



Three Dimensions of Brand Purpose: Creating Value for Shareholders, Customers and Third Parties

Michael K. Zürn, Matthias Unfried



NIM WORKING PAPER SERIES > 9 > 2024

Publisher: Nürnberg Institut für Marktentscheidungen e.V. / *Founder of GfK*

Working papers are in draft form. This working paper is distributed for purposes of comment and discussion only and may not be reproduced or copied without permission of the copyright holder. The views expressed are those of the authors and do not necessarily reflect the view of the Nürnberg Institut für Marktentscheidungen e.V. An electronic version can be downloaded from the website of the Nürnberg Institut für Marktentscheidungen e.V.

www.nim.org

Three Dimensions of Brand Purpose: Creating Value for Shareholders, Customers and Third Parties

Michael K. Zürn^{*†} Matthias Unfried[†]

Abstract— *Brand purpose has been firmly advocated as a fundamental requirement for winning the favor of today’s apparently more discerning consumers. But the return on investments for articulating and implementing brand purpose remains ambiguous because reliable evidence regarding the relation between brand purpose and brand performance is still lacking. Shedding light on this relation has been directly impeded by the unavailability of validated measures to quantify brand purpose and, even more fundamentally, by the absence of a conceptual framework for brand purpose. First, we derive a conceptual framework where brand purpose is the goal to create value in three purpose dimensions: financial success, customer benefits and third-party effects. Second, we develop and validate a consumer-based measure of perceived brand purpose. Based on these quantitative scores, the specific composition of a brand’s purpose can be located in the three purpose dimensions to support and structure its analysis in both academic and applied settings. Our own analysis of the data for 111 brands from 1,531 participants reveals an almost universal hierarchy and specific trade-offs among the purpose dimensions. Crucially, brands which are perceived to focus on customer benefits and third-party effects outperform brands that are perceived to focus on financial success. In conclusion of the article, we integrate brand purpose into the branding literature and discuss avenues for future research. We furthermore outline how our findings, and the novel measure may be applied in brand management to track and optimize perceived brand purpose.*

Keywords— *brand purpose; purpose beyond profit; brand perception; measurement; scale development; Net Promoter Score*

1 Brand Purpose and Brand Performance

Brand purpose seems to have taken a front-row seat in strategic thinking. Prominently, Simon Sinek urged business leaders to always ask *why* a company is in business (Sinek 2009). That is, beyond specifying *what* a business does and *how* it is done, all organizations should also state *why* they do what they do. Accordingly, industry leaders across business domains appear to recognize that purpose should be woven into the core of all business activities (HBR Analytic Services 2015; Montgomery 2019). Even BlackRock’s Larry Fink announced that only purpose-driven companies will prospectively get the chance to be included in their portfolio (Fink 2018). Such acknowledgments of purpose implicitly convey that this reason for being is or should be found be-

yond profit. While some decision makers arguably have an internal motivation to align brand operations with a certain purpose (beyond profit), uncovering, articulating, and living up to a purpose requires the investment of resources. However, the returns on these investments are still poorly understood. The purpose of this research is to shed more light on the relationship between brand purpose and brand performance.

From a purely theoretical perspective, Henderson and van den Steen (2015) argue that purpose can create value by strengthening employees’ identity and reputation. Moreover, Benabou and Tirole (2010) discussed how a prosocial purpose can increase company profits if it compensates managerial myopia or if the customers value the social impact targeted by the company’s purpose. In addition, several studies have already attempted to shed light on the empirical relation between purpose and performance. For instance, the pioneering analyses provided by Sisodia and colleagues (2014) as well as by Stengel (2011) suggested almost incredible advantages for purpose-driven businesses, but these authors merely relied on their subjective impressions to differentiate purpose-driven and conventional businesses which evokes a whiff of ‘cherry picking’ high-performance busi-

^{*}Corresponding author, michael.zuern@nim.org

[†]Nürnberg Institut für Marktentscheidungen e. V.

Citation: Michael K. Zürn & Matthias Unfried (2024), Three Dimensions of Brand Purpose: Creating Value for Shareholders, Customers and Third Parties, NIM Working Paper Series, No. 9 / 2024

nesses as purpose-driven (this practice has also been referred to as 'sampling on the dependent variable'). For instance, Stengel (2011) selected his set of purpose-driven brands only from the top performers in Millward Brown's database which makes it much less surprising that these brands outperformed the S&P 500 benchmark by 393%. More systematically, Gartenberg, Prat and Serafeim (2019) analyzed a large data set about employees' perceptions of their employers and concluded that purpose might be related to financial performance if management clearly communicates it. Relatedly, Lleo et al. (2021) found that employees report being more motivated if they think their employers have properly implemented purpose.

Importantly, the available empirical studies investigated whether having *a purpose* affects performance rather than asking *which kind of purpose* does. But of course, every brand has a purpose. So-called 'conventional' brands just often implicitly seem to be considered those which have no purpose *beyond profit*. Hence, any meaningful analysis of brand purpose must dive deeper into the composition of purpose. That is, it is necessary to determine whether a brand is only about profit or whether there is a purpose beyond profit and if so, what exactly lies beyond profit. Furthermore, the practically far more relevant question is what kind of brand purpose potentially boosts brand performance rather than whether some indeterminate purpose can achieve this. Unfortunately, there currently is no way to systematically measure which kind of purpose can be ascribed to a brand. This methodological shortcoming not only impedes reliable insights into the relationship between brand purpose and brand performance, but also prevents practitioners from effectively managing brand purpose. After all, it is difficult to manage what you cannot measure.

The fundamental obstacle for developing an instrument to measure brand purpose is the lack of a conceptual framework to describe the composition of individual brand purposes. Therefore, the first contribution of the current research is a conceptual framework to describe brand purpose in terms of the importance assigned to three specific purpose dimensions. With this approach, we seek to establish a more substantial definition of purpose that walks the line between being meaningful (i.e., specifying the composition of a brand's individual purpose) while still being applicable to a wide range of brands (i.e., generalizing across individual brand purposes). In the next step, we develop and test a simple questionnaire to quantify brand purpose along the three purpose dimensions. Finally, we assess the brand purpose for a large sample of brands to test the relationship between brand performance and brand purpose.

2 Three Purpose Dimensions

Sinek (2009) can be considered a pioneer in the domain of brand purpose. By putting the "why" into the focus of his analyses, he directed the attention of scholars

and practitioners towards the motivation underlying any business activity. Accordingly, purpose has been generally defined as an organization's "reason for being" (Gartenberg et al. 2019; Lleo et al. 2021). Building on the same perspective, Williams and colleagues (2022) defined brand purpose as a goal (see also, Henderson and Van den Steen 2015) and specified several key elements a purpose-building goal must possess (long-term orientation, connection to brand identity, transcending profits). In psychology, a goal is usually defined as a positively evaluated end state someone is motivated to achieve (Fishbach and Ferguson 2007). Incorporating the concepts of evaluation and value into the definition of purpose, George and colleagues (2021) concluded an extensive literature review with a tentative definition of purpose in terms of the "value [an organization] seeks to create for its stakeholders" (for a more philosophical definition of organizational purpose, see Morrison and Mota 2021).

Creating value for stakeholders is a good starting point to build a conceptual framework for brand purpose but it further requires a specification of the stakeholders as well as the nature of the value creation. In that regard, the Business Roundtable 2019 issued a statement where corporate purpose is defined by a commitment to five groups of stakeholders and their respective objectives. Specifically, the purpose of companies is to generate long-term value for shareholders, deliver value to customers, invest in employees, be fair to suppliers and support communities (Business Round Table 2019). Very similarly, a large survey among business leaders (EY Beacon Institute 2017) relied on five characteristics of purpose: maximizing shareholder value, bringing value to customers, creating value for employees, creating value for a broad set of stakeholders (including society and the environment) and having an aspirational reason for being.

To create a more parsimonious framework, the diverse stakeholder groups that may be addressed by a brand's purpose can be structured further by considering the transactions a brand is involved in. The transaction-based approach to structure the stakeholders and their objectives is deeply rooted in economic thought where economic actors voluntarily engage in transactions for mutual benefit. The first party in these transactions is the organization operating the brand. The value a brand immediately creates for this party is largely financial in nature. That is, the first dimension of brand purpose is *financial success*. This purpose dimension is closely related to the shareholder value approach (Friedman 1970; Rappoport 1986) where brand executives are the agents of the shareholders and thus should follow their objectives (i.e., receiving returns from investments, generating income, etc.). From the transactional point of view, employees and suppliers of the organization do not belong to this first party because they have already been compensated for their contributions and because they have no active role in the transaction between the organization and its customers.

The customers of the organization are the second party

in the transaction. The value brands immediately create for their customers stems from the benefits provided by their products and services. Therefore, the second dimension of brand purpose is *customer benefit*. From the customer's perspective, these benefits are reflected in the perceived value created by the brand's products and services (Zeithaml 1988). From the perspective of the organization operating a brand, customer benefits are articulated in the fundamental value proposition. Previous research by Rintamäki, Kuusela, and Mitronen (2007) has identified four dimensions of customer value propositions (economic, functional, emotional and symbolic value). Due to our transactional categorization of stakeholder groups, our definition of customer benefits has to be somewhat restricted to the value created immediately for the customer. However, emotional and symbolic components of a brand's value proposition can also stem from value created for others. Therefore, the functional and economic components of a brand's value proposition should largely be considered the foundation of the customer benefits dimension of brand purpose. In contrast to the rather generic nature of financial success (which can be expressed in monetary values), the specific form of the customer benefits is much more idiosyncratic to what kinds of products and services are offered by a brand (Zeithaml 1988). To be sure, even if a brand's purpose would be limited to being financially successful, it would still be necessary to provide some benefits to customers because there would be no demand for the company's products otherwise. Beyond that however, companies might also aspire to satisfy customer needs and desires or to solve their customers' problems as an end in itself (see also Garvin 1984). For instance, an anecdote about Ferdinand Porsche, founder of the sports car manufacturer of the same name, suggests that the Porsche brand was founded with the purpose to build the sports car of his dreams (and presumably also the dream car of all racing enthusiasts). This is not to say that he gave no weight to financial success, but the (primary?) motivation to start the brand was the creation of an outstanding product that will be admired by customers.

Importantly, the transactions between companies and their customers frequently also have effects on third parties (which in turn do include employees and suppliers of the company). These effects are generally called *externalities* (Laffont 2008; Pigou 1932) and can either be negative (i.e., destroying value for third parties) or positive (i.e., creating value for third parties). The classic example of a negative externality is environmental pollution caused by production. That is, the company receives a profit from selling the product to a customer who receives its benefits, but the communities where production is located might suffer from reduced air quality. Of course, externalities can also be positive, for instance, if companies provide educational, cultural, or medical services for communities along their value and supply chains. Therefore, the third dimension of brand purpose is the intentional promotion of positive *effects on third parties* or the intentional prevention of negative *effects on*

third parties. Similar to the idiosyncratic nature of the specific customer benefits created by a brand, the specific third-party effects targeted by a brand might relate to broad range of ecological, socio-political and cultural issues. However, while some brands may direct their attention and efforts to "exotic" third-party effects, the United Nations' Sustainable Development Goals might serve as a rough guideline to classify third-party effects. In the stakeholder-based approaches to purpose, third-party effects summarize consequences of an organization's business activities for all stakeholders apart from shareholders and customers (i.e., employees, suppliers, communities, etc.).

In sum, we have derived three purpose dimensions (financial success, customer benefits, and third-party effects) and conceptualize brand purpose in terms of the importance a brand assigns to the value creation in each dimension. Importantly, the three purpose dimensions are not mutually exclusive and most brands will allocate a certain importance to each dimension. Moreover, the purpose dimensions are based on the *direct* effects a brand's activities have on the three parties but there might also be indirect benefits if one party benefits from the value created for another party. For instance, shareholders might experience pride and satisfaction if their brand creates value for customers. Also, customers might experience a "warm glow" (Andreoni 1990) if a brand creates value for third parties (e.g., by reducing the carbon emissions associated to its products). However, our conceptual framework for brand purpose builds on how important the direct effects on each party are for a brand.

Based on our conceptual framework for brand purpose, we can proceed to the establishment of an appropriate measuring instrument. The next section describes the general approach while the specific analyses and results are described in the following sections.

3 Methodological Approach

Brand purpose is a characteristic which cannot be observed directly but has to be inferred from cues about a brand (see Brunswik 1952). Concerning brand purpose, these cues largely originate from the communication from and about a brand (i.e., owned, paid, and earned communication) and the behaviors and outcomes attributed to a brand. To assess brand purpose, all this different kind of information has to be weighted and integrated which posits a number of significant challenges.¹

¹Previous research met this challenge, for instance, a large stream of literature is dedicated to the analysis of firms' mission statements and how the content of these statements is related to firm performance (e.g., Bart 1997a; Bart, Bontis, and Taggar 2001; Pearce and David 1987; Stallworth Williams 2008). To some degree, the findings suggest that certain components of mission statements are related to firm performance, but the relationships are rather weak and often mediated by several additional variables (see, Stallworth Williams 2008). Also, more recent findings suggest that proclaimed values are largely irrelevant for performance (Guiso et al. 2015; see also, Bart 1997b). Furthermore, other researchers have advanced the field of impact assessment, that is, quantifying the actual consequences of corporate activities (e.g., Suwen and Harrison 2020;

Fortunately, the integration of purpose-related information may also be outsourced to the decision makers who ultimately determine brand performance, e.g. the consumers. That is, decision makers integrate the available cues alluding to a brand’s purpose into a subjective, *perceived purpose* of the brand which is then assessed via a questionnaire. Previous research has assessed the (perceived) purpose of organizations via surveys among their employees (e.g., EY Beacon Institute 2017; Gartenberg, Prat, and Serafeim 2019; HBR Analytic Services 2015; Hemerling et al. 2018; Lleo et al. 2021).² We complement the employee perspective on brand purpose by a consumer-based approach (see, Keller 1993) and develop a questionnaire for consumers’ subjective perceptions of a brand’s purpose. In contrast to previous assessments, our new measure shall not only capture the mere presence of a not further specified brand purpose but shed light on its composition in terms of the purpose dimensions defined above. Importantly, our approach to measuring brand purpose relies on which purpose dimensions consumers perceive to be important for a given brand not which purpose dimensions they deem important for themselves

3.1 Brand samples

To some degree, the brands used in this research are an arbitrary selection. Primarily, we selected the brands for our studies from a list of the 100 most valuable brands worldwide (Interbrand 2021) to ensure sufficient familiarity in our participant samples. Compared to other available brand rankings, the Interbrand ranking seems to focus on brands from the US and Europe which matches the participant samples we recruited (see below). Importantly, we do not relate our measure of brand purpose to the brand values and rankings derived by Interbrand, so which particular sample of top brands is ultimately chosen is largely irrelevant for the current purposes. In addition, we included 11 “purpose” brands as a reference group. The quotation marks around “purpose” were added to indicate the subjective nature of the inclusion criteria for this reference group. Obviously, the development of a more objective classification is the focus of the current research. From the full list of brands, we presented different subsamples in each participant sample. Tables A1 and A2 in the Web Appendix provide an overview of which brands were presented to which sample of participants. The subsample of brands presented to each participant sample was selected according to the data analyses planned for this participant sample (see below).

Rawhouser, Cummings, and Newbert 2019). To be sure, impact can be a manifestation of purpose but the assessment focuses on outcomes not intentions. Moreover, the impact of an organization is very specific to its business model and corresponding activities which makes it difficult to compare impact assessments across business areas (Rawhouser, Cummings, and Newbert 2019).

²Eccles, Ioannou, and Serafeim (2014) and Guiso and colleagues (2015) combined both approaches and analyzed corporate communication as well as responses in employee surveys.

In contrast to the traditional psychometric approach to questionnaire development, not only the raters (i.e., the participants) varied between observations but also the targets of the ratings (i.e., the brands). That is, different participants rated different brands (see also, Pappu, Quester, and Cooksey 2005; Yoo and Donthu 2001). We chose this multi-brand approach to foster that the resulting measurement instrument would be valid for a broad range of brands.

3.2 Participant samples

To develop and validate our instrument, we administered the questionnaire to six participant samples (Total $N = 1,531$). An overview of the samples is provided in Table 1. In general, we started with smaller samples (Samples 1-3) and then collected larger participant samples (Samples 4-6) which allowed collecting sufficient amounts of data on larger brand samples without risking fatigue. Additionally, the larger samples were collected at different times and in different geographic regions to test our measures’ reliability. Participants who participated in one sample were generally not eligible to participate in another. All participants completed the questionnaire online and were recruited via Prolific Academic (www.prolific.co).

The first sample consisted of $N = 120$ US residents (Age: $M = 40$, $SD = 14$; 45% female, 54% male, 1% preferred not to say) who were filtered for language fluency in English. In this sample, each participant rated one of four brands (see Web Appendix Table A1 and A2).

The second sample consisted of $N = 200$ US residents (Age: $M = 40$, $SD = 13$; 32% female, 68% male) who were filtered for language fluency in English. In this sample, each participant rated five out of fifteen brands (see Web Appendix Table A1 and A2). One participant took part twice in the experiment, so we excluded the data from both runs. Thus, the final sample consisted of $N = 199$ participants.

The third sample consisted of $N = 100$ participants located in Germany (Age: $M = 30$, $SD = 10$; 47% female, 53% male) who were filtered for language fluency in German. In this sample, each participant rated four out of twenty brands (see Web Appendix Table A1 and A2). 21 participants failed our attention check which led to a final sample of $N = 79$.

The fourth sample consisted of $N = 400$ US residents (Age: $M = 44$, $SD = 14$; 46% female, 54% male) who were filtered for language fluency in English. In this sample, each participant rated five out of 100 brands (see Web Appendix Table A1). One participant took part twice in the experiment so the data from both runs was excluded. Thus, the final sample consisted of $N = 399$ participants.

The fifth sample consisted of $N = 400$ participants located in Germany (Age: $M = 30$, $SD = 9$; 50% female, 49% male, 1% preferred not to say) who were filtered for language fluency in German. In this sample, each participant rated five out of 100 brands (see Web Appendix

Table 1: Overview of the participant samples.

Sample	N	Region	Number of brands presented	Number of ratings per brand	Average ratings per brand	Minimum number of ratings per brand	Maximum number of ratings per brand	Data used for Study
1	120	US	4	1	30 (11)	20	44	1
2	200	US	15	5	67 (27)	12	94	1, 4
3	100	GER	20	4	16 (7)	3	31	1, 4
4	400	US	100	5	20 (9)	3	39	1, 2, 3, 5
5	400	GER	100	5	33 (6)	18	50	1, 2, 3, 5
6	400	GER	100	5	18 (8)	3	38	1, 2, 3, 5

Table A1). 34 participants failed our attention checks which led to a final sample of $N = 366$.

The sixth sample consisted of $N = 400$ participants located in Germany (Age: $M = 29$, $SD = 9$; 40% female, 59% male, 1% preferred not to say) who were filtered for language fluency in German. In this sample, each participant rated five out of 100 brands (see Web Appendix Table A1). 32 participants failed our attention checks which led to a final sample of $N = 368$.

Generally, larger subsamples of brands require more brand ratings per participant or more participants. Therefore, the sizes of our participant samples varied with the number of brands in the brand subsample for each participant sample.

3.3 Participant samples

The experimental procedure was very similar for all samples. The questionnaires were implemented in oTree (Chen, Schonger, and Wickens 2016) or Millisecond’s Inquisit 6.0. After a short introduction, the first brand was randomly selected from the brand pool for the respective sample. In the first step, participants were asked to indicate how well they knew this brand (1 = *Not at all*; 6 = *Very well*). Only if participants rated their familiarity (or brand awareness) with a brand above 2, they proceeded to the main questions. Otherwise, a new brand was randomly selected until a sufficiently familiar brand was found. If participants were sufficiently familiar with a brand, they proceeded to the next step where the actual questions about the brand’s purpose were presented (see Table 3). For each goal, participants indicated their subjective impression regarding the importance of this goal for the brand on a 6-point scale (1 = *Not important at all*; 6 = *Extremely important*). The order in which the items were presented was randomized anew for each participant. For Samples 4, 5 and 6, we added a third step with further questions about each brand. These questions are described below.

Ultimately, we wanted to collect multiple brand ratings per participant to increase the number of brands we could efficiently assess but also to improve the scoring of our questionnaire by controlling for individual response tendencies and demographic variable (see below). Therefore, in Samples 2, 3, 4, 5 and 6, the entire sequence of steps was repeated until the specified number

of brands were rated. In Samples 2 and 4, we restricted the maximum number of brands presented in the first step (familiarity rating) to prevent a too long duration of the experiment. As a consequence, some participants provided fewer brand ratings than initially aimed for (6 participants from Sample 2 and 34 from Sample 4).

3.4 Overview of the studies

The data collected from our six participant samples was designated for different analyses which we will report as five different studies. Basically, Studies 1 and 2 concern the development and reliability of the questionnaire while Studies 3, 4 and 5 apply the questionnaire to gather insights into the composition of brand purpose and its predictive validity (particularly regarding brand performance). Table 2 provides an overview of the studies and the data used for each study.

4 Study 1: Scale Development

Based on the insights from our literature review, we first generated a set of 45 goals reflecting the three purpose dimensions. This initial set of items was then presented to a group of experts who checked the candidate items for face validity and tangibility which resulted in a final set of 18 items (six items per purpose dimension). The full list of items is shown in Table 3. In this first study, we test the validity of the items to develop our questionnaire.

4.1 Data

For the validation of the scale, only the first brand ratings from each participant were analyzed in Samples 2, 3, 4, 5 and 6. From these data sets, the subsequent ratings were not analyzed because the factor analytic methods employed below are not feasible for multiple responses from individual respondents. We analyzed the data from all $N = 1,531$ participants who each rated one of 110 brands. On average, we had 14 ratings per brand ($SD = 12$; $Min = 2$; $Max = 81$).

Table 2: Overview of the studies.

Study	Research question	Data (Participant samples)	Valid N
1	Scale development	Sample 1-6	1,531
2	Scale reliability	Sample 4-5 & 5-6	1,133
3	Relationships among purpose dimensions	Sample 4-6	1,133
4	Predictive validity I (brand types)	Sample 2-3	278
5	Predictive validity II (brand performance)	Sample 4-6	1,133

4.2 Results

Before analyzing the factor structure of our questionnaire, we conducted several tests to ensure that our data was appropriate for factor analyses. The Kaiser-Meyer-Olkin (KMO) measure was calculated to verify the sampling adequacy for the analysis. Overall, the KMO value was .93 and all KMO values for individual items were $> .89$. Bartlett's test of sphericity, $Chi^2(153) = 15,639.84, p < .001$, indicated that correlations between items were sufficiently large for a factor analysis. On the other hand, the determinant of the correlation matrix, $D = .00003$, was sufficiently large suggesting that multicollinearity was not an issue. In sum, the data was deemed suitable for factor analyses.

We first conducted a Principal Component Analysis (PCA) to identify the appropriate number of factors. Reproducing our theoretical framework, three factors had eigenvalues satisfying the Kaiser-Guttman criterion $\lambda > 1$ (Guttman 1954; Kaiser and Dickman 1959) and together explained 64.59% of the variance. The scree plot showed an inflexion point between the third and fourth factor which also suggests retaining three factors for the following analyses. Table 3 shows the factor loadings of all 18 items based on an oblimin rotation. We chose an oblique method of factor rotation because our purpose dimensions, which are the theoretical basis for the factors, are not necessarily independent.

In general, factor loadings were rather high with only four items scoring below the threshold of .707 (Fornell and Larcker 1981).³ All factor loadings were well above the .32 threshold for the minimal loading of an item (Tabachnick and Fidell 2001). Based on the threshold of .50 for 'strong loaders' (Costello and Osborne 2005), all loadings except from item 18 can be considered 'strong'. Furthermore, all items loaded strongest on the factors to which they belong on a theoretical basis, that is, the corresponding purpose dimensions. Thus, the first factor (F1) can confidently be labeled as "third-party effects", the second factor (F2) can be labeled as "financial success", and the third factor (F3) can be labeled as "customer benefits".

In the next step, we conducted Confirmatory Factor Analyses (CFA) based on the factor structure(s) indicated by the PCA. We tested two model specifications, the full model including all items (Model 0) and a re-

duced model, where the four items with a loading $< .707$ were removed (Model 1). Table 4 shows different fit indicators for both models.

Both models show good fit in terms of CFI, TLI, RMSEA and SRMR (for cut-off values see, Hu and Bentler 1999). Model 1 scores slightly better across all indexes and will therefore be the basis for the Perceived Purpose Scale (PPS-14).

4.3 Discussion

The exploratory and confirmatory factor analyses both suggested that our questionnaire items constitute three distinct factors which fits the underlying theoretical framework. Moreover, each item was initially designed to match a specific purpose dimension and the empirical factor analyses confirmed this matching with all items loading highest on the intended dimension. Also, cross-loadings of items were negligible (Costello and Osborne 2005; Tabachnick and Fidell 2001). Given their comparatively low factor loadings, four items were dropped but enough items were retained for each dimension to warrant the stability of the factors (see, Costello and Osborne 2005). Given the results of both PCA and CFA, a case can be made to retain all items, but we suggest using the simpler questionnaire with slightly fewer items to improve practical feasibility. In sum, the novel instrument appears suitable to measure the perceived purpose of brands and warrants further analyses.

4.4 Calculating Perceived Purpose Scores

After having established the consistency of our measurement instrument, we will now outline how participants' responses can be translated into three-dimensional Perceived Purpose Scores for each brand. With our scoring, we intended to eliminate the effects of individual response tendencies and basic demographic variables of the respondents on the brands' scores.⁴ Therefore, we relied on multiple responses from each participant (i.e., ratings for several brands) to fit mixed effect models (including random effects for participants and brands) for deriving our Perceived Purpose Scores. For our analyses, the models were fitted with the lme4 package for R

⁴In principle, we suggest controlling for all variables that are available to reduce the impact of sample idiosyncrasies. To a certain degree, this approach is feasible to circumvent biases due to non-representative samples.

³The .707 threshold requires that the item and the factor share at least 50% of their variance (e.g., Bortz and Schuster 2010).

Table 3: Factor analysis of the Perceived Purpose Scale using PCA with oblimin rotation. Loadings below .2 are not displayed.

Item	F1	F2	F3	h2	u2	com
1 Ecologically and socially sustainable investment of the company's profits	0.93			0.76	0.24	1.0
2 Solution of social and ecological problems	0.92			0.81	0.19	1.0
3 Avoiding environmental or social harm from business activities	0.88			0.78	0.22	1.0
4 Better conditions for people and the environment along the entire value chain	0.83			0.78	0.22	1.0
5 Positive contribution to the community	0.77			0.70	0.30	1.1
6 Socially and ecologically sustainable products	0.75			0.64	0.36	1.0
7 Income for the owners of the company		0.83		0.70	0.30	1.0
8 Financial security for the shareholders of the company		0.82		0.66	0.34	1.0
9 Profits for the company		0.81		0.70	0.30	1.0
10 Returns for the investors of the company		0.79		0.63	0.37	1.0
11 Long-term revenues for the company		0.77		0.59	0.41	1.0
12 Cost efficiency of their own business activities		0.68		0.44	0.56	1.1
13 Customer satisfaction			0.86	0.70	0.30	1.0
14 User experience			0.85	0.63	0.37	1.0
15 Product quality			0.74	0.61	0.39	1.0
16 Solving customer problems			0.66	0.58	0.42	1.1
17 Safety for the customers and users	0.20		0.64	0.59	0.41	1.2
18 Best value for money	0.24		0.39	0.31	0.69	1.7

Table 4: Confirmatory Factor Analyses of the Perceived Purpose Scale

Model	Items	CFI	TLI	RMSEA	SRMR
0	F1: 1, 2, 3, 4, 5, 6 F2: 7, 8, 9, 10, 11, 12 F3: 13, 14, 15, 16, 17, 18	0.962	0.956	0.056	0.054
1	F1: 1, 2, 3, 4, 5, 6 F2: 7, 8, 9, 10, 11 F3: 13, 14, 15	0.974	0.968	0.053	0.047
Cut-off		> .95	> .95	< .06	< .08

(Bates et al. 2015). Before fitting the models, we averaged the responses to all items retained for each factor and transformed the initial 6-point ratings into an index ranging from 0 to 100.⁵ For the remainder of this article, we will use the 14 items retained in Model 1 to calculate these indexes. After averaging the responses per factor, each participant provided three indexes for each brand which served as dependent variables for three separate mixed effect models. In the second step, the indexes were predicted by fixed effect variables capturing respondents' gender (female = 0.5, male = -0.5), age (z-standardized) and region (US = 0.5, GER = -0.5) and by random intercepts for participants and, most importantly, for brands. The fixed effects will not be further discussed here (see Web Appendix B). In a third step, the random intercepts estimated for each brand in each model were extracted to yield the Perceived Purpose Scores (one score per purpose dimension) for each brand. In principle, the random intercepts for each brand are similar to an average score (per purpose dimension) for each brand but the random intercepts control for demographic variables (via the fixed effects) and individual response tendencies (via random intercepts for each participant).

5 Study 2: Reliability

In our second study, we test the reliability of the Perceived Purpose Scores for individual brands. By comparing across samples, we could estimate how reliable the scores are across different contexts.

5.1 Data

For this analysis, we used the data from Samples 4, 5 and 6 (total $N = 1,133$) because these samples were collected in different geographical regions (US vs. Germany; Sample 4 and 5) and at different points in time (June 2022 vs. February 2023, Sample 5 and 6) but relied on the same subsamples of brands (i.e., the 100 most valuable brands (according to Interbrand 2021). Additionally, the relatively large number of brands covered in these samples provides the highest statistical power to estimate test-retest reliability. On average, each brand was rated by 56 participants ($SD = 22$; $Min = 11$; $Max = 103$).

5.2 Results

To estimate the (test-retest) reliability of the Perceived Purpose Scale, we tested the correlations between the brands' scores across regions and across time. Therefore, we calculated Perceived Purpose Scores for each sample individually. We followed the scoring approach described in the previous section, however, for the calculation of the correlations across time, the fixed effect of region had to be dropped (both samples were German).

⁵Transformation is achieved by subtracting 1 from the average, dividing the result by 5 and multiplying it by 100.

Stability of perceived brand purpose across regions

For the financial success dimension, the correlation was lowest, $r = .294, p = .003$. The correlations in the customer benefit dimension, $r = .607, p < .001$, and in the third-party effects dimension, $r = .510, p < .001$, were considerably stronger.

Stability of perceived brand purpose across time

Again, the correlation was lowest for the financial success dimension, $r = .518, p < .001$. The correlations in the customer benefit dimension, $r = .778, p < .001$, and in the third-party effects dimension, $r = .812, p < .001$, were also stronger.

5.3 Discussion

In sum, all correlations were significantly positive which suggests a certain degree of reliability across different assessments. Generally, the test-retest reliability of the scale seems to be better for assessments at different points in time than in different geographical regions. That is, the perceived purpose scores appear to be more stable temporally than across geographical regions. To a certain degree, the lower reliability across regions may either be attributed to cultural differences regarding our participants or differences in communication and marketing on the side of the brands. Also, the assessment of the financial benefit dimension of brand purpose generally exhibited lower reliability than the other two purpose dimensions.

6 Study 3: Relationships Among The Purpose Dimensions

We proposed that brand purpose can generally be organized into three dimensions while a brand's individual purpose reflects the importance of each dimension for the brand. In this study, we investigate whether there is a universal hierarchy among the purpose dimensions and how the purpose dimensions are related to each other across brands.

6.1 Data

For this analysis, we used the same data as in Study 2 because the corresponding participant samples rated the same (high number) of brands which maximizes the statistical power of our tests.

6.2 Results

We calculated Perceived Purpose Scores in all three dimensions for the 100 most valuable brands (Interbrand 2021) as has been outlined in the previous section.

Hierarchy among purpose dimensions

Across the 100 most valuable brands (Interbrand 2021), there seems to be an almost universal hierarchy among the three purpose dimensions. Specifically, financial success was perceived to be the most important purpose dimension for the brands ($M = 86.7, SD = 1.86$), followed by customer benefits ($M = 73.9, SD = 6.09$), $t(99) = 20.41, p < .001$. The least important purpose dimension were third-party effects ($M = 44.6, SD = 6.34$) which were perceived as significantly less important than customer benefits, $t(99) = 40.82, p < .001$. Of the 100 brands investigated here, 99 descriptively followed this hierarchy among the purpose dimensions (only for *Nintendo*, customer benefits were deemed minimally more important than financial success).

Correlations across purpose dimensions

As has been noted above, we did not a priori consider the purpose dimensions independent of each other. That is, brands could be perceived to focus their efforts on more than one purpose dimension. To test the empirical relationships among the purpose dimensions, we calculated the correlations among the scores for each purpose dimension.

Across the 100 most valuable brands, the perceived importance of financial success was not significantly correlated with the perceived importance of customer benefits, $r = 0.066, p = .517$. In contrast, the perceived importance of third-party effects was negatively correlated with the perceived importance of financial success, $r = -0.325, p < .001$, and correlated positively with the perceived importance of customer benefits, $r = 0.333, p < .001$.

6.3 Discussion

Our analyses have revealed a nearly universal hierarchy among the purpose dimensions for the 100 most valuable brands. Specifically, consumers seem to be aware that the primary purpose of brands is financial success and the brands in our sample did not differ considerably in the perceived importance of financial success (perceived purpose scores in the financial success dimension only varied between 81.3 and 92.9). After all, brands that are not profitable cannot survive for long. To a considerable degree, being financially successful requires that customers also benefit from the brand. Correspondingly, consumers deem the provision of customer benefits the second most important purpose of brands. It seems that in the eyes of the consumers, the intentional consideration of third-party effects (which are at the core of many brands' sustainability campaigns) is of minor importance for brands.

To a considerable extent, basic accounting suggests that any purpose beyond profit necessarily involves a re-purposing of profit. In that sense, the negative correlation between the perceived importance of financial success and third-party effects may not be surprising.

Furthermore, it seems that brands focusing on their customers' benefits are often perceived to care about the well-being of third parties as well. Generally, a positive correlation between these purpose dimensions should be expected because for customers with social preferences (Bolton and Ockenfels 2000; Charness and Rabin 2002; Fehr and Schmidt 1999), a responsible dealing with third-party effects increases customer benefits. Put differently, when a customer cares about (the same) third-party effects as a brand, the customer will receive additional value from purchasing the brand.

7 Study 4: Differentiation Capability

One use case for the Perceived Purpose Scale is the differentiation of brands regarding their perceived purpose. In Study 4, we tested the instrument's ability to differentiate conventional brands from brands that are often associated with social and environmental concerns.

7.1 Data

For this analysis, we used the data from Sample 2 and Sample 3 (total $N = 278$) because the brand subsamples presented to these participant samples consisted of two different brand types. Specifically, the conventional brands were the 10 most valuable brands (according to Interbrand 2021) while the 11 "purpose" brands were selected according to a subjective pro-social or pro-environmental brand image (see Table A1). In total, these participant samples provided ratings for 21 brands. On average, we had 62 ratings per brand ($SD = 38; Min = 5; Max = 110$).

7.2 Results

In line with the previous studies, we first calculated Perceived Purpose Scores in all three dimensions for the 21 brands presented to these participant samples.

In Study 3, we showed that there was a nearly universal hierarchy among the purpose dimensions. Study 4 showed that this hierarchy was more pronounced for the 10 most valuable brands than for the "purpose" brands. Figure 1 illustrates these findings. For the most valuable brands, financial success was perceived to be more important than for the "purpose" brands, $t(19) = 5.14, p < .001$. In contrast, third-party effects were perceived to be more important for the "purpose" brands than for the most valuable brands, $t(19) = 6.78, p < .001$. The two types of brands did not significantly differ regarding the perceived importance of customer benefits, $t(19) = 1.58, p = .130$.

7.3 Discussion

The findings from this study show that our sample of "purpose" brands differed from conventional brands. In

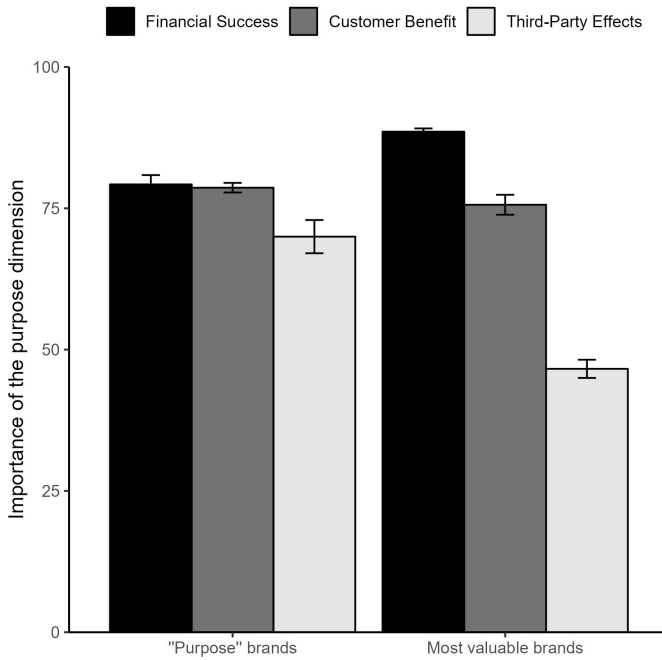


Figure 1: Perceived Purpose Scores for “purpose” brands and most valuable brands (Samples 2 & 3).

detail, financial success was perceived to be less important for benevolent brands while third-party effects were perceived to be more important. Overall, these differences result in a more balanced importance of the three purpose dimensions compared to the pattern observed for conventional brands. While our selection of “purpose” brands certainly has influenced which dimensions successfully differentiated the types of brands, these findings can also be taken as a validation of our measurement instrument. That is, the Perceived Purpose Scale seems to be capable of differentiating brands with a clear pro-social or pro-environmental direction from the top brands where these issues are not generally a primary aspect of their brand image. At the same time, we cannot rule out that the differences between brand types result from differences in market position, brand value or other characteristics beyond a subjective “purpose”.

8 Study 5: Doing Well By Doing Good?

The studies reported so far have established a validated measure for brand purpose. Our final study addresses the initial question concerning the relationship between brand purpose and brand performance. While previous tests of this relationship either relied on subjective impressions to classify conventional and purpose driven brands (Sisodia et al. 2014; Stengel 2011) or on assessments of the mere presence of a (not further defined) purpose (Gartenberg, Prat, and Serafeim 2019; Lleo et al. 2021), our novel Perceived Purpose Scale (PPS-14) might overcome such methodological shortcomings by

providing the basis for a more systematic and substantial classification of brands to be compared in terms of performance. As a proxy for brand performance, we chose the Net Promoter Score (NPS; Reichheld 2003). While the academic community remains skeptical regarding this metric, practitioners widely embrace it as a metric for customer loyalty and overall brand health (Baehre et al. 2022a; Baehre et al. 2022b; Otto, Szymanski, and, Varadarajan 2020).

Regarding the potential connection between NPS and brand purpose, a survey among executives showed that most managers would themselves rather recommend a brand with purpose and also believe that organizations with purpose will have greater customer loyalty (HBR Analytic Services 2015). Therefore, we explored the relationship between the NPS and our Perceived Purpose Scores in more detail to test whether purpose-driven brands actually have more loyal customers that might help to increase brand performance.

8.1 Data

For this analysis, we used the same data as for Study 2. In the corresponding samples, we additionally asked our participants whether they would recommend the brand to their friends and family (0 = *not at all likely* to 10 = *extremely likely*) after completing the Perceived Purpose Scale. In addition, participants in these samples were also asked to indicate whether they have already used products or services from the brand they evaluated (0 = *Never* to 10 = *Very often*).

8.2 Results

Like in the previous analyses, we calculated Perceived Purpose Scores for each brand according to our suggested scoring. To calculate the NPS for each brand, the share of “detractors” (indicated by a rating from 0 to 6) was subtracted from the share of “promoters” (indicated by ratings of 9 or 10).

First, we fitted a simple OLS model regressing NPS on each brand’s scores (mean centered) in the three purpose dimensions. To begin with, this analysis revealed that NPSs were rather low for our sample of brands (100 most valuable brands according to Interbrand 2021). In fact, the average NPS across brands was -50%, $\beta = -50.317, t(96) = 20.357, p < .001$, which indicates that brands on average had more detractors (i.e., people spreading negative word-of-mouth) than promoters. More importantly, only the perceived importance of third-party effects significantly predicted NPS, $\beta = 2.143, t(96) = 4.794, p < .001$. That is, increasing the Perceived Purpose Score in the dimension of third-party effects by one percentage point predicts an increase of 2.14 percentage points in Net Promoter Scores. In this analysis, neither the perceived importance of financial success, $\beta = 1.043, t(96) = 0.723, p = .471$, nor the perceived importance of customer benefits, $\beta = 0.320, t(96) = 0.725, p = .470$, significantly predicted

NPS. Adjusted R^2 for the model was .222, $F(3, 96) = 10.44$, $p < .001$.

In the literature, NPS is either calculated among current customers of a brand which yields the more traditional customer loyalty metric, or it is assessed among all potential customers of a brand which yields an overall brand health measure (Baehre et al. 2022a). While our sample consisted of consumers in general rather than (potential) customers of specific brands, we assessed whether participants already used the products or services of the brands in our sample. For each brand, we determined whether a participant was a high-frequency or low-frequency user by means of a median split. We then calculated Perceived Purpose Scores for each brand from high-frequency users (self-reported use frequency above the brand-specific median) as well as from low-frequency users (self-reported use frequency below the brand-specific median). Responses from participants reporting a use frequency equal to the brand specific median were excluded from this analysis. To test the differential effect of perceived purpose on NPS for high- and low-frequency users, we fitted a mixed effect model (Bates et al. 2015) predicting NPS from the scores in the three dimensions (mean centered), a contrast capturing use frequency (high use frequency = 0.5, low use frequency = -0.5), and the interactions between the contrast and the three Perceived Purpose Scores. Only brands for which we had at least 10 ratings from high-frequency users as well as low-frequency users were included in this analysis.

This analysis replicated the main effect of the perceived importance of third-party effects on NPS, $\beta = 0.546$, $t(145.99) = 2.013$, $p = .046$. However, this more detailed analysis considering the basic difference between high- and low-frequency users revealed that the perceived importance of customer benefits is generally an almost three times stronger predictor of NPS, $\beta = 1.580$, $t(126.94) = 6.461$, $p < .001$. Furthermore, we found an interaction effect between usage and the perceived importance of customer benefits, $\beta = 1.683$, $t(110.69) = 3.611$, $p < .001$. That is, among high-frequency users, the perceived importance of customer benefits was an even stronger predictor for NPS.

8.3 Discussion

Our findings shed further light on the strategically important relationship between brand purpose and brand performance. Improving upon previous investigations, our study relied on a systematic classification of brands according to the perceived importance of three purpose dimensions. The results suggest that two purpose dimensions are significantly related to brand performance. First, the perceived importance of third-party effects was positively related to a brand's Net Promoter Score. That is, the more consumers were convinced that a brand cared about ecosystems, communities, and its employees, the higher the likelihood that consumers would recommend this brand to their friends and family. Second, the perceived importance of customer benefits was also posi-

tively related to a brand's Net Promoter Score, especially so for consumers who were frequent users of that brand's products or services. That is, the more consumers were convinced that a brand cared about its own value proposition and the desires and problems of their customers, the higher the likelihood that consumers, and particularly high-frequency users, would recommend this brand to their friends and family. Taken together, these findings suggest that the commercial advantages of specific purpose perceptions depend on the people who formed them. While this directly implies the old advice to consider who your audience is, being perceived to be driven by the "right" purpose indeed seems to be good for business. More generally, the differential predictive validity of both purpose dimensions might reflect that only users of a brand's products can experience the customer benefits while the more abstract care for third-party effects may appeal to a broader base of stakeholders. Notably, the third purpose dimension, financial success, was not significantly related to brand performance. Probably, it is less surprising that brands' alleged focus on financial success is not positively related to brand performance but being perceived to strive for financial success also shows no significant negative relation to brand performance. That is, consumers are aware of the priority of financial success (see Study 3), but this has no negative impact on brand performance.

To be sure, the present results are based on a single KPI to assess brand performance. While Net Promoter Scores are applied as a central indicator for brand performance (Baehre et al. 2022a; Baehre et al. 2022b; Reichheld 2003), future investigations should explore the relationship between brand purpose and brand performance across a broader set of performance indicators (e.g., brand value, market share & sales, ESG scores). Also, our methodology makes it impossible to draw causal inferences regarding the effect of perceived purpose on economic success. That is, our results could also be interpreted such that consumers attribute more purpose in terms of customer benefits and third-party effects to brands they recommend (perhaps reflecting a need for consistency). Along the same lines, maybe doing good makes your business flourish. However, maybe only flourishing businesses can afford to do good. That is, the investigation of the causal effect of purpose remains an open question for future research. Nonetheless, the present approach overcomes methodological flaws of previous investigations and provides more reliable evidence suggesting that brand purposes focused on customer benefits and third-party effects are positively related to brand performance.

9 General Discussion

We started with the mismatch between marketers' and brand executives' apparent fondness for brand purpose on one side and the lack of reliable evidence concerning its actual potential to boost brand performance on the other. A fundamental obstacle for providing correspond-

ing evidence was the unavailability of systematic and validated metrics to assess brand purpose. Importantly, any substantial assessment should go beyond measuring the mere presence of an unspecified purpose because all brands inevitably have a purpose even if it may “only” be increasing the company’s profits. However, the development of such a more substantial measure had so far been impeded by the unavailability of a conceptual framework to describe the composition any particular brand purpose.

To provide such a conceptual framework, we have proposed three distinct, but not independent, purpose dimensions along which brand purpose can be oriented. Therefore, brand purpose can be described in terms of the importance a brand assigns to the value creation in each purpose dimension. Furthermore, we developed and validated a systematic measure for brand purpose to quantify this abstract construct along the three purpose dimensions. This form of assessment is not only necessary to capture the diversity of brand purpose, but by measuring the perceived importance of each purpose dimension, the dimensions also provide a reference for each other. That is, for raters as well as for the recipients of the ratings, the importance of each purpose dimension can be interpreted relative to the other purpose dimensions. For instance, a brand’s success in communicating purposes other than financial success can be calibrated against this default assumption.

Crucially, our measurement approach relies on consumers’ perceptions of brands and their purpose. Thereby, the people whose market decisions ultimately determine brand performance implicitly take charge of integrating the abundant information about a brand into a coherent picture of that brand’s purpose. To be sure, this process does not guarantee a match between the actual and the perceived purpose of a brand but if there really is a relation between brand purpose and brand performance, it probably more immediately hinges on peoples’ brand perception than on the hidden intentions of brand executives. Furthermore, a customer-based approach to brand purpose (see also, Keller 1993) to a large degree avoids potential problems with the authenticity of a particular purpose. Generally, unauthentic brand purposes are considered ineffective and sometimes even harmful (Bhagwat et al. 2020; Henderson and van den Steen 2015; Knowles et al. 2022; Williams, Escalas and Morningstar 2022). However, by assessing how important specific goals (or purpose dimensions) are for a brand according to the subjective perceptions of the consumers, only goals that are authentic are probably considered important. To some extent, the perceived primacy of the financial success dimension supports this reasoning.

Once a measure to quantify brand purpose had been available, we were able to systematically classify a wide range of brands according to the purpose they have (in the eyes of consumers) and then finally test the relationship between brand purpose and brand performance. Our findings suggest that brand purposes that are (per-

ceived to be) more strongly focused on creating actual customer benefits or towards dealing responsibly with third-party effects are related to higher brand performance. Thereby, these findings directly contribute to the ongoing debate about the strategic relevance of brand purpose (e.g., Jefferson 2021; Ritson 2022) by providing novel empirical evidence consistent with the claim that implementing appropriate (i.e., customer or third-party oriented) brand purposes is indeed positively related to brand performance.

In addition, assessing and analyzing the particular brand purposes for a large number of brands revealed systematic patterns in the average composition of brand purpose. First, consumer perception is characterized by a general primacy of financial success. Customer benefits are deemed to be secondary for brands according to consumers’ perception while third-party effects are perceived to be the least important purpose dimension. Second, there is a trade-off in being perceived as a brand interested in financial success and also interested in third-party effects. That is, the more important consumers consider financial success for a brand, the less important they consider third-party effects. At the same time, caring about third-party effects and customer benefits often goes hand in hand in the mind of consumers. Also, there seems to be no trade-off in being perceived as striving to create customer benefits and aiming for financial success.

9.1 Research Implications

From an academic perspective, we must still address how brand purpose may be related to more established concepts in brand research. A starting point to integrate brand purpose into the marketing literature is the brand image which has long been recognized as an important domain of marketing (Gardner and Levy 1955). Generally, the brand image is built on the propositions and associations consumers hold about a brand and therefore allows to differentiate brands from their competitors (Keller and Lehmann 2006; Park, Jaworski, and MacInnis 1986). While some aspects of the brand image are related to the physical attributes of a brand and its products (e.g., the horsepower or top speed of Porsche cars), a considerable part of consumers’ information about brands concerns brand intangibles, that is, information about immaterial attributes of a brand (Keller and Lehmann 2006). Furthermore, brands are often anthropomorphized (Oh et al. 2020; Sharma and Rahman 2022) which, in relation to brand intangibles, usually takes the specific form of mentalizing, that is, attributing certain states of mind to a brand. The earliest and most prominent mentalizations about brands concern brand relationships (Fournier 1998) and brand personalities (Aaker 1997). That is, consumers form relationships with brands or attribute certain personality traits to them. Brand purpose now extends this repertoire of mentalizing with the attribution of intentionality to brands and the provision of a reason or meaning of their existence. Similar to humans’ pursuit of meaning (Heintzelman et al. 2013; Hill 2018), brands now also

seem to be endowed with a purpose that guides their actions. As humans experience negative psychological consequences if their life lacks meaning (e.g., Remmers et al. 2023), brands might as well have economic disadvantages if they have no purpose. Specifically, the wrong brand purpose may negatively affect brand equity (Aaker 1996; Keller 1993). After all, brand associations and consumer perceptions are at the heart of brand equity (Aaker 1996; Keller and Lehmann 2006). To a certain degree, our purpose dimensions tap into several dimensions of brand equity proposed by Aaker (1996). For instance, third-party effects seem to be related to Aaker's "organizational associations" while customer benefits are reflected in his dimensions "perceived quality" and "perceived value". In addition, our current findings further suggest that brand purposes oriented towards customer benefits and third-party effects are related to higher Net Promoter Scores. In turn, these scores are not only considered a general measure of brand performance but can more directly also be interpreted as a measure of customer loyalty (Baehre et al. 2020a), which also contributes to brand equity (Aaker 1996).

This theoretical integration yields several avenues for future research. First, brand purpose is based on brand anthropomorphism which begs the question whether the purpose composition (i.e., the perceived importance of the three purpose dimensions) is markedly different for more anthropomorphized brands. Similarly, certain purpose compositions might be related to different brand personalities (Aaker 1997; Aaker, Benet-Martinez, and Garolera 2001), for instance, competence might be related to a higher perceived importance of customer benefits but also to a stronger focus on financial success. Furthermore, if there is a fit between brand personality and brand purpose, brand purpose might be considered more authentic (Södergren 2021) and further strengthen brand equity not only in consumer-based but also market based assessments of brand equity (Datta, Ailawadi, and van Heerde 2017; Keller and Lehmann 2006; Oh et al. 2020). Future research should therefore closely examine the relationships between perceived brand purpose, brand, anthropomorphism, brand personality and brand equity.

9.2 Managerial Implications

The results from this research project provide two general insights for decision makers concerned with brand purpose. The first insight concerns the composition of a successful brand purpose. The second insight concerns the relevance of measuring perceived brand purpose for which we provide an out-of-the-box solution for marketing on both, the operational and the strategic level.

Composing brand purpose

While the purpose of a brand often originates in the initial creation of the brand, it is sharpened by subsequent marketing efforts and adjusted to the market context of the time. Our findings translate into several insights

about the successful implementation of brand purpose. Most importantly, brand managers can hope for a performance boost if they focus brand purpose on third-party effects or customer benefits. At the same time, there is no need to hide brands' efforts to make a profit. Consumers are very aware of this (primary) purpose of any brand and appear not to punish brands for their pursuit of financial success. Potentially, not trying to veil the importance of financial success might even increase authenticity and make a positive contribution to a brand's image. Nonetheless, this does not imply that brands should actively promote making profit as central dimension of their purpose because consumers might conclude that this focus comes at the expense of the brand's interest in promoting positive (or avoiding negative) third-party effects. To a considerable degree, brands can circumvent this challenging trade-off by building their purpose around the value they create for their customers (this purpose dimension deserves a particularly strong focus when brands interact with their established customer base). Again, this does not imply to neglect the third-party effects of their activities; instead, our findings advocate for a more balanced brand purpose that authentically caters to all stakeholders, ensuring sustainability in both economic and socio-ecological terms.

Measuring brand purpose

Apparently, an old management wisdom holds that you cannot manage what you cannot measure. Our findings suggest that actively managing brand purpose can pay off, so being able to measure it can support marketers in their decisions. Crucially, our Perceived Purpose Scale (PPS-14) provides an out-of-the-box solution that neither requires further adjustments to individual brands (e.g., selecting or rephrasing items) nor does it grant unnecessary degrees of freedom which could compromise its validity. Furthermore, we used a large set of brands (> 100) representing several product categories to validate our questionnaire which should allow reliable estimates of perceived brand purpose across a broad range of brands.

On a more operational level, Perceived Purpose Scores can serve as dependent variables in experimental settings (e.g., A/B tests) comparing different versions of marketing campaigns or communication strategies. Our present findings already suggest that when addressing the general public, stressing a brand's efforts to create benefits or reduce harm for third parties can create competitive advantages. However, at the touch points of a brand and its customers, highlighting the creation of customer benefits could be the better strategy.

For strategic marketing, a brand's Perceived Purpose Scores may provide an external check if organizations are on track regarding purpose implementation. For instance, decision makers might track purpose perception over time or between business units (e.g., locations) to evaluate the effectiveness of the current strategy. In combination with additional internally available metrics, our measure can furthermore help to identify risks and opportunities. For example, brands whose purpose is per-

ceived to focus on sustainability (i.e. third-party effects) among their stakeholders, but, based on their own information, currently are not really acting sufficiently sustainable, face the risk of being unmasked. On the other hand, brands who already are sustainable but learn that they are not perceived accordingly, have an opportunity at their hands. Finally, being able to assess the costs of changing purpose perception (this data is generated by employing purpose measurement on the operational level) as well as quantitatively predicting the returns of brand purpose is a prerequisite for successful strategic planning. The current studies quantified the effects of purpose on NPS, but once future research has related perceived brand purpose to further KPIs such as brand value and market-based brand equity measures (sales, market shares, etc.), strategic marketers will have the necessary data to evaluate if strengthening brand purpose has a positive return on investment.

9.3 Concluding Remarks

The current climate may foster the impression that brand purpose is equal to a brand's concern for sustainability, ESG and other pro-social goals. But just because sustainability-related purposes are currently very prevalent, they do not cover the entire range of possible brand purposes. Our findings suggest that both practitioners and academics should think broader when it comes to brand purpose. From today's perspective, it may seem anachronistic but striving to build the perfect sports car once was a viable brand purpose that gave employees and customers an idea what the brand was about. Therefore, our holistic approach based on three distinct purpose dimensions lives up to the manifold possibilities where brands might find their purpose.

References

- Aaker, David A. (1991), *Managing Brand Equity*, Free Press.
- Aaker, David A. (1996), "Measuring brand equity across products and markets," *California Management Review*, 38 (3), 102-20.
- Aaker, Jennifer L. (1997), "Dimensions of brand personality," *Journal of Marketing Research*, 34 (3), 347-56.
- Aaker, Jennifer L., Verónica Benet-Martínez, and Jordi Garolera (2001), "Consumption symbols as Carriers of culture: A study of Japanese and Spanish brand personality constructs," *Journal of Personality and Social Psychology*, 81 (3), 492.
- Andreoni, James (1990), "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving," *Economic Journal*, 100, 464-77.
- Baehre, Sven, Michèle O'Dwyer, Lisa O'Malley, and Nick Lee (2022a), "The use of Net Promoter Score (NPS) to predict sales growth: insights from an empirical investigation," *Journal of the Academy of Marketing Science*, 50 (1), 67-84.
- Baehre, Sven, Michèle O'Dwyer, Lisa O'Malley, and Vicky Story (2022b), "Customer mindset metrics: A systematic evaluation of the net promoter score (NPS) vs. alternative calculation methods," *Journal of Business Research*, 149, 353-62.
- Bart, Christopher K. (1997a), "Industrial firms and the power of mission," *Industrial Marketing Management*, 26 (4), 371-83.
- Bart, Christopher K. (1997b), "Sex, lies, and mission statements," *Business Horizons*, 40 (6), 9-18.
- Bart, Christopher K., Nick Bontis, and Simon Taggar (2001), "A Model of the Impact of Mission Statements on Firm Performance," *Management Decision*, 39, 19-35.
- Bates, Douglas M., Martin Mächler, Benjamin M. Bolker, and Steven C. Walker (2015), "Fitting Linear Mixed-Effects models using lme4," *Journal of Statistical Software*, 67 (1), 1-48.
- Bénabou, Roland and Jean Tirole (2010), "Individual and Corporate Social Responsibility," *Economica*, 77 (305), 1-19.
- Bhagwat, Yashoda, Nooshin L. Warren, Joshua T. Beck, and George F. Watson (2020), "Corporate sociopolitical activism and firm value," *Journal of Marketing*, 84 (5), 1-21.
- Bolton, Gary E. and Axel Ockenfels (2000), "ERC: A Theory of Equity, Reciprocity, and Competition," *The American Economic Review*, 90 (1), 166-93.
- Bortz, Jürgen and Christof Schuster (2010), *Statistik für Human- und Sozialwissenschaftler* (7th edition), Springer-Verlag.
- Brunswik, Egon (1952), *The conceptual framework of psychology*, University of Chicago Press.
- Business Roundtable (2019), "Our Commitment," (August), <https://opportunity.businessroundtable.org/ourcommitment>.
- Charness, Gary and Matthew Rabin (2002), "Understanding Social Preferences with Simple Tests," *The Quarterly Journal of Economics*, 117 (3), 817-69.
- Chen, Daniel Li, Martin Schonger, and Chris Wickens (2016), "oTree – An open-source platform for laboratory, online, and field experiments," *Journal of Behavioral and Experimental Finance*, 9, 88-97.
- Costello, Anna B. and Jason W. Osborne (2005), "Best practices in exploratory factor analysis: four recommendations for getting the most from your analysis.," *Practical Assessment, Research and Evaluation*, 10 (1), 1-9.
- Datta, Hannes, Kusum L. Ailawadi, and Harald J. Van Heerde (2017), "How Well Does Consumer-Based Brand Equity Align with Sales-Based Brand Equity and Marketing-Mix Response?," *Journal of Marketing*, 81 (3), 1-20.
- Eccles, Robert G., Ioannis Ioannou, and George Serafeim (2014), "The impact of corporate sustainability on organizational processes and performance," *Management Science*, 60 (11), 2835-57.
- EY Beacon Institute (2017), "How can purpose reveal a path through disruption?," Ernst & Young Global

- Limited.
- Fehr, Ernst and Klaus M. Schmidt (1999). "A theory of fairness, competition, and cooperation". *The Quarterly Journal of Economics*, 114(3), 817-868.
- Fink, Larry (2018), "Larry Fink's 2018 Letter to CEOs | BlackRock," BlackRock, <https://www.blackrock.com/corporate/investor-relations/2018-larry-fink-ceo-letter>.
- Fishbach, Ayelet and Melissa J. Ferguson (2007), "The goal construct in social psychology," in Arie Kruglanski and E. Tory Higgins, eds. *Social psychology: Handbook of basic principles* (pp. 490-515). New York, NY: Guilford Press.
- Fornell, Claes and David F. Larcker (1981), "Evaluating Structural Equation Models with Unobservable Variables and Measurement Error," *Journal of Marketing Research*, 18 (1), 39-50.
- Friedman, Milton (1970), "The social responsibility of business is to increase its profits," *The New York Times Magazine* (September 13), 122-24.
- Gartenberg, Claudine, Andrea Prat, and George Serafeim (2019), "Corporate purpose and financial performance," *Organization Science*, 30 (1), 1-18.
- Garvin, David (1984), "What does "Product Quality" really mean?," *Sloan Management Review*, 25, 25-43.
- George, Gerard, Martine R. Haas, Anita M. McGahan, Simon J.D. Schillebeeckx, and Paul Tracey (2021), "Purpose in the For-Profit Firm: A review and framework for management research," *Journal of Management*, 49 (6), 1841-69.
- Guiso, Luigi, Paola Sapienza and Luigi Zingales (2015). "The value of corporate culture," *Journal of Financial Economics*, 117(1), 60-76.
- Guttman, Louis (1954), "Some necessary conditions for common-factor analysis," *Psychometrika*, 19 (2), 149-61.
- Heintzelman, Samantha J., Jason Trent, and Laura A. King (2013), "Encounters with objective coherence and the experience of meaning in life," *Psychological Science* 24 (6), 991-998.
- Hill, Clara E. (2018), *Meaning in life: A therapist's guide*, American Psychological Association.
- Henderson, Rebecca and Eric Van den Steen (2015), "Why do firms have "purpose"? The firm's role as a carrier of identity and reputation," *American Economic Review*, 105(5), 326-330.
- HBR Analytic Services (2015), "The Business Case for Purpose," *Harvard Business Review*.
- Hemerling, Jim, Brad White, Jon Swan, Cara C. Kreisman, and JB Reed (2018), "For corporate purpose to matter, you've got to measure it," The Boston Consulting Group - BrightHouse.
- Hu, Li-tze and Peter M. Bentler (1999), "Cutoff criteria for fit indexes in covariance structure analysis: Conventional criteria versus new alternatives," *Structural Equation Modeling: A Multidisciplinary Journal*, 6 (1), 1-55.
- Interbrand (2021), "Interbrand Best Global Brands 2021," <https://interbrand.com/thinking/best-global-brands-2021-download/>.
- Jefferson, Michaela (2021), "The brand purpose debate: Is the pendulum swinging 'too hard'?", *Marketing Week* (October 15), <https://www.marketingweek.com/brand-purpose-debate/>.
- Kaiser, Henry F. and Kern W. Dickman (1959), "Analytic determination of common factors," *American Psychologist*, 14 (7), 425.
- Keller, Kevin Lane (1993), "Conceptualizing, measuring, and managing Customer-Based Brand Equity," *Journal of Marketing*, 57 (1), 1-22.
- Keller, Kevin Lane (2001), "Building customer-based brand equity: a blueprint for creating strong brands," *MSI Working Paper Series*, 1 (107).
- Keller, Kevin Lane and Donald R. Lehmann (2006), "Brands and Branding: research findings and future priorities," *Marketing Science*, 25 (6), 740-59.
- Knowles, Jonathan, B. Tom Hunsaker, Hannah Grove, and Alison James (2022), "What Is the Purpose of Your Purpose? Your why may not be what you think it is," *Harvard Business Review*, 100 (3-4), 36-43.
- Laffont, Jean-Jacques (2008), "Externalities," in *The New Palgrave Dictionary of Economics*, Palgrave.
- Lleó, Álvaro, Miquel Bastons, Carlos Rey, and Fernando Ruiz-Pérez (2021), "Purpose implementation: conceptualization and measurement," *Sustainability*, 13 (4), 1921.
- Montgomery, Nina (2019), *Perspectives on purpose: Leading Voices on Building Brands and Businesses for the Twenty-First Century*, Routledge.
- Morrison, Alan D. and Rita Mota (2021), "A theory of organizational purpose," *Academy of Management Review*.
- Oh, Travis Tae, Kevin Lane Keller, Scott A. Neslin, David J. Reibstein, and Donald R. Lehmann (2020), "The past, present, and future of brand research," *Marketing Letters*, 31 (2-3), 151-62.
- Otto, Ashley S., David M. Szymanski, and Rajan Varadarajan (2020), "Customer satisfaction and firm performance: insights from over a quarter century of empirical research," *Journal of the Academy of Marketing Science*, 48 (3), 543-64.
- Pappu, Ravi, Pascale Quester, and Ray Cooksey (2005), "Consumer-based brand equity: improving the measurement - empirical evidence," *Journal of Product & Brand Management*, 14 (3), 143-54.
- Park, C. Whan, Bernard J. Jaworski, and Deborah J. MacInnis (1986), "Strategic Brand Concept-Image Management," *Journal of Marketing*, 50 (4), 135-45.
- Pearce, John A. and Fred R. David (1987), "Corporate mission Statements: the bottom line," *Academy of Management Perspectives*, 1 (2), 109-15.
- Pigou, Arthur C. (1932), *The Economics of Welfare*, 4th ed. Macmillan and Co., London.
- Rappaport, Alfred (1986), *Creating Shareholder Value: A guide for managers and investors*, The Free Press.
- Rawhouser, Hans, Michael Cummings, and Scott L. Newbert (2019), "Social Impact Measurement: Current ap-

- proaches and future directions for social entrepreneurship research,” *Entrepreneurship Theory and Practice*, 43 (1), 82-115.
- Reichheld, Frederick F. (2003), “The one number you need to grow,” *Harvard Business Review*, 81 (12), 46-55.
- Remmers, Carina, Michael Zürn, Albert Anoschin, Sascha Topolinski, and Johannes Zimmermann (2023), “Intuition and meaning in life in persons with varying level of depressive symptoms and impairments in personality functioning,” *Journal of Clinical Psychology*, 79 (5), 1398-1419.
- Rintamäki, Timo, Hannu Kuusela, and Lasse Mitronen (2007), “Identifying competitive customer value propositions in retailing,” *Managing Service Quality*, 17 (6), 621-34.
- Ritson, Mark (2022), “Brands take note: The purpose of purpose is purpose,” *Marketing Week* (September 16), <https://www.marketingweek.com/patagonia-purpose-of-purpose/>.
- Sinek, Simon (2009), *Start with Why: How Great Leaders Inspire Everyone to Take Action*, Penguin.
- Sisodia, Rajendra, David Wolfe, and Jagdish N. Sheth (2014), *Firms of endearment: How World-Class Companies Profit from Passion and Purpose*, 2nd ed. Pearson FT Press.
- Södergren, Jonatan (2021), “Brand authenticity: 25 Years of research,” *International Journal of Consumer Studies*, 45 (4), 645-63.
- Stallworth Williams, Linda (2008), “The mission statement: a corporate reporting tool with a past, present, and future,” *Journal of Business Communication*, 45 (2), 94-119.
- Stengel, Jim (2011), *Grow: How Ideals Power Growth and Profit at the World’s Greatest Companies*, Currency.
- Suwen, Chen and Richard Harrison (2020). “Beyond profit vs. purpose: Transactional-relational practices in impact investing.” *Journal of Business Venturing Insights*, 14.
- Tabachnick, Barbara G. and Linda S. Fidell (2001), *Using multivariate statistics*. Allyn and Bacon.
- Williams, Patti, Jennifer Edson Escalas, and Andrew Morningstar (2022), “Conceptualizing brand purpose and considering its implications for consumer eudaimonic well-being,” *Journal of Consumer Psychology*, 32 (4), 699-723.
- Yoo, Bong-Goo and Naveen Donthu (2001), “Developing and validating a multidimensional consumer-based brand equity scale,” *Journal of Business Research*, 52 (1), 1-14.
- Zeithaml, Valarie (1988), “Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence,” *Journal of Marketing*, 52 (3), 2-22.