The Role of customer-based brand equity in the direct-to-consumer Business Model

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Abstract

Purpose: This paper aims to explore and analyze the intricate relationship between the direct-to-consumer (D2C) business model and customer-based brand equity.

Methodology: This study utilizes a qualitative approach to gather primary data, aiming to gain profound insights into customer perspectives regarding the impact of the D2C business model on trust, loyalty, and value perception. A focus group methodology was chosen to acquire comprehensive insights into the strengthening of customer-based brand equity through the D2C model.

Findings: There exists a relationship between the D2C business model, customer perception, and customer-based brand equity management. This relationship relies on four factors: (1) the perception of brand quality impacting consumer purchasing decisions, shaped by cost-effectiveness and positive customer experience provided by the D2C business model; (2) the brand awareness that remains a challenge, while D2C brands excel in attributes such as price, quality, trust, and reliability; (3) D2C's control over the brand image and sustainability efforts cultivates positive brand associations throughout the value chain; and (4) D2C's integrated business model distinguishing it from monopolistic players and offering a unique customer experience valuable to consumers.

Original: Given the key role of business models for brand success, exploring the interplay between branding and the D2C model is vital. In light of consumers as primary brand evaluators, adopting a customer-centric approach to brand management is necessary. Competitive D2C brands, like Glossier, attribute their success to such strategies. Through literature analysis, framework development, and empirical data from focus group interviews, the study fills a research gap and offers valuable theoretical and managerial insights.

Keywords: D2C, direct-to-consumer business model, customer-based brand equity, perceived brand quality, brand awareness, brand image, brand uniqueness

Introduction

"Competition between brands is often competition between business models" (Kapferer, 2012, p. 60). With the rise of the direct-to-consumer (D2C) business model, this competition has become more relevant in the Brand Management environment than ever before. COVID-19 and digitalization caused the retail e-commerce business to ascend drastically (Ramadan et al., 2023). The market share of e-commerce in the retail sector is rising continuously and is expected to continue to grow (Cramer-Flood, 2023). In the US, the sales of D2C brands have more than tripled over the years of 2016-2021 (Lipsman, 2022). Given that the design of business models plays a critical role in the success of brand management, it is now particularly relevant to explore the relationship between branding and the D2C business model. Since consumers are the main evaluators of brand equity, a customer-centric approach to brand management is inevitable (Heldt et al., 2022). Highly competitive D2C brands such as Glossier attribute their success in particular to their customer-centric strategy (Danziger, 2018). Consequently, this research paper focuses on customer-based brand equity in the context of the D2C approach to answer the following research question: "How does the D2C business model influence customer-based brand equity and competitive positioning in the marketplace?"

To answer the research question, the paper first illustrates the current state of literature on the D2C business model as well as customer-based brand equity in order to establish its own framework. With the help of the framework, the research gap is filled by examining the relationships between D2C and customer-based brand equity in more depth. This is done through empirical primary data collected through a focus group interview with consumers to understand their purchase decisions, brand expectations, and the elements that shape their perception. Subsequently, the paper discusses the empirical results in order to draw both theoretical and managerial implications.

Literature Review

The D2C business model

Schlesinger, Higgins, and Roseman (2020) characterize the initial generation of D2C companies, exemplified by Casper, as embracing a "borrowed supply chain, web-exclusive retail, direct distribution, social media marketing, and a distinctive visual brand identity that featured sans-serif typography, pastel color schemes, and adaptable logos suitable for various digital media." Today, a D2C model entails a vertical platform conducting all business functions, including sales, marketing, and shipping, without intermediaries, primarily leveraging online channels to disrupt traditional linear sales models (Prasad & Ghosal, 2021). Wigder (2017) similarly links the D2C model to a competitive market strategy, enabling D2C brands to enhance the consumer experience through competitive pricing, convenience, and high-quality products, effectively challenging monopolistic brands. In the modern context, brand rivalry centers not only on product or service attributes but also on the pivotal role of business models (Kapferer, 2012, p. 60). Thus, the D2C business model, by its nature, can be regarded as a competitive advantage for market entry and competition.

The flourishing D2C business model over various markets like razor, eyewear, cosmetics, coffee, or even electric vehicles, originated from the reluctance of monopolistic entities to foster enduring direct-consumer relationships and to innovate (Wigder, 2017). Furthermore, it was also stimulated by the internet's democratization for business scaling (Schlesinger, 2020), consumers' willingness to explore alternative shopping channels (Crittenden & Wilson, 2002), and the COVID-19 that accelerated the digitization trend (Ramadan et al., 2023).

Wigder's (2017) insights, primarily focused on emerging D2C startups such as Dollar Shave Club, highlight key factors behind their success. Firstly, the innovation constraints faced by established players, allow D2C startups to challenge traditional practices. Secondly, the high price points are maintained by monopolistic brands while the D2C model offers competitive pricing while remaining qualitative. Then,'. Finally, monopolistic brands are reluctant to alter relations with retailers, fearing a loss of market position due to retailers' substantial bargaining power.

D2C characteristics

As previously discussed, a fundamental attribute of a D2C brand is its direct engagement and focus on consumers across all facets of its operations (Prasad & Ghosal, 2021). To nurture long-lasting customer relationships, D2C businesses must integrate customer insights into all decision-making processes, thus developing a customer-centric approach on all levels of the organization (Palmatier et al., 2019, p.276). Customer-centricity, as defined by Gulati (2010), entails examining a company from an outside-in perspective, beginning with customer perceptions and insights and extending inward to encompass the organization's products, culture, and structure. In essence, it involves constructing a brand around the customer rather than a product by aligning the product with the customer rather than finding the right customer for a product, as articulated by Shah et al. (2006). Furthermore, establishing long-term relationships with customers necessitates creating a meaningful connection between the brand and the customer, a branding concept known as *customer-based brand equity* (Palmatier et al., 2019, p.276).

Furthermore, Arora et al. (2020) portray the customer-centric business model as based on specific capabilities. These capabilities include technological expertise, operational competencies, the adaptability of the operating model, and consumer insight analysis ability. In essence, the D2C model can be characterized as requiring direct brand-consumer interaction, supply chain oversight, digital-first orientation, and data-driven decision-making (Arora et al., 2020).

Motivations for embracing and implementing D2C, as elucidated by Lienhard et al. (2021), are emphasized on four essential prerequisites including a prolonged commitment of both managerial and financial resources, competencies development and optimization, customer transformation management, and a distinctive corporate culture. Additionally, the adoption of a DTC business model extends beyond startups, as big manufacturers also incorporate it into their own operations (Schacker & Stanoevska-Slabeva, 2023). For instance, Nike intends to increase the proportion of D2C sales from 30% to 50% in the near future (Arora et al., 2020).

As a result, Arora et al. (2020) defines a successful D2C company as one that realizes a Customer Lifetime Value (CLV) at least twice as the Customer Acquisition Cost (CAC), in alignment with the theory of value creation: *CLV - CAC = Value Creation.*

D2C advantages

To illustrate the benefits of a D2C business model, consider Glossier—a beauty brand that successfully harnessed a "back-to-basic" approach (Danziger, 2018). Since 2014, Glossier has achieved remarkable milestones, accumulating a 3-million-strong Instagram following, receiving acclaim in leading beauty magazines, competing with industry giants like L'Oréal and Estée Lauder, and securing substantial funding of $266.4 billion as of 2021 (Report: Glossier Business Breakdown & Founding Story, 2023). This triumph is attributed to a consumer-centric strategy focused on the "5Cs": Consumers, Content, Conversation, Co-Creation, and Community (Danziger, 2018). Glossier's unique branding strategy further supported its enduring success in the D2C model (Report: Glossier Business Breakdown & Founding Story, 2023).

Furthermore, following this example as well as the author Marr (2022), we can account for several advantages of adopting a D2C strategy, encompassing: lower barriers to entry without the need for intensive intermediary negotiations, complete control over brand representation and customer interactions, cost reduction in specific areas facilitating competitive pricing and potential margin expansion, and the creation of valuable customer bases through direct relationships and consumer insights.

D2C challenges

However, the D2C model, as Schlesinger, Higgins, and Roseman (2020) suggest, lacks a guarantee of universal success. While it initially succeeded for early adopters, it has seen a decline in efficacy due to various factors. The proliferation of participants in the sector has intensified competition, and the diminishing returns in customer acquisition through social media and influencer marketing (Schlesinger et al., 2020). Moreover, Marr (2022) identifies other challenges associated with the D2C model that could refrain from adopting this strategy. Those include the integrated value chain that is potentially leading to higher distribution and marketing expenses, and organizational complexity. Then, the need for a shift towards digital development and a strong online presence requires extensive technological competencies. And, the risk of neglecting relationships with other intermediaries when integrating proprietary distribution channels. Finally, the critical necessity for a robust and authentic brand identity for successful D2C implementation.

To address these limitations, Schlesinger et al. (2020) recommend different measures, including embracing omnichannel strategies, leveraging consumer relationships and data, prioritizing vertical integration as companies mature, and preparing for technological shifts. The success of these measures is evident in the example of Glossier, which transitioned to a hybrid approach, combining D2C with physical presence in retail stores. Shifting towards a more hybrid customer-centric experience for the brand was possible primarily due to its strong brand and community engagement (Report: Glossier Business Breakdown & Founding Story, 2023).

Customer-based brand equity

Brand equity has been broadly discussed by marketing academics due to its importance as an intangible firm asset Keller, 2008). Aaker (1991) highlights that Brand equity is "… a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customer". This definition recognizes that brand equity is mainly received by both the firm and the customers. A brand's value is derived from assets that are created in the head and heart of its customers (Kapferer, 2012, p. 7). Therefore, the paper focuses on the customer-based approach by following the definition of Lin et al. (2015) "Brand equity is a brand's power derived from the goodwill and name recognition which reflect consumer response to the marketing of the brand by perceived brand quality, brand awareness, brand image, and brand uniqueness" (p. 80). The four brand equity assets highlighted in this definition will serve as the basis for the analysis of this research:

1. Perceived brand quality
2. Brand awareness
3. Brand image
4. Brand uniqueness

The following parts will further elaborate on these four brand equity assets.

Perceived brand quality

Perceived brand quality is formed by the consumers' thoughts of a product being better and superior to others (Zeithaml, 1988). Consumers form perceptions of the brand quality through physical and psychological features of a brand. Physical perceptions come from both objective and subjective information sources while psychological perceptions mainly stem from subjective sources like advertisements (Cobb-Walgren et al., 1995). Bravo Gil et al. (2007) identified three factors that increase the perceived quality of consumers: (1) the amount of advertisement, (2) the amount of positive brand information provided by people consumers are close to, like family members, and (3) the higher the price of the products or services of the brand. The perceived brand quality is also associated with the credibility of a brand. Consumers are risk-averse, which is why they seek out brands with a low perceived risk in their purchasing decisions (Erdem et al., 2006). Furthermore, brand authenticity can be seen as a potential foundational element for building brand credibility and trust (Eggers et al., 2013). A brand that embodies authenticity is consistent, continuous, and individual, ultimately fostering greater brand trust among consumers (Schallehn et al., 2014).

Brand awareness

Brand awareness is defined by the level of recognition and recall of the brand by the consumers. The awareness can differ on different levels ranging from Top-of-mind, brand dominance, and brand knowledge to brand opinion (Aaker, 1996). Kapferer (2012) differentiates between aided and spontaneous brand awareness. Aided awareness is the least response a consumer gives towards a brand whereas spontaneous awareness is the proportion of saliency generated by the product or service of the brand. Consumers receive brand awareness through the product or service, marketing communications (e.g. advertising, public relations, promotion, sponsorships), and the companies' workforce (Keller & Lehmann, 2003). Brand awareness is positively related to a higher intention of a consumer to repurchase a product or service from the same brand (Teng & Huang, 2022). Attributes such as high quality, trust, reliability, a strong connection with consumers, a good quality/price ratio, accessibility, and adherence to traditional aesthetics are closely linked to brand awareness (Kapferer, 2012).

Brand image

Brand image is defined as a "cluster of attributes and associations that consumers connect to the brand name" (Biel, 1992, p. 8). Brand awareness affects the creation of these brand associations (Keller & Lehmann, 2003; Lin et al., 2015). The brand image is also formed through the consumers' perceptions of the brand (Romaniuk & Sharp, 2003). How a brand is perceived can be influenced by various sources, such as consumer experiences, marketing communications, or word-of-mouth (Krishnan, 1996). Therefore the brand image is customized for a specific target market by leveraging the product, pricing, distribution, and promotional elements of the marketing mix (Dobni & Zinkhan, 1990). Consistency in the messages the brand sends as well as in the experiences the consumer makes with the brand forms a strong brand image (Kapferer, 2012).

Brand uniqueness

Brand uniqueness is defined as the extent to which customers perceive a brand as distinct from its competitors (Netemeyer et al., 2004). If consumers perceive a brand as being unique, it positively affects their preferences as well as their willingness to pay a higher price for a brand (Carpenter et al., 1994). This enables a unique brand to justify a price premium in the market (Aaker, 1996). Ultimately, it can also lead to a consumer's decision to re-purchase from the brand (Kim et al., 2021). The level of uniqueness is one aspect of associations that a consumer has with a brand when determining the overall value of a brand (Keller & Lehmann, 2003). The uniqueness of a brand can be evaluated from three perspectives: its product or service, the personality of the brand, as well as the organization of the brand (Aaker, 1996).

D2C customer-based brand equity framework

For the purpose of the empirical investigation of this study, the D2C customer-based brand equity framework was established. Previous research identified co-creation, cost-effectiveness, website attractiveness, brand uniqueness, social media engagement, and innovativeness as determinants of consumers' attitudes toward a D2C brand (Kim et al., 2021). This highlights the importance of consumer perceptions of a brand for the success of a D2C business model. Therefore, the framework's foundation is based on the four dimensions of customer-based brand equity defined by Lin et al. (2015). Since D2C is a customer-centric business model (Prasad & Ghosal, 2021) it enables brands to engage directly with consumers, bypassing traditional intermediaries and establishing a more intimate relationship with their target audience. Simultaneously, brand equity, a pivotal aspect of a brand's value proposition (Kapferer, 2012), is significantly impacted by how consumers perceive and interact with the brand. This paper seeks to explore the complex relationships between the D2C model and brand equity, aiming to provide a comprehensive understanding of the dynamics at play by using this framework.

Figure 1. D2C customer-based brand equity framework

Methodology

Research Design

This study employs a qualitative approach that involves collecting primary data. This approach allows for a more profound understanding of customer insights, as qualitative research provides extensive information about real-life individuals and situations (De Vaus, 2013, p. 6). Moreover, the reliance on the collection of non-quantitative primary data, such as words and images, makes qualitative research particularly well-suited for capturing factual and descriptive information (Johnson and Christensen, 2020).

As the purpose of this study is to analyze how the D2C business model might affect consumer trust, loyalty, and perception of value from brands, the qualitative research approach was adapted to gain in-depth insights into how customers value D2C.

For the purpose of answering how the D2C business model might strengthen customer-based brand equity, a focus group was deemed suited to acquire comprehensive data on the subject.

Empirical Data Collection

The focus group was planned with 7 participants. The focus group questions were asked following four distinct dimensions, derived from the D2C customer-based brand equity framework: Perceived Brand Quality, Brand Awareness, Brand Image, and Brand Uniqueness. The objective of the focus group was to investigate whether a D2C business model can enhance consumers' perceptions. In other words, the D2C model can really meet customers' expectations and enhance the company's brand equity. To prevent potential bias, we deliberately refrained from using the term "D2C business model" or any related references. Instead, the purpose was to gain insights into customers' considerations when making a purchase, their expectations from a brand, and the factors influencing their perception, without imposing any mental constraints associated with D2C.

The focus group took place in a physical setting and lasted approximately 1 hour and 30 minutes. The initial 15 minutes were dedicated to providing cognition and support to make sure everyone was at ease, thus enabling them to express themselves freely.

Participants Selection

The individuals in the focus group were thoroughly selected from the authors' immediate environment. This decision was based on the belief that they could effectively represent both current and prospective consumers who are greatly influenced by their brand perceptions during the purchase process. The prerequisite for participants was their status as active consumers and customers, a criterion that they all met. Factors such as their purchasing power, buying habits (whether online or in physical stores), and nationality were not considered determinants of their eligibility for participation in the focus group. Out of respect for the participants' privacy, each of their names is replaced by a specific number, which remains the same throughout the analysis.

Empirical Results and Analysis

In this section of the paper, the selected framework is implemented to analyze the data obtained from the focus group. Specifically, the customer-based brand equity framework is applied to examine consumers' brand experiences, behaviors, and perceptions during purchase processes. The framework explores the four key dimensions, in order to illustrate the relationships between customers' brand perceptions and how the D2C model can meet these expectations while enhancing brand equity.

Implementation of the framework

In the next part of the analysis, the customer-based brand equity framework is applied to the data gathered with the focus group. The analysis is structured around four distinct dimensions derived from the framework, with the purpose of addressing the research question: "How does the D2C business model influence customer-based brand equity and competitive positioning in the marketplace?" To prevent potential bias, the term "D2C business model" was deliberately refrained from the focus group until the final part of the discussion.

Perceived brand quality and the D2C business model

As mentioned in the literature review on customer-based brand equity, perceived brand quality is formed by the consumers' thoughts of a product being better and superior to others (Zeithaml, 1988). To gain insights on this topic, the focus group discussion was opened by asking different questions to the participants, one of them being "What would affect your perception of the quality of a product or a service?". While responses varied somewhat among participants, they all agreed on two key factors that have a major impact on their perception of brand quality: the quality/price ratio of the product and the overall impression of a positive customer experience.

Participant #1: *"The quality/price ratio is very important to me. It's the first thing I look at."*

Participant #5: *"I like Decathlon because I can walk around and see the tents [...], it's fun I want to buy everything."*

This relates to Cobb-Walgren et al. (1995) findings that consumers form perceptions of brand quality through physical and psychological features of a brand. The physical perceptions come from both objective and subjective information sources while psychological perceptions mainly stem from subjective sources like advertisements. In this context, the quality/price ratio represents the physical aspect, while the positive customer experience embodies the psychological dimension.

This aligns with the essence of the D2C model that, by cutting intermediaries (Prasad & Ghosal, 2021), a firm can reduce costs and invest elsewhere. It allows D2C brands to enhance the consumer experience through competitive pricing, convenience, and high-quality products (Widger, 2017). This would imply that D2C brands are well-positioned to meet participants' expectations in this regard.

Another key factor that ranked closely behind was the importance of an external opinion in the purchasing process (influencers, reviews, and/or family and friends). The participants agreed that recommendations increase their trust in the brand and boost the perceived quality, thereby motivating them to make a purchase, particularly in online buying scenarios. In fact, when purchasing brands online, the participants mentioned that they conduct their own research, and external guidance plays a valuable role in their decision-making. Some participants would never have bought brands if it were not for the reviews. They also highlighted the importance of the sellers in physical stores and the valuable guidance they offer. In an ideal customer experience, they depicted these salespeople as brand experts who take the time to understand customer's needs, almost embodying the role of trusted relatives who would be here only to offer advice.

Participant #3: *"I always check the reviews online before buying a product from a brand, even in a physical store. [...] I want to make sure I buy the best."*

Participant #1: *"I follow influencers and I trust their reviews."*

It matches the study of Bravo Gil et al. (2007), who highlighted that one of the factors that increase the perceived quality of consumers is the amount of positive brand information provided by people consumers are close to, like family members. To delve more into this topic, we asked the questions "Why does trust enhance your perceived quality of a brand?" and "What factors would increase your trust in a brand?". On the first question they agreed that when buying a brand, they want a product that offers value for the price, and they seek assurance that this value will indeed be delivered. Some participants even mentioned that they make an effort to navigate from a retailer's website to the official brand website because it appeared more authentic and it guaranteed good customer support.

Participant #4: *"If possible, I'd rather buy directly from the original brand. I don't want a fake."*

Participant #2: *"I want a good after-sales service."*

This could relate to the fact that consumers are risk-averse, which is why they seek out brands with a low perceived risk in their purchasing decisions (Erdem et al., 2006). Even if some participants did not care about buying a specific brand through a retailer, the majority preferred buying directly from the brand which appears more authentic and credible than its resellers.

This coincides with the direct engagement and focus on consumers across all facets of a D2C brand's operations (Prasad & Ghosal, 2021). The customer-centric essence of the D2C model creates meaningful relations between the brand and the customer (Palmatier et al., 2019, p.276). This enhanced interaction between the customer and the brand helps build trust and improve the perception of the brand quality.

Brand Awareness and the D2C business model

As mentioned in the literature, brand awareness is defined by the level of recognition and recall of the brand by the consumers. The awareness can differ on different levels ranging from Top-of-mind, brand dominance, and brand knowledge to brand opinion (Aaker, 1996). To capture data on this dimension of the customer-based brand equity framework, we started by asking participants "Can you spontaneously recall brand names that come to mind?". Various brands were mentioned, including well-known names like Coca-Cola, Samsung, and Marlboro. Interestingly, none of the brands mentioned by the participants follow a D2C business model. Some brands operate under a hybrid model, combining both D2C and B2B, as exemplified by Decathlon. However, pure D2C brands did not feature among their immediate associations. We carried on with the discussion by asking participants about their familiarity with D2C brands, without explicitly using that terminology. They were indeed aware of such brands, but these were not the first names that came to their minds.

This could relate to Kapferer (2012) who talks about two types of brand awareness: aided and spontaneous. Spontaneous awareness reflects how much people naturally notice a brand, while aided awareness is the basic recognition a consumer has of a brand. In other words, spontaneous awareness is about how memorable a brand is because of its product or service.

To gain a deeper understanding and insights into why D2C brands weren't top-of-mind, we inquired of the participants, "Which sources or channels do you usually turn to when discovering new brands or products?" While responses showed some variation, it became evident that the most significant sources shaping their awareness of brands included influencers, recommendations from family and friends, and the act of browsing through retailer stores or websites.

Participant #2: *"I wanted to change my phone, my cousin works for a phone company [...], and he told me to buy from this brand."*

Participant #1: "*I browse websites and look at what's proposed."*

This could be associated with Keller & Lehmann's findings (2003), showing that consumers receive brand awareness through the product or service, marketing communications (e.g. advertising, public relations, promotion, sponsorships), and the companies' workforce. However, unlike Keller & Lehmann's findings, the participants of our focus group never mentioned advertising on their own. It can be assumed that they did not talk about it because it is more of an unconscious awareness.

The lack of awareness of D2C brands and the limited answers of participants about advertising was particularly interesting and aligns with Schlesinger et al. (2020) who stated that one of the challenges of the D2C business model was the diminishing returns in customer acquisition through social media and influencer marketing. This could show that the limited top-of-mind awareness can be challenging for D2C brands.

Another crucial insight that surfaced during the participants' discussion in the focus group was the evolution of brand awareness following a purchase. They unanimously concurred that if a brand delivered on its promises and provided a positive purchasing experience, it would significantly enhance the likelihood of them considering the same brand for future purchases.

Participant #7: *"If I like a product I have from a brand, I will buy again from this brand."*

Participant #3: *"I feel appreciated, if the seller smiles at me or if I get a thank you-email, which gives me a good impression of the brand."*

This shows that brand awareness is positively related to higher repurchasing intentions (Teng & Huang, 2022). This can also be linked to theory that proves attributes such as high quality, trust, reliability, strong connection with consumers, and high quality/price are closely linked to brand awareness (Kapferer, 2012).

This aligns with the research conducted by Kim et al. (2021), which revealed that the price-quality ratio facilitated by a D2C business model, indirectly impacts repurchase intentions.

Brand Image and the D2C business model

As outlined in scholarly work, brand image is defined as a "cluster of attributes and associations that consumers connect to the brand name" (Biel, 1992, p. 8). To gain a deeper understanding of this aspect, we posed the question to the participants: "In your view, what influences the image or reputation of a brand?" Interestingly, the participants were divided into two groups in their responses. The first group primarily associated brand image with negative elements, such as scandals and controversies. They seemed to view "brands and branding" primarily through a negative lens. Another unfavorable aspect emerged: a brand's business model can exert a direct impact on its brand image. Participants underscored this observation by drawing upon the examples of the "fast fashion" and "fast food" industries. They expressed that these industries did not align with values they held in high regard, such as sustainability.

Participant #6: *"I could buy from a brand again if there is a tax fraud, but not if there is child labor."*

The second group agreed that to have a good image and a good reputation, it is important for a brand to keep everything aligned, from the product in itself to the communication strategy.

This idea is connected to the concept that when a brand's messages and the experiences consumers have with it are consistent, it builds a powerful brand image (Kapferer, 2012).

Moreover, it became evident that certain factors, such as a brand's sustainability and social responsibility, have the potential to enhance its brand image. This underlies the idea that the brand image is also formed through the consumers' perceptions of the brand (Romaniuk & Sharp, 2003).

Participant #6: *"If the brand is sustainable, I would rather go for it."*

According to our research, sustainability and social inclusion are both becoming very important factors in shaping consumers' perception of a brand's image, this counters Kim et al. (2021) findings which stated that sustainability does not have a positive effect on the consumer's attitude towards D2C brands.

Krishnan (1996) also highlights that the way that a brand is perceived can be influenced by various sources, such as consumer experiences, marketing communications, or word-of-mouth. The focus group concluded on the same argument, with participants agreeing that their prior experiences or purchases with a particular brand can significantly impact the image they hold of that specific brand.

Participant #3: *"I would go for a German car before a French one because they are known for their good quality."*

Drawing from Widger's study (2017), D2C companies excel in providing innovative, cost-effective products, while deploying better and more creative marketing than established players. This multifaceted approach not only enhances their brand image but also fosters a deeper connection with customers.

Brand uniqueness and the D2C business model

According to academic sources, brand uniqueness is defined as the extent to which customers perceive a brand as distinct from its competitors (Netemeyer et al., 2004). To gain a deeper understanding of the subject, we asked several questions to the participants, including one that inquired, "What, in your view, sets certain brands apart from the rest and how do they establish their uniqueness in the market?" Many of their responses revolved around the intrinsic qualities of a brand's products. They emphasized that distinctive, innovative, and original features exclusive to certain brands can significantly influence their purchasing decisions, even if it entails a higher price point. The majority cited Apple as an example, highlighting specific attributes like the camera's quality as a standout feature that helps the brand differentiate itself, despite its premium pricing.

Participant #1: *"I wanted an iPhone just for the camera, even if it is super expensive."*

This could relate to Carpenter et al (1994) theory, stating that if consumers perceive a brand as being unique, it positively affects their preferences as well as their willingness to pay a higher price for a brand. This enables a unique brand to justify a price premium in the market (Aaker, 1996). Another noteworthy aspect that came to light during the discussion about Apple was the ecosystem established by the brand, wherein all their products seamlessly interact with each other. Some participants found this to be a unique experience, one that they struggled to find replicated by other brands. However, some participants disagreed on that point and stated that this diminished the brand's value because they felt compelled to enter a new ecosystem and they did not want to do that.

Participant #4: *"Once you have one Apple product, you are stuck in their ecosystem. I don't like it."*

This shows that the level of uniqueness is one aspect of associations that a consumer has with a brand ultimately determining the overall value of a brand (Keller & Lehmann, 2003). According to the outcomes of the focus group, it becomes evident that a consumer's perception of a brand's uniqueness is indeed a highly personal matter.

As the discussion progressed, another prominent factor appeared as a determinant of a brand's uniqueness: the relevance of the customer experience. From the initial purchase to the re-purchasing process, they all agreed that if they had a positive customer experience, it would make the brand stand apart and look more unique. Participants concurred that a positive customer experience has the potential to profoundly shape their perception of a brand as being distinctive, significantly influencing their decision to repurchase the same brand. This aligns with the findings of Kim et al. (2021), which underscored that brand uniqueness can serve as a driving factor influencing a consumer's choice to repurchase from the brand.

These results are consistent with Kim et al.'s (2021) research, which found that the uniqueness of a D2C brand's product offerings and compelling storytelling associated improve consumers' perceptions of these brands.

Discussion and Conclusion

Discussion

This study reveals several factors that influence the customer-based brand equity-building process of D2C brands. First and foremost, the perception of brand quality, shaped by cost-effectiveness and customer experience, significantly influences consumers' purchasing decisions. The D2C business model empowers brands to effectively control their operations, enhancing their ability to deliver on these crucial aspects, thereby improving the consumers' perceived brand quality.

Subsequently, this paper investigates brand awareness as a focal point in the customer-based brand equity framework. As a result of the analysis, trust, and authenticity play pivotal roles wherein consumers seek to compare products and get recommendations from reliable sources such as family, friends, online platforms, a retailer's portfolio, or sales personnel. D2C can effectively nurture the cultivation of essential attributes including price, quality, trust, reliability, and consumer connectivity. However, one challenge associated with the D2C business model is enhancing top-of-mind awareness. As observed by Schlesinger et al. (2020), the overreliance on digital marketing channels, particularly social media, contributes to the long-term sustainability concerns surrounding the D2C business model. One of the solutions to this challenge would be to integrate a more hybrid strategy in business models as D2C has its limits regarding the creation of brand awareness.

Thereafter, the research progresses toward the brand image implications in the customer-based brand equity framework. As a result, this paper shows the implications of sustainability, responsibility and the business model architecture to be significantly impacting the brand image. In the objective of sustaining positive brand associations, the D2C business model is well-positioned due to its intrinsic authenticity, stemming from the control it affords over brand image and representation. This level of control allows D2C brands to maintain message consistency and project their desired brand image, and the ability to control their sustainability efforts in order to create a positive association, especially for the younger generations, which ultimately improves their brand equity.

Finally, the brand uniqueness also plays an important role in the positive customer perception. As a completely integrated D2C business model, sets the brand apart from monopolistic players, it is in this regard considered as a competitive advantage. However, as the results show, the most important factor is the relevance of the customer experience. Through their platform and thanks to their technological capabilities, D2C brands are able to provide more assistance and information about their product than what an intermediary would be able to provide to the customer. Creating a unique, global, and reliable purchasing experience for the customers in order to eventually increase overall brand equity.

Conclusion

The research provides conclusive evidence of a strong relationship between the D2C business model and customer-based brand equity. Furthermore, it affirms the significant implications of a customer-centric approach within this model, underscoring the key role of brand equity management for D2C brands.

Our findings indicate a consumer preference for direct brand purchases. Simultaneously, consumers highly appreciate the capacity to compare products across various brands through retailers' platforms, seek input from trusted sources like friends and family, conduct pre-purchase research, or receive expert advice. This apparent contradiction between the preference for a brand’s own distribution channels and the need to compare products poses a significant challenge for D2C brands. They must address two key issues: firstly, how to increase consumer awareness, particularly as their products are not present on retailer platforms, and secondly, how to persuade consumers to make a purchase when direct product comparisons are not readily available. Therefore the D2C business model highly leverages customer-based brand equity which makes it a good tool to gain competitive positioning as a strong brand but it cannot be seen as a universal solution to brand management issues. Brands have to thoroughly think through whether the D2C business model is the most suitable option for them.

Managerial implications

The results suggest that management and strategy benefit from understanding the importance of customer-based brand equity in order to further improve their business model strategy. With the rising importance of customer-centric approaches, companies can use the D2C approach to strategically leverage their brand, since it contains a lot of elements that are aligned with customer-based brand equity assets. For D2C brands managers, understanding the D2C model's influence on brand equity enables them to position their brand effectively in the market, highlighting unique selling propositions and differentiation strategies that resonate with their target audience and create stronger customer relationships. However, the study results also show that the D2C model has its drawbacks and therefore cannot be a universal solution for successful brand management.

Limitations and Further Research

Limitations

In the course of conducting the research and developing the paper, we encountered certain limitations that are important to acknowledge. These limitations include a scarcity of existing research on the link between the D2C model and customer-based brand equity, time constraints that prevented a more in-depth exploration of this relationship, and a slightly smaller sample size than originally intended. Understanding these limitations is crucial for a comprehensive assessment of our study's scope and findings.

Further Research

While this study has provided valuable insights into the relationship between D2C brands and customer-based brand equity, there are promising avenues for further research that could contribute to a more comprehensive understanding of these dynamics.

Building on our findings, future research could focus on developing a comprehensive framework that assists D2C brands in visualizing and aligning with their customers' expectations. Such a tool could empower D2C brands to proactively cater to their customers' needs, ultimately enhancing customer satisfaction and brand loyalty.

By tracking the evolution of the long-term impact of customer-centric brand building on D2C brands, researchers could gain insights into the sustained benefits and challenges associated with this approach.

In summary, the present study opened the door to a deeper understanding of the relationship between customer-based brand equity and D2C brands. However, the field remains open for further researchers, scholars and industry practitioners to continue enhancing the knowledge and strategies that underpin the success of D2C businesses in today's dynamic marketplace.

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