

Constructing an index for brand equity: a hospital example

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Abstract

If two hospitals are providing identical services in all respects, except for the brand name, why are customers willing to pay more for one hospital than the other? That is, the brand name is not just a name, but a name that contains value (brand equity).

Brand equity is the value that the brand name endows to the product, such that

consumers are willing to pay a premium price for products with the particular brand

name. Accordingly, a company needs to manage its brand carefully so that its brand

equity does not depreciate. Although measuring brand equity is important, managers

have no brand equity index that is psychometrically robust and parsimonious enough

for practice. Indeed, index construction is quite different from conventional scale

development. Moreover, researchers might still be unaware of the potential appropriateness of formative indicators for operationalizing particular constructs.

Towards this end, drawing on the brand equity literature and following the index

construction procedure, this study creates a brand equity index for a hospital. The

results reveal a parsimonious five-indicator brand equity index that can adequately

capture the full domain of brand equity. This study also illustrates the differences between index construction and scale development.

Keyword : brand equity; brand equity index; index construction; scale development