BENZ</td>
<td>2.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BMW</td>
<td>2.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEXUS</td>
<td>2.87</td>
<td></td>
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<tr>
<td>SAAB</td>
<td>4.93</td>
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<tr>
<td>TOYOTA</td>
<td>5.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NISSAN</td>
<td>6.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FORD</td>
<td>6.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HONDA</td>
<td>6.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VW</td>
<td></td>
<td>7.09</td>
<td></td>
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<tr>
<td>HYUNDAI</td>
<td></td>
<td>8.93</td>
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STUDY 2

The main purpose of this study was to measure the perceived hedonic and utilitarian benefits offered by one of the strong brands (BMW) and one of the weak brands (Hyundai). The automobiles were chosen because they are valued for both hedonic and utilitarian benefits.

Design. The design in study 2 was a between group design. One group was asked to evaluate the strong brand of BMW, and the other group was asked to evaluate the weak brand of Hyundai as determined by study 1. Each task consisted of rating five item hedonic and five item utilitarian scales. We adopted the hedonic and utilitarian attitude measurement scale developed by Voss, Spangenberg, and Grohman (2003). The task asked subjects to evaluate and indicate perceptions of the brand on hedonic and utilitarian 7-point scale. A total of 61 subjects (33 females and 28 males) completed the survey. Group 1 evaluated BMW brand and group 2 evaluated Hyundai brand. The cover page of the survey stated that the researcher was interested in finding how you perceive a brand on a set of characteristics. It emphasized that there were no right or wrong answers in the survey. Page two of the survey listed the ten items to measure the hedonic and utilitarian perceptions of the brand. Page three of the survey asked respondents to indicate the level of importance they would give to hedonic and utilitarian benefits in the case of automobiles. It also included questions on the respondent’s demographic characteristics such as gender. Data collected was captured on a spreadsheet.

Results. A total of 61 subjects completed the survey with 31 subjects in group 1 and 30 subjects in group 2. The ratings on the five items measuring hedonic perceptions of the brand were averaged to arrive at the overall hedonic perception. Similarly, the ratings on the five items measuring utilitarian perceptions of the brand were averaged to arrive at the overall utilitarian perception. The average hedonic and utilitarian brand perception scores are shown in
Figure 2. Hypothesis H1 was tested and the results show that customers perceive both hedonic and utilitarian benefits to be significantly higher for stronger brands than for weaker brands ($t_{\text{Hedonic}} = 7.4, p< .01$; $t_{\text{Utilitarian}} = 2.12, p< .05$). Hypothesis H2 was tested and the t-test of mean difference shows that customers perceive the Hyundai brand as offering significantly greater levels of utilitarian benefits than hedonic benefits ($t_{\text{Difference}} = 6.70, p< .01$). Hypothesis H3 was tested and the t-test of mean difference shows that customers perceive the BMW brand as offering significantly greater levels of hedonic benefits than utilitarian benefits ($t_{\text{Difference}} = 2.96, p< .01$). Based on the average scores of hedonic and utilitarian brand perceptions, we can say that stronger brands are perceived to offer greater hedonic benefits than utilitarian benefits. However, weaker brands are perceived to offer greater utilitarian benefits than hedonic benefits.

Figure 2: Brand Strength with Customers’ Perceptions of Hedonic and Utilitarian Benefits for Strong Versus Weak Brands of Automobile

<table>
<thead>
<tr>
<th>AUTOMOBILE BRANDS</th>
<th>BRAND STRENGTH (SCALE: 1 TO 10)</th>
<th>PERCEIVED HEDONIC BENEFITS FROM THE BRAND (SCALE: 1 TO 7)</th>
<th>PERCEIVED UTILITARIAN BENEFITS FROM THE BRAND (SCALE: 1 TO 7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMW</td>
<td>STRONG BRAND 2.45</td>
<td>6.27</td>
<td>5.23</td>
</tr>
<tr>
<td>HYUNDAI</td>
<td>WEAK BRAND 8.93</td>
<td>3.10</td>
<td>4.39</td>
</tr>
</tbody>
</table>

GENERAL DISCUSSION

Is a brand considered strong or weak by your customers? What is the primary perception of the brand—hedonic or utilitarian? Is there a relationship between the hedonic and utilitarian perceptions of a brand and its perceived strength? These are some of the questions we answer in this paper. The paper addresses these questions with the help of two studies involving automobile brands. The hypotheses are developed based on the recent work on the principle of precedence and the principle of hedonic dominance (Chitturi, Raghunathan, and Mahajan 2007). First, we find that stronger brands are perceived to offer greater hedonic and greater utilitarian benefits than weaker brands. Second, on the basis of the principle of precedence, we hypothesize and demonstrate that weaker brands are perceived to be more utilitarian (i.e., functional) than hedonic (i.e., aesthetic). The results show that weaker brands are perceived by the customers as offering greater utilitarian benefits than hedonic benefits. Third, on the basis of the principle of hedonic dominance (Chitturi, Raghunathan, and Mahajan 2007), we hypothesize and show that stronger brands are perceived to be more hedonic than utilitarian. The results show that stronger brands are perceived by the customers as offering greater hedonic benefits than utilitarian benefits. The findings from this research would help product designers and marketing managers better manage their brands and help align their product design strategy with their branding strategy.

THEORETICAL CONTRIBUTION

The main theoretical contribution of this paper is that the product benefits framework of hedonic and utilitarian benefits applies to brands equally well. First, we find that the principle of precedence and the principle of hedonic dominance that govern customer tradeoffs and preference also govern customer tradeoffs and preferences involving hedonic and utilitarian benefits offered by a brand (Chitturi, Raghunathan, and Mahajan 2007). To the best of our knowledge this is the first study to test the hedonic and utilitarian product benefits framework with brands. The results show that stronger brands are perceived to have greater hedonic and utilitarian benefits than weaker brands. Second, stronger brands are perceived to offer greater hedonic benefits than utilitarian benefits. For example, the strong automobile brand of BMW is perceived to be more hedonic than utilitarian. Third, weaker brands are perceived to offer greater utilitarian benefits than hedonic benefits. For example, the weaker brand of Hyundai is perceived to be more utilitarian than hedonic.
MANAGERIAL IMPLICATIONS

All brands offer two categories of customer benefits—hedonic and utilitarian (Batra and Ahtola 1990; Dhar and Wertenbroch 2000; Okada 2005). As a result, brand managers need to be cognizant of the attributes they design into a product and how these attributes contribute to the hedonic and utilitarian benefit dimensions. Depending on the cost of designing a set of attributes for a product, the designers would like the product to be priced to at least recover the cost of development. However, marketing managers have to price the product based on the benefits it offers and the strength of the brand associated with the product—key drivers of customer preference (Dawar and Parker 1994). They are looking to maximize sales and profit. Although prior research has studied the role of tradeoffs between hedonic and utilitarian benefits and customer choice (Dhar and Wertenbroch 2000; Chitturi, Raghu Nathan, and Mahajan 2007; Okada 2005), it is not clear how perceptions of brand strength would change with changes in the level of hedonic and utilitarian benefits. The results provide two important insights. First, stronger brands were perceived by the customers as offering greater hedonic benefits than utilitarian benefits. This finding has significant managerial implications for brand managers. If you already have a dominant brand in your target segment, you are likely to further strengthen your brand by improving hedonic benefits rather than improving utilitarian benefits offered by the product. On the contrary, if you have a weaker brand then you need to focus on enhancing the utilitarian benefits offered by a product to improve brand strength and sales. In summary, a weaker brand with greater hedonic benefits, and a stronger brand with greater utilitarian benefits lack synergy to strengthen a brand—i.e., you are leaving money on the table. Another key takeaway from this research is that one must focus and enhance hedonic benefits to make a brand stronger to generate higher profit margins.

REFERENCES