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CHAPTER 13

IMPACT OF BRAND EQUITY ON CONSUMER BRAND PREFERENCE & BRAND PURCHASE INTENTION

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Abstract

Product differentiation has become a difficult task for the marketers because of the increasing number of brands in the market. It is also noted that, the product differentiation which gets its basis from the brand i.e. brand equity, turns out to be more effective than others. This is the reason why the marketers are emphasizing more on strengthening the brand equity of a brand. A conceptual framework was constructed to measure the impact brand equity has from all the other components under brand equity. Furthermore, consumer brand preference and consumer's brand purchase intention were also studied along with the effects of brand equity on them. The prior studies were used in developing the constructs by making sure their applicability and validity in recent times. The sample size was chosen 200 respondents in Coimbatore District and selected FMCG Products. The prior studies were used in developing the constructs by making sure their applicability and validity in recent times. Likert scale was used in the questionnaire to get the answers from respondents. The data was collected on basis of convenience sampling. Simple percentage and Chi-Square test is applied. Model was analyzed completely after conducting the preliminary analysis. Then hypotheses were analyzed on basis of regression which ruled out only one out of seven.

Keywords: Brand Equity, Brand Preference, Purchase Intention

INTRODUCTION:

Brand equity is among the most studied concepts in marketing literature (Datta Hans, 2017). Firms invest with lot of resources to understand and build strong brand equity (Builet al., 2013), which ultimately influences brand preference of the consumer and the purchase intention (Moradi & Zarei, 2011; Tolba & Hassan, 2009; Chang et al., 2008; Chen & Chang, 2008). Consumers favor strong brands as the decision reduces product related risk and failure, eliminates uncertainty about the product choice, and consumer enjoys emotional and social benefits from the chosen brand (Fischer, Vo'lkner, and Sattler 2010). Brands having strong brand equity hold certain edges like, evaluated positively by customers, receive selective attention, included in final consideration set, and it also increase the probability to be chosen at point of purchase i.e. final point of contact between customer and brand (Hoeffler and Keller 2003). Concept of brand equity was developed in 1980s. Two famous explanations (models) related to brand equity come from Aaker (1991) as well as Keller (1993).

Intangible assets and liabilities sum up the brand equity (Aaker, 1991), the value is added from the assets whereas, and the brand is devalued from the liabilities. There are four major components Aaker's

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brand equity model i.e. perceived quality, brand awareness, brand loyalty, and brand association. For study, we are taking brand equity model by Aaker. Rich literature is available on antecedents & consequences of brand equity. Academic literature provides the evidence of studying brand equity with several dimensions; concept building and explanation (Aaker, 1991; Keller, 1993); impact of marketing expenses on brand equity (Stahletal.2012; Sriram,Balachander, and Kalwani2007); factors that contribute in leveraging brand equity into brand extension (Bottomley and Holden2001; Batra, Lehmann, and Singh1993); brand equity outcomes related to product and market i.e. price and revenue premiums, market share and profit premiums (Goldfarb, Lu, and Moorthy2009; Srinivasan, Park, and Chang2005; Ailawadi, Lehmann, and Neslin2003); the brand equity's outcomes related to financial market ends i.e. returns, risks, and market value (Rego, Billett, and Morgan2009; Mizik and Jacobson2008).

Brand equity resides in the heart and mind of customers, and clearly impacts on a consumer brand preference and consumer's purchase intention (Vinh & Huy, 2016; Moradi & Zarei, 2011; Tolba & Hassan, 2009; Chang et al., 2008). Now days, market is saturated with hundreds of alike brands, and product differentiation has become difficult. Differentiation based on strong brand equity lasts longer than differentiation based on physical features. Hence, organizations for brand differentiation focused to create brand equity (Keller, 2009). The twofold goals of the study are I) measuring the impact of constituents of brand equity on the brand equity as a whole, II) measuring the impact of brand equity on consumer brand preference and consumer purchase intention.

OBJECTIVES:

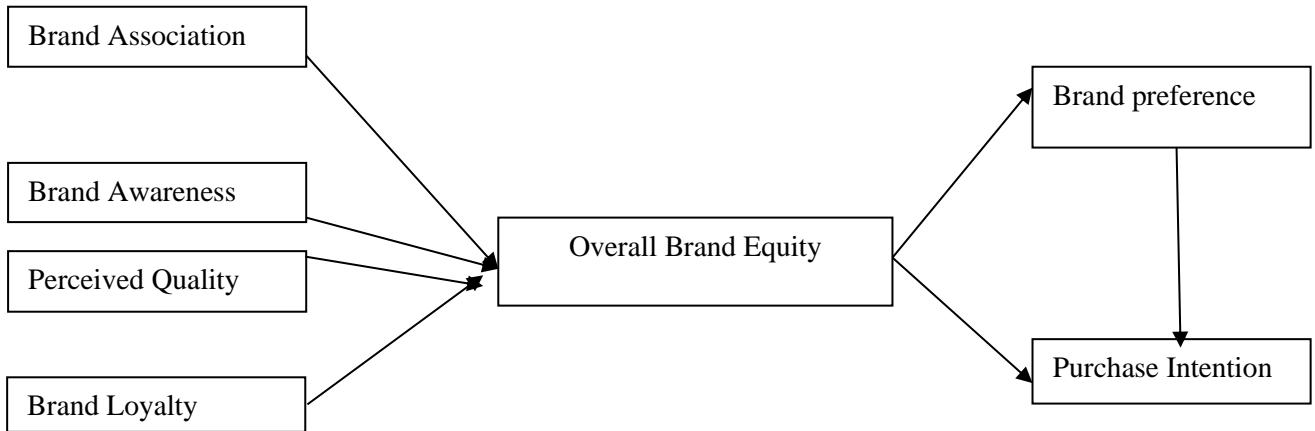
- To study the impact of brand equity on consumer brand preference with special reference to Coimbatore District.
- To analyse the purchase intention of FMCG products.
- To offer findings and suggestions.

LITERATURE REVIEW:

Brand Equity The field of marketing has been overtaken a lot by the theme of brand equity (Saydan, 2013). There are two in ways in which one can go through the literature of brand equity; i.e. the customer-based perspective and the financial one (Keller, 1993; Chaudhuri, 1995; Chang et al., 2008). The latter perspective of brand equity supports that the brand equity is financial asset value which is endorsed and treated accordingly by the brands or the producers (Lassar et al., 1995; Chang & Liu, 2009) which means the worth of a brand name adds up in a product or a service (Chaudhuri, 1995).

As per Aaker (1991, p. 15) the concept of 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 firm's customers". Similarly Keller states that (1993, p. 2), it is "the differential effect of brand knowledge on consumer response to the marketing of the brand". If we compare two mentioned perspectives of brand equity with each other, we come across numerous scholarly supporters for the brand equity based on customers' perspective. Other definitions will not be of any use if proper denotation is not considered by the brand for the customer (Cobb-Walgren et al., 1995). Hence, there search centered round the customer-based perspective. Following conceptual framework was proposed.

CONCEPTUAL FRAMEWORK



ELEMENTS OF BRAND EQUITY

There are many dimensions which are considered for brand equity; However, Aaker (1991) chose to consider five dimensions of brand equity i.e. brand loyalty, brand association, perceived quality, brand awareness, and other proprietary brand assets. Rest of the proprietary brand assets are not much considered during the research analysis because they do not have a direct relationship with the consumers (Saydan, 2013).

Brand Associations:

“Anything linked in memory to a brand” is brand association (Aaker, 1991). Brand association is considered an important aspect in the composition and handling of brand equity by Rio et al. (2001). This means that a good link of customer with the brand comes with high brand equity. Aaker (1991) presented that the firm and its consumers could get value through brand associations by presenting a positive image of the brand, making it prominent and different from other brands and giving valid reasons to the customer to opt for this brand as compared to others. When there is enough understanding with the customer for brand and it has strong connection with it, customer brand equity is generated. (Tong & Hawley, 2009).

Brand Awareness:

“The ability of the potential buyer to recognize and recall that a brand is a member of a certain product category” is brand awareness (Aaker, 1991, p. 61). It is also one of the essential components of brand equity. This is the first and foremost level of developing brand equity (Buil et al., 2013b). Precondition for both the brand and customer-based equity is the awareness. The level of awareness a customer has helps a lot in shaping up the brand equity (Jalilvand et al., 2011). It helps in making the customers familiar with the brand (Aaker, 1991); which affects the brand positively.

Brand Loyalty:

“A deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior” is what considered brand loyalty by Oliver (1997, p. 392). The key element of brand equity is

assumed to be brand loyalty. It forces the customer to opt for the particular brand over and over again out of habit instead of choosing someone else's products (Yoo et al., 2000). Aaker (1991) believes that brand loyalty is highly essential in value addition in a brand since it gives brand loyal customers for a longer period of time. Most of the positive responses are from the loyal customers (Grover & Srinivasan, 1992). Also, the loyal customer did not let the brand go just because of the pricing; they are also frequent buyers of the brand as compared to the non-loyal customers. Hence, brand loyalty plays a crucial role in brand equity.

Perceived Quality:

According to Zeithaml (1988), "The consumer's judgment about a product's overall excellence or superiority is perceived quality. It is believed to be "core" dimension of the brand equity. It helps in value addition of a brand in a number of ways. Perceived quality helps in determining the changes in price, reasoning for choosing a particular brand, and reasoning for having brand extension too (Aaker, 1991; Saydan, 2013). According to the concept of high perceived quality, which supports the concept that the customer recognizes the brand and its differentiation due its experience (Yoo et al., 2000); this is the reason why perceived quality and brand equity are directly proportional to each other (Yoo et al., 2000; Buil et al., 2013b).

Brand Equity and Brand Preference:

Numerous writers have claimed that brand equity is quite important for any brand, which helps in customer brand preference (Chang et al., 2008). Many research papers recognize the importance of brand equity when it comes about customers' decision making in preferring a brand for himself (Hoeffler & Keller, 2003). A lot of studies also claim brand preference has a great impact of brand equity on it. When Myers (2003) did a research to learn about the relationship between the two through soft drinks, the research came up with a conclusion that there is a very strong relationship between both of them. Similarly, Buil et al. (2013b) also did a research in three product categories and concluded with the same result. Many other studies conducted by various researchers came up with the conclusion that there is a very immediate and well-built connection between high brand preference and high brand equity.

Brand Equity and Purchase Intention:

There is also an immediate link between purchase intent and brand equity which is backed up by many researches. When Cobb-Walgren et al. (1995) did a research to know more about the relation between these two by using two different brands in the study, he concluded that those brands who had a strong brand equity influenced and made more purchase intents. Likewise, conclusions from different researches (e.g. Chen & Chang, 2008; Chang & Liu, 2009; Moradi & Zarei, 2011) also showed that brand equity influences purchase intent.

Brand Preference and Purchase Intention:

As the theory of reasoned action recognized the relationship of the behavior, attitudes, and intention (Fishbein & Ajzen, 1975); similarly, a supportive attitude for a brand directs to the purchase intention (Buiet al., 2013b). Since Cobb-Walgren et al. (1995) claimed that there is a strong link between the brand equity and purchase intent; and brand equity reflects brand preference too, so it can also be claimed that brand preference and purchase intent are related likewise. The researchers also suggested that there is a

positive relationship between the two (e.g. Chen & Chang, 2008; Chang & Liu, 2009; Tolba & Hassan, 2009; Moradi & Zarei, 2011).

Hypotheses:

- Brand associations significantly affect overall brand equity. (H1)
- Brand awareness significantly influence on the overall brand equity. (H2)
- Perceived quality of brand a significantly influence on the overall brand equity. (H3)
- Brand Loyalty significantly influence on the overall brand equity. (H4)
- Brand equity significantly influence on the preference of brand. (H5)
- Brand equity significantly influence on the brand purchase intention. (H6)
- Brand preference significantly influence on the brand purchase intentions. (H7)

METHODOLOGY

Primary data was gathered from the respondents for working on the selected study. Questionnaires were developed for collecting the relevant data from the respondents and all the questions were based on likert scale. The items were created by considering the prior researches. Different measures were used to study each and every construct in the study. Targeted population for the study was the general consumers of Coimbatore. Data gathered through convenience sampling. 200 questionnaires distributed in five different business schools at Coimbatore District. Simple percentage & Chi-Square test is applied.

Socio-Economic Profile	Description	No. of Consumers	%
Gender	Male	65	45.9
	Female	135	54.1
	Total	200	100
Age (Years)	Up to 25	20	21.1
	26-35	110	33.1
	36-40	30	27.4
	41-45	25	10.0
	Over 50	15	8.4
	Total	200	100
Area of Residence	Urban	20	30.6
	Semi-Urban	30	26.2
	Rural	150	43.2
	Total	200	100

Socio-Economic Profile	Description	No. of Consumers	%
Educational Qualification	No Formal Education	14	13.9
	School-level	126	29.8
	Undergraduate	22	23.5
	Postgraduate	18	13.9
	Professional Qualification	20	18.9
	Total	200	100
	Agriculturists	130	29.0

Socio-Economic Profile	Description	No. of Consumers	%
Occupational Status	Businesspersons	20	18.0
	Government Employee	15	7.5
	Private Employee	15	26.3
	Professionals	20	19.2
	Total	200	100
Marital Status	Married	60	46.1
	Unmarried	140	53.9
	Total	200	100
Spouse Occupation	Agriculturists	120	32.1
	Business Persons	30	30.1
	Government Employee	10	5.9
	Private Employee	20	25.5
	Professionals	20	6.4
	Total	200	100
Type of Family	Nuclear Family	140	56.4
	Joint Family	60	43.6
	Total	200	100
Status in the Family	Head	70	21.7
	Member	130	78.3
	Total	200	100
Size of Family	Two Members	15	9.3
	Three Members	25	22.1
	Four Members	110	52.0

Socio-Economic Profile	Description	No. of Consumers	%
	Five Members	25	10.9
	Above 5 Members	25	5.7
	Total	200	100
Earning Members in the Family	One Member	157	20.1
	One to Two members	85	55.8
	Two to Three Members	50	18.0
	Three to Four Members	25	3.3
	Above Five Members	40	2.8
	Total	200	100
Monthly Income of Consumers (₹)	Up to ₹15,000	95	60.0
	15,001 to 20,000	15	23.5
	20,001 to 25,000	20	5.5
	25,001 to 30,000	35	4.6
	Above ₹30,001	35	6.4
	Total	200	100
	Up to ₹30,000	110	56.3
	30,001 to 50,000	25	29.8

Socio-Economic Profile		Description	No. of Consumers	%
Family Monthly Income(₹)	50,001 to 80,000	15	7.3	
	80,001 to 1,00,000	25	3.3	
	Above 100,001	25	3.3	
	Total	200	100	

SOCIO-ECONOMIC PROFILE

- The majority, 135 (54.1%), is ‘female’ consumers.
- Most of the consumers, 110 (33.1%) age group is 26 – 35 years.
- The majority of the consumers, 150 (43.2%) residence is ‘rural’.
- Most of the consumers, 126 (29.8%), have a ‘school level’ of educational qualification.
- Most 130 (29.0%) of the consumers occupation status is ‘agriculturists’.
- 140 (53.9%) majority of the consumers are ‘unmarried’.
- Most of the spouse occupation is ‘agriculture’ 120 (32.1%).
- Most of the consumers 140 (56.4%) family is the ‘nuclear family’.
- The majority, 130 (78.3%), of the consumers status in the family is ‘members’.
- The majority of the consumers, 110 (52.0%) families, have ‘four members’ in the family.
- The majority of the consumers families, 85 (55.8%), have ‘one to two earning members’ in the family.
- The majority of 95 (60.0%) of the consumers earn a monthly income of ‘₹15,000’.
- The majority of the consumers, 110 (56.3%), family monthly income is ‘up to ₹30,000.

HYPOTHESES RESULTS

Seven hypotheses were developed in total, in which only one was unacceptable. Overall brand Equity is strongly predicting (SRW was 0.83) brand preference followed by brand loyalty (SRW Was 0.44) to overall brand equity. There was not any strong influence found of brand association On overall brand equity, hence rejecting H1 (SRW was 0.08, CR was 0.811, P was 0.418 > 0.05).

Overall brand equity showed to positively influenced by brand awareness, perceived quality, and Brand loyalty which supported H2 (SRW was 0.17, CR was 1.573, P was 0.001 < 0.05), H3 (SRW was 0.41, CR was 3.736, P was 0.001 < 0.05), and H4 (SRW was 0.44, CR was 4.353, P was 0.001 < 0.05) respectively.

Similarly, brand equity had a good and positive impact on consumer brand preference and purchase intention, which supported H5 (SRW was 0.83, CR was 6.740, P was 0.001 < 0.05) and H6 (SRW was 0.29, CR was 2.026, P was 0.001 < 0.05). Finally, consumer brand preference showed to positively impact consumer purchase intention, which supported H7 (SRW was 0.25, CR was 1.884, P was 0.001 < 0.05). Table 5 presents the summary of statistical values related to test the hypotheses.

Relationships			SRW	SE	CR	P Value	Results
Overall Brand Equity	<---	Brand Association	0.08	0.067	0.811	0.418	Rejected

Relationships			SRW	SE	CR	P Value	Results
Overall Brand Equity	<---	Brand Awareness	0.17	0.08	1.573	***	Accepted
Overall Brand Equity	<---	Perceived Quality	0.41	0.048	3.736	***	Accepted
Overall Brand Equity	<---	Brand Loyalty	0.44	0.039	4.353	***	Accepted
Brand Preference	<---	Overall Brand Equity	0.83	0.296	6.74	***	Accepted
Purchase Intention	<---	Overall Brand Equity	0.29	0.347	2.026	***	Accepted
Purchase Intention	<---	Brand Preference	0.25	0.137	1.884	***	Accepted

SUMMARY & DISCUSSION

The study was conducted for measuring impact of brand equity elements on the overall brand equity, & consequently does overall brand equity influence on consumer brand preference and purchase intention. There were seven hypotheses in total in which six were acceptable.

It is evident from the results that overall brand equity is under the positive influence of its elements i.e. brand awareness, perceived quality, and brand loyalty. Findings of the research are consistent to previous researches. Brand awareness shows the level of customer's knowledge regarding brand i.e. what is brand?, for what purpose the brand is?, and how it works etc. It generally considered as the most initial level in the composition of brand equity (Buil et al., 2013). When a consumer becomes aware of the brand, it sets a quality level in his mind which ultimately influence brand equity (Jalilvand et al., 2011). Perceived quality is the image of the quality of the brand according to the customer. It also considered as a strong predictor of brand equity. It affects brand value in certain ways e.g. it is a strong cue for consumer to select the brand. Organizations by setting the perceive quality on a good level can charge higher prices and earn good profits. Similarly it provides a strong reason to organizations for brand extension (Saydan, 2013). Brand loyalty considered highly essential element of the brand equity. Strong brand loyalty prevents the customer from opting for any other brand (Yoo et al., 2000). Loyal customers are also a good source for word of mouth activity. Loyal customers when share their feelings, and experiences regarding the product on social media it can produce marvelous results (Schivinski & Dabrowski, 2015). Impact of brand association on overall brand equity was not much noticeable and the findings are inconsistent to some previous findings (Tong & Hawely, 2009; Saydan, 2013). Aaker (1991) claims that brand association are "anything linked in memory to a brand". One possible justification for insignificance could be that having an association of brand to someone or something is not necessary that brand will get fame in the marketplace.

IMPLICATIONS, LIMITATIONS & FUTURE RESEARCH

Giving conceptual insight how brand equity is influenced by its elements, and ultimately what is the impact of brand equity on consumer brand preference and brand purchase intention in this research. Brand equity is strongly predicting consumer brand preference; means if the organizations are good in maintaining superior brand equity, it will lead to strong brand preference, and favorable attitude of consumers for a brand drives it purchase intent to buy the same brand. One major metropolitan city i.e.

Coimbatore was selected for data and the respondents of research, hence generalizability is limited. Future research can be stretched to other cities. Future research can be performed with other product categories and brand names. We have so many sub-cultures with the main culture and research in future can be stretched to learn about the influence of sub-culture on the same or different variables. The differences due to gender on selected variables can also be measured in any research in future.

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