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**AN EVALUATION OF THE EFFECTS OF BRAND
EQUITY ON CONSUMER RESPONSES: EMPIRICAL
EVIDENCE ON MALAYSIAN PERSPECTIVE**



MASTER OF SCIENCE MANAGEMENT

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**AN EVALUATION OF THE EFFECTS OF BRAND EQUITY ON CONSUMER
RESPONSES: EMPIRICAL EVIDENCE ON MALAYSIAN PERSPECTIVE**



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**Thesis Submitted to
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**Pusat Pengajian Pengurusan
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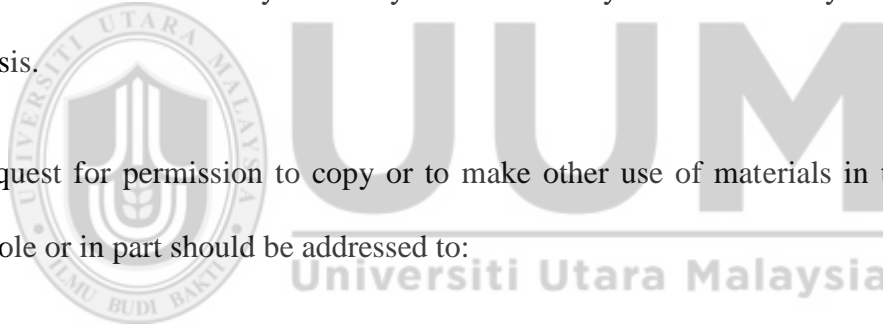
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ABSTRACT

The purpose of this study is to evaluate the outcomes of brand equity on consumer responses by investigating the effects of the overall brand equity on consumer willingness to pay price premium, attitude towards brand extension, brand preference, purchase intention and how brand equity can lead to reduction in the cost of searching information by consumers. Using the automobile product category in Malaysia as stimuli, cross-sectional survey data were collected and analyzed using partial least square structural equation modeling technique. Result showed that brand equity plays a significant role in firms by creating and developing additional value to organisations and their products. A causal relationship among the antecedents of brand equity was also established. Among the antecedents of brand equity, brand loyalty was found to be the dominant driver of overall brand equity while perceived quality's influence on overall brand equity was not supported by the result of the hypotheses. Moreover, the effect of brand equity on consumer responses was substantiated and found to be positive. The study used a single high involving product category. Future studies should use product categories with short consumption length and high purchase frequency. Findings of this study provide more insight to managers on how to manage brand equity. Outcomes of brand equity can be used to measure the performance of brand in the market. The study also provides additional clarification to the existing literature on the need for managers to develop a post-brand equity marketing strategy in order to achieve sustainable competitive advantage.

Keywords: Brands, Brand equity, Consumer responses, Consumer-based brand equity.

ABSTRAK

Tujuan kajian ini adalah untuk menilai hasil ekuiti jenama kepada maklum balas pengguna dengan menyiasat kesan ekuiti jenama keseluruhan kepada kesanggupan pengguna untuk membayar premium harga, sikap terhadap jenama lanjutan, pilihan jenama, niat pembelian dan bagaimana ekuiti jenama boleh membawa kepada pengurangan dalam kos mencari maklumat oleh pengguna. Dengan menggunakan kategori produk automobil di Malaysia sebagai rangsangan, data kajian keratan rentas telah dikumpulkan dan dianalisis menggunakan teknik pemodelan persamaan separa kurangnya persegi struktur. Keputusan menunjukkan bahawa ekuiti jenama memainkan peranan penting dalam syarikat dengan mewujudkan dan membangunkan nilai tambahan kepada organisasi dan produk mereka. Hubungan sebab akibat antara latar belakang ekuiti jenama juga telah ditubuhkan. Antara latar belakang ekuiti jenama, kesetiaan jenama didapati pemandu dominan keseluruhan ekuiti jenama manakala pengaruh kualiti dilihat pada keseluruhan ekuiti jenama tidak disokong oleh hasil daripada hipotesis. Selain itu, kesan ekuiti jenama kepada maklum balas pengguna telah dibuktikan dan didapati positif. Kajian ini menggunakan tinggi tunggal yang melibatkan kategori produk. Kajian masa depan perlu menggunakan kategori produk dengan panjang penggunaan pendek dan kekerapan pembelian yang tinggi. Hasil kajian ini memberi gambaran yang lebih kepada pengurus tentang bagaimana untuk menguruskan ekuiti jenama. Hasil ekuiti jenama boleh digunakan untuk mengukur prestasi jenama di pasaran. Kajian ini juga memberi penjelasan tambahan kepada kesusasteraan yang sedia ada mengenai keperluan bagi pengurus untuk membangunkan strategi pemasaran ekuiti pasca jenama untuk mencapai kelebihan daya saing yang mampan.

Kata kunci: Jenama, Jenama ekuiti, jawapan Pengguna, ekuiti jenama berdasarkan Pengguna.

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LIST OF ABBREVIATIONS

ASS – Brand association
AVE – Average variance extracted
AW- Brand Awareness
BPR – Brand preference
EXT – Brand extension
IC – Information costs saved
LO – Brand loyalty
OBE – Overall brand equity
PhD – Doctor of philosophy
PI – Purchase intention
PLS-SEM – Partial least square- structural equation modeling
PPR – Price premium
PQ – Perceived quality
SPSS – Statistical package for social sciences
TOMA – Top of mind awareness
UK – United Kingdom
USA – United States of America
UUM - Universiti Utara Malaysia



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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The practice of branding is as old as history itself when craftsmen and artists tried to distinguish their products from those of others by way of marking or signing (Hakala, Svensson, & Vincze, 2012). With the increasing need to differentiate products, the brand has now become one of the most powerful marketing tools used by organisations. The most widely used definition of a brand is the one proffered by the American marketing association. A brand adds dimensions to products or service, differentiate it in some ways from other products or services produced to satisfy the same needs (Hakala et al., 2012). The overall value of a brand for the company and what the brand represents in the customers' mind is considered to as the brand equity (Keller, 1991).

There has been a vast array of literature and studies conducted regarding brand equity, but not as much empirical studies paid attention on the relationship between how consumers respond and consumer based-brand equity (Buil, Martinez, & de Chernatony, 2013). Similarly, Leone, Rao, Keller, Luo, Mcalister, & Srivastava (2006) argue that contemporary marketing interest has been centered on brand equity and customer equity without commensurate research attempts to reconcile the relationship between the two concepts. Still in the same vein, many researchers have observed that in international marketing, the role that brand equity plays has not been examined in detail (Pappu, Quester, & Cooksey, 2006; Broyles Leingpibul,

Ross, & Foster, 2010). Brand equity is regarded as a key indicator of how healthy or otherwise a brand is, and observing it constantly is considered to be a necessary step in effective management of the brand (Aaker, 1991, 1992).

One of the many absorbing questions holding the attention of today's brand managers has to do with how to ensure an in-depth understanding of the appropriate relationship between concepts such as brand equity and consumer responses, especially in relation to the many known antecedents of brand equity in the marketing literature (Taylor, Celuch, & Goodwin, 2004). Different conceptualizations of brand equity have been proposed by different researchers. Most of them, from the standpoint of the consumer, supposed that the ultimate strength of brands lies in the minds of consumers (Leone *et al.*, 2006). On the contrary, other researchers observing from financial point of view consider brand equity as the financial metrics of brands to the firm (Simon and Sullivan, 1993). Monetary value of a brand is, however considered to be the final indicator of consumer responses to brands (Christodoulides and de Chernatony, 2010). Therefore previous studies on brand equity have placed more emphasis on the consumer perspective. This study also follows in that direction. The changing effect of brand knowledge due to consumer response to marketing of the brand is seen as consumer-based brand equity (Kamakura & Russell 1991). Therefore, brand equity is conceptualized from the view point of the consumer, and customer based brand equity comes into effect when the consumer is familiar with the brand and holds some favourable, strong and a distinct brand association in the memory (Kamakura & Russell 1991; Keller 1993).

In an attempt to move towards a consumer-based approach, the first stage is to try and deconstruct the brand. Breaking down the brand into factors that lead to brand equity instead of looking at it as a single whole will provide a better understanding of the concept of brand equity. This leads to a set of antecedents – awareness, associations, perceived quality, and brand loyalty – that have been identified by Aaker (1991) that can be assessed or measured through survey research (Pappu *et al.*, 2005). There are studies that put the brand equity antecedents at three- namely, brand distinctiveness, brand loyalty, and brand awareness (Yasin, Noor, & Mohamad, 2007). Among these three dimensions brand loyalty has the greatest contribution to the development of brand equity (Yasin *et al.*, 2007). However, the focus of this study is on how the overall brand equity affects consumer responses to price premiums, brand preferences and purchase intention attitudes towards brand extension and the outcome of information cost reduction.

Considerable number of the extant literature available in the field of brand equity is largely focusing on the USA. Studies that have been carried out concurrently in different geographical settings mostly tried to observe American and Asian markets. Moreover, the studies have reported some limitations on the samples used (Yoo and Donthu, 2001, 2002; Broyles *et al.*, 2010). Accordingly, this study was conducted in Malaysia in order to better understand and evaluate the effects of brand equity on consumer responses in other developing countries. To accomplish this, the Proton and Perodua, two leading brands in the Malaysian automobile industry were used to examine the effects of brand equity on consumer responses. Automobile was chosen because it is a high involving durable good that consumers normally try to make informed decision about a brand based on prior knowledge and information sought.

The proposed model was tested with a view to ascertain and provide empirical evidence on how consumers respond to brand equity.

1.2 Problem Statement

Apart from measuring brand equity, the need for researchers, marketers and business practitioners to understand how consumer responses and attitude is influenced by the different dimensions of brand equity has become very vital (Hoeffler & Keller 2003). Invariably, the value of a brand is obtained in the market through the activities of consumers. It is therefore an urgent and challenging task to study and better understand the consequences of the consumers' actions (Wang, Wei, & Yu, 2008; Broyles *et al.*, 2010). However, few empirical studies have been carried out to ascertain these possible outcomes (Hoeffler & Keller 2003). Some previous studies have tried to assume that brand equity may have positive effect on consumer response (Cobb-Walgren, Ruble, & Donthu, 1995). In contrast, Erdem and Swait (1998) examined that brand loyalty is a consequence rather than an antecedent of brand equity because products value proposition and consumer tastes' are closely related. Thus, lower information costs and perceived risk is seen as part of factors that bring about consumer-based brand equity (Erdem & Swait, 1998).

Also, Yoo, Donthu, & Lee, (2000) suggested that more dynamic interactions between brand equity and consumer responses need to be studied, pointing out that though brand equity is an outcome of marketing mix effort, it can still be amplified at the same time as a product of customer value that emanates from previous brand equity. Consequently, Buil *et al.*, (2013) conducted a study to investigate the influence of brand equity on consumer responses using data collected from Spain and the UK. Although the study found a positive influence, the study lacks

generalizability because of the differing peculiarities of European cultures and other non-European countries.

Davcik, Vinhas da Silva, & Hair, (2015) argued that there is a need to distinguish conflicting focuses and to blend contemporary approaches to the brand equity concept. Following an extensive research and in-depth review of literature and a taxonomical classification of extant research, Davcik *et al.*, (2015) suggested three areas for future research avenues that will likely lead to a unifying theory of brand equity, namely: consumer and company value perspective (i.e. stakeholder value), managing marketing assets and financial performance. Therefore, this study is carried out in line with the consumer and company value perspective in order to contribute in filling the gaps identified by Davcik *et al.*, (2015).

1.3 Research Questions

Many past studies have proposed different kind of models to understand how brand equity and its antecedents can be better explained. Most of the studies have however, been used in the developed nations of the world. Having stated and defined the problem in this study, it is pertinent to design some research questions that will clearly give an unambiguous direction on what the study hopes to accomplish. These questions are as follows.

1. How do consumers respond to the marketing efforts of brands with positive and strong brand equity?
2. Is there a causal relationship among the antecedents of brand equity?
3. To what extent do these antecedents lead to the development of brand equity and which antecedent has the most influence on brand equity?

1.4 Objectives of the Study

The main goal of this study is to examine and better understand the antecedents of brand equity and to investigate brand equity effects on consumers' response. Specifically, the study's main objectives are:

- i. To evaluate the effect of brand equity on consumers' willingness to pay price premiums
- ii. To ascertain consumers' attitude towards brand extensions
- iii. To determine whether brand equity affects consumer purchase intention
- iv. To investigate how brand equity influence consumers brand preference
- v. To analyze how brand equity can facilitate the reduction of consumer information costs

1.5 Significance of the Study

The concept of brand equity and its antecedents have been extensively studied (Pappu et al, 2005; Torres, Augusto, & Lisboa, 2015; Taylor et al, 2004). However, studies on the effects of brand equity on consumer response still leave much to be desired. This study will contribute to the existing body of knowledge by giving more insight to the significance of brand equity on purchase intention, consenting to pay price premiums, consumer attitudes towards extension of brands, overall brand preference as well as how brand equity can help to reduce information cost.

Marketing practitioners have hitherto focused more on building and managing brand equity. This study will ensure a deeper understanding of how consumers react to brand equity and ensure marketers integrate a post-brand equity consumer response into their marketing strategy programmes.

1.6 Scope of the Study

This study seeks to investigate how brand equity influence consumer responses. Therefore the scope of the study covers five identified concepts namely, brand preference, brand extension, purchase intention, willingness to pay price premiums and information costs saved. This study is limited to these concepts together with the brand equity concept and its antecedents which include brand loyalty, brand awareness, brand association and perceived quality.

Moreover, the study was conducted in Malaysia using data collected from students of the Universiti Utara Malaysia (UUM). It is therefore noteworthy that the study will be country related in terms of geographic location, culture, socio-political peculiarities and sampled data may be limited.

1.7 Definition of Key Terms

- Brand; A name, term, sign, symbol or a combination of both intended to identify the goods and services of one producer from another (Kotler & Keller, 2009 p. 236)
- Branding; Is endowing a product or service with the power of a brand (Kotler & Keller 2009)
- Brand equity; Differential effect of brand knowledge on consumer response to marketing of a brand (Keller 2003)
- Brand loyalty; The tendency of a consumer to continue buying the same brand of goods rather than competing brands
- Brand association; A deep seated affiliation or connection of anything attributable to a brand in the customers mind

- Brand awareness; This refers to the strength of a brand's presence in consumers' minds. Brand awareness is an important component of brand equity (Aaker, 1991; Keller, 1993).
- Perceived quality; Is the consumer's subjective evaluation of a product which may not be the actual quality of the product (Zeithaml, 1988)
- Price premium; the amount a consumer is willing to pay for a brand in comparison with other brands offering similar benefits (Buil *et al.*, 2013)
- Brand extension; The use of an established brand to introduce a new product (Kotler & Keller 2009)
- Brand preference; The state of being bias towards a particular brand
- Purchase intention; The willingness and ability to buy a particular brand
- Information cost; The costs incurred when gathering and processing information to reduce uncertainty and perceived risk (Shugan, 1980)

1.8 Organisation of the Study

This study basically consists of five chapters. Chapter one consists of the background of the study, the problem statement, objectives of the study, scope of the study and organisation of the study. The second chapter reviews past relevant literature related to the identified variables in the study. The third chapter will discuss the research framework, development of hypotheses, the research design, measurement of variables, sampling and sampling techniques, data collection procedures, as well as the methods of data analysis. Analyses of data and findings of the research will be described in the fourth chapter. The chapter will present detailed analyses of results of the study in form of figures, tables and text so that the key information is highlighted. The last chapter of the study which is chapter five is the

conclusion and recommendation. The chapter will summarize key findings based on the objectives of the research. The significance of the findings, their theoretical, practical and policy implications as well as recommendation for future research will also be discussed and highlighted in this chapter.



Chapter Two

Literature Review

2.1 Introduction

There is an increasing understanding that building brand equity remains a top most priority marketing goal of every company. This study seeks to evaluate the effects of brand equity on consumer responses. As pointed out in the previous chapter, brand loyalty, brand association, brand awareness and perceived quality have been widely accepted by scholars as the antecedents of brand equity (e.g. Yoo *et al.*, 2000; 2003; Pappu *et al.*, 2005). In this chapter a review of extant related literature in all the aforementioned concepts will be carried out. Generally, a review of past related studies gives an overview of what has been published on a topic by scholars and researchers. Therefore, this chapter will discuss the conceptual definition of the variables as well as the literature review on the empirical studies and their theoretical underpinning as a guide to the development of the study's framework.

2.2 Brand Equity

The foundation of research on contemporary consumer-based brand equity was developed by Aaker (1991) and Keller (1993). Scholars and researchers (e.g. Fetscherin, 2010; Myers, 2003) have established two major perspective of brand equity to be the financial or company-based brand equity and the consumer-based brand equity. The concept of brand equity has been defined severally by different scholars for many different reasons. Defining brand equity from a logical approach, Aaker (1991) describes it as “a set of brand assets (brand awareness, perceived

quality, brand associations, brand loyalty) and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers". Keller (1993) on the other hand defines the concept of consumer-based brand equity as the complementary effect of brand knowledge on consumer response to the marketing activities of the brand. Keller sees brand equity in terms of brand awareness and the strength, favourability and unparalleled brand associations that consumers hold in memory. Irrespective of how it is utilized or measured however, the value of a brand, and impliedly its equity, must at the end, be derived in the marketplace from the actions and interactions of consumers (Hoeffler and Keller, 2003).

Several other researchers (e.g. Cobb-Walgreen *et al.*, 1995; Sinha and Pappu, 1998; Yoo and Donthu, 2001, 2002; Yoo *et al.*, 2000) have conceptualized brand equity in similar fashion to Aaker (1991) and Keller (1993) by using the term consumer-based brand equity to mean brand equity. Specifically, Yoo *et al.*, (2000) defined brand equity as the contrasting customer choice that occurs between the branded product and an unbranded product given the equivalent level of product characteristics. Recent studies have however conceptualized brand equity as a relational market-centered asset that is built over time through the interfaces between the brands and their customers (e.g., Davcik *et al.* 2015; Hooley, Greenley, Cadogan, & Fahy 2005; Srivastava, Fahey, & Christensen 2001). The incremental satisfaction or value added to a product by its brand name has also been referred to as brand equity (Farquhar, Han, and Ijiri 1991). Ultimately, brand equity lies in the minds of consumers and what they have gone through, learned, and felt about the brand over time (Leone *et al.*, 2006) Keller (2003) posited that brand equity can be thought of as the "added value" endowed to a product in what the consumer thinks, says and how the

consumer reacts. In their own adaptation of Aaker (1991) definition of brand equity, Pappu *et al.*, (2006) defined brand equity as “the value consumers associate with a brand, as reflected in the antecedents of brand awareness, brand associations, perceived quality and brand loyalty”.

There are two facets of brand equity and its precursors, namely: functional and experiential (Keller, 2002; de Chernatony and Riley, 1997). The functional aspect consists of the components of one’s perception of a brand’s performance and quality, including perceived performance and perceived quality (Keller 2003). The experiential facet comprise of a brand’s resonance and imagery (Holbrook and Hirschman, 1982; Keller, 2003).

It can be deduced from the discussion above that there has been a consensus among scholars on the four antecedents of consumer-based brand equity. There are empirical evidences that support the notion of these distinct antecedents (Pappu *et al.*, 2006). These antecedents and their linkages to brand equity have been extensively studied in the last two decades (Aaker 1991; Keller 1993). These antecedents and their relation to brand equity will be discussed next.

2.3 Antecedents of Brand Equity

Four main antecedents of brand equity: brand awareness, perceived quality, brand associations, and brand loyalty have been widely acknowledged by different researchers (Aaker 1991, 1996; Yoo *et al.*, 2000; Pappu *et al.*, 2005; Buil *et al.*, 2013).

2.3.1 Brand Awareness

As per Aaker, Pappu et al (2006) define brand awareness as when a certain product category stimulates the ability of a consumer to recognize or collect from memory that a brand belongs to that product category. In other words, brand awareness is the strength of a brand in a consumers evoked set (Pappu *et al.*, 2005). Aaker (1991) outlined several levels of brand awareness that ranges from just recognizing the brand to its dominance, which is the condition where the brand involved is the sole brand recalled by a consumer. Brand awareness is the consumers' ability to identify or acknowledge the brand Rossiter and Percy (1987). Keller (1993) on the other hand conceptualized brand awareness as comprising of both brand recognition and brand recall. According to Keller (1993), brand recall can be seen as the consumers' ability to fetch the brand from memory, when the product class or the needs fulfilled by the class are mentioned. Brand recognition requires that consumers properly distinguish the brand as having been previously seen or heard. Concurring with Keller (1993), Ballantyne *et al.*, (2006) suggests two levels of awareness: stimulus-based brand recognition and memory-based brand recall. Hakala *et al.*, (2012) likened brand awareness with the top of mind awareness (TOMA). The concept refers to the extent to which the brand is remembered without the use of any memory aid. The two awareness stages indicate different purchase decisions: in the case of brand recognition, seeing the product/brand stimulates the need for it. However, the case of recall may be more challenging in that the customer has to recall the brand name. Top-of-mind awareness is distinct from the intention to purchase, or of actual brand choice, a behavioural tendency (Hakala *et al.*, 2012). The strength of the brand node or the ability to retrieve in memory as reflected by

customers' ability to recollect or recognize the brand under different conditions is characterized by the brand awareness (Leone *et al.*, 2006)

Aaker (1996) posits that brand awareness is an important but somewhat undervalued dimension of brand equity. Aaker argued that awareness can have an influence on perception and attitude. Brand awareness reflects the pertinence of the brand in the mind of the consumer. Aaker (1996) outlined levels of brand awareness hierarchy that includes recognition, recall, top of mind, brand dominance, brand knowledge and brand opinion. He argued that brand awareness can drive brand choice which may sometimes result in brand loyalty. Brand equity is partly measured in terms of the awareness a brand evokes (Yasin *et al.*, 2007). The role of brand awareness in brand equity can be measured based on the level of awareness that is achieved. The higher the level of awareness the more dominant is the brand, which will enhance the tendency of the brand to be considered in many purchase situations. However, Huang and Sarigollu (2012) in their research found that consumers' brand usage experience adds more to brand awareness than the reverse. Experience, they argue, precedes awareness in some cases. Therefore, increasing the level of awareness through experience raises the likelihood that the brand will be in the consideration set (Nedungadi, 1990) which will positively affect consumers' decision making. Where customers are not aware of the brand, then the brand has little or no value or equity (Shimp, 2010). Impulsive brand awareness, meaning a degree of saliency, or the level to which the customer's mind is engaged when prompted by the product, is one indicator of brand equity (Kapferer, 2005).

2.3.2 Brand Association

Aaker (1991) defines brand associations as “anything linked in memory to a brand” and brand image as “a set of [brand] associations, usually in some meaningful way” (p. 109). Complex and connected to one another, brand associations consists of multiple ideas, instances, happenings, and facts that establish a solid network of brand knowledge. A more strong association occurs when there are several experiences and exposures instead of few instances (Aaker 1991; Alba and Hutchinson 1987). Brand associations and brand equity are positively related because they can be an indication of quality and promise and they help a buyer consider the brand at the point of purchase resulting in a favourable behaviour for the brand (Yoo *et al.*, 2000).

Keller (1993) classified brand association to include three broad categories of attributes, benefits, and attitudes. Attributes are those characteristics that describe the product or service in terms of how the consumer buys and consumes the product as well as those things involved in the process. According to Myers and Shocker (1981) as reported by Keller (1993), attributes are categorized in different ways based on how they relate to the product or service performance. Product-related attributes are the components essentially required for undertaking the product or service function wanted by consumers. Therefore, they relate to the composition of the product or service requirements and their varying attributes. Non-product-related attributes complement aspects of the product or service that pertain to the buying or consumption. The main non product related attributes include price facts, packaging or product information, user imagery, and usage imagery (Keller, 1993).

Benefits are the individual value consumers attach to the product or service attributes. In other words, it is what consumers believe the product or service can do. Depending on the primary motivations to which they relate, benefits can be subdivided into three categories. These categories are functional (basic) benefits, experiential benefits, and symbolic benefits (Park, Jaworski, & MacInnis, 1986). Benefits that have to do with basic advantages of product or service consumption and normally correspond to the product-based attributes are considered as functional benefits. Experiential as the name implies basically are those benefits regarding to what it feels like using the product or service particularly the product-based attributes. The benefits that are not related to the product or service consumption are referred to as symbolic.

Brand attitudes are vital because they usually form the bedrock for consumer behavior. There are different simulations of brand attitudes that have been proposed, the most widely accepted approach being the multi-attribute formulation where brand attitudes form part of the related qualities and benefits that are noticeable for the brand. Thus, the various types of brand associations building up the brand image consists of product-related or non-product-related attributes which include functional, experiential, or symbolic benefits; and overall brand attitudes. These associations can change according to their favorable disposition, strength, and distinctiveness (Keller, 1993).

The associative network memory has been one of the widely used models in the literature in conceptualizing brand association (Hoeffler and Keller, 2003). The model posits that a brand will have a node in memory that may be associated with a variety of other nodes. All kinds of brand nodes may be linked to the brand to build

up its brand associations in memory. Moreover, there are different types of dimensions by which these different kinds of associations may be characterized. Brand associations may differ according to content and whether they are connected to the product or not. Non-product associations may be based on user or usage imagery, brand personality, etc. Brand associations may also vary in their level of perception, ranging from concrete and specific to more abstract and general (Hoeffler and Kotler, 2003). Brand associations can also vary based on how strongly they are related to the brand and its other associations, how distinct or common they are how favourably disposed they are to the consumers. Favourable and strong brand association is in itself a good source of brand equity because of the differential response to marketing activity (Keller, 1993). Meyers-Levy (1989) establishes that large numbers of brand associations could bring about interference effects and lesser memory performance. Farquhar and Herr (1992) argue that market leaders may have stronger associations that may not be deployed easily as abstract associations for brand extensions.

Romaniuk and Nenycz-Thiel (2013) argued that the current propensity to give brand association has a positive relationship with behavioural loyalty. This argument is premised on the ground that brand associations is formed from past brand interactions (Krishnan, 1996). Furthermore, a fundamental difference exists in the response level of brand associations of those with lower behavioural loyalty as compared to those with higher behavioural loyalty (Romaniuk and Nenycz-Thiel, 2013).

Krishnan (1996) in a study of association and brand equity outlined four aspects of brand association to include; number of association, valence of association,

uniqueness of association and the origin of association. The number of associations evoked by a brand name is one variable that may be used to characterize equity (Krishnan 1996; Yoo *et al.*, 2000). Consumers develop an interesting set of association about various brands over a period of time. Some of these associations are brand features and benefits (e.g. quality) while others may signify each consumer's experiences with the brand. These characteristic associations may be based on a host of sources over time, some of which may be embodied in memory as brand usage incidents (Krishnan, 1996).

Consumers store many positive and negative brand associations in memory. By focusing on all associations made by the consumer, it impacts both product-attribute related and unrelated associations (Park and Srinivasan, 1994). Therefore, a strong brand should place emphasis on consistently achieving net positive associations (Krishnan, 1996). Moreover, information about brands is part of a composite memory network that includes information about the product category and other brands in the category. Therefore, it is pertinent for a high equity brand to have a large number of shared associations to be correctly and quickly classified as a member of that product category, and to also possess some unique associations that enable it to stand out from the product category. Unique associations are necessary since they positively enhance the brand's image in the category (Farquhar, 1989; Keller, 1993).

Over time, consumers learn about products from different sources. One practical position is that, for numerous reasons, associations from some sources are more important components of equity (Biel, 1993). Origin of association can be classified on whether it is a direct experience or an indirect experience. In comparison with

indirect experiences, associations built on direct brand experiences are probably going to be more self-relevant (Burnkrant and Unnava, 1995).

2.3.3 Perceived Quality

It is necessary to make an important distinction between objective quality and perceived quality when considering the quality of a product (Tsiotsou, 2005). While objective product quality relates to the actual practical excellence of the product assessed through the support of technical and verifiable instruments (Jacoby and Olson, 1985), perceived product quality conversely refers to customers' evaluation of the excellence or superiority of the product under review (Zeithaml, 1988). Zeithaml (1988) defines perceived quality as "the consumer's [subjective] judgment about a product's overall excellence or superiority" (p. 3). Individual product experiences, distinctive needs, and consumption circumstances may influence the consumer's subjective decision of quality. High perceived quality indicates that, through the long-standing experience in connection with the brand, consumers identify the differentiation and supremacy of the brand. Zeithaml points out perceived quality as a component of brand value; invariably, high perceived quality would motivate a consumer to choose the brand instead of other competing brands. Therefore, the extent to which brand quality is perceived by consumers, brand equity will increase. Put differently, perceived quality refers to the perception of the whole quality or superiority of a product or service comparative (Keller, 2003).

Hoeffler and Keller (2003) found that strong brands attract preferential evaluations of features and higher perceived quality as well as generally high overall preference. Perceived quality also represents the antecedent phase leading to brand loyalty (Keller and Lehmann, 2003). However, a negative effect of perceived quality on

brand loyalty but with positive effects on brand equity has also been observed in the literature (e.g. Bravo, Fraj, & Martinez 2007; Buil *et al.*, 2013).

Price is used by consumers as a significant sign and metric of product quality or benefits. High priced brands are usually perceived to be of higher quality and less prone to competitive price cuts than low priced brands (Blattberg and Winniewski 1989; Dodds, Monroe, & Grewal, 1991; Kamakura and Russell 1993). Therefore, price is positively related to perceived quality (Yoo *et al.*, 2000).

Many other scholars and researchers alike have widely acknowledged perceived quality as a dimension of brand equity (e.g., Aaker 1996; Cobb-Walgren *et al.* 1995; Kim and Kim 2004; Kimpakorn and Tocquer 2010; Netemeyer, Krishnan, Pullig, Wang, Yagci, Dean, Ricks, & Wirth, 2004; Pappu *et al.* 2005, 2006). When customers recognize the overall quality of a product offered by a brand as superior, there is the tendency they will place more value to that brand. Accordingly, researchers have established evidence for both indirect and direct impacts of perceived quality on brand equity (Jahanzeb, Fatima, and Mohsin, 2013).

2.3.4 Brand Loyalty

Brand loyalty simply means the connection or deep belief in a brand (Aaker, 1991). Brand loyalty results when consumers develop a more positive perception towards a particular brand (Buil *et al.*, 2013). Oliver (1999) defines brand loyalty as a deeply held commitment to rebuy or re-patronize a preferred product or service reliably in the future, thus, causing repetitive same-brand or same-brand set purchasing, despite occasional influences and marketing efforts having the potential to prompt switching behaviours. Oliver (1999) argued that customer loyalty is ultimately a result of

perceived product superiority, individual determination, social attachment, and their synergistic effects. This arguments generally support the claim that measures of loyalty that are inhibited only to repurchase considerations do not to capture the richness of the loyalty construct (Taylor *et al.*, 2004).

However, offering the best choice alternative product by firms drives the consumer to brand loyalty. Moreover, the consumer must do this while simply shunning marketing activities from competitive firms and other innovators that may argue that the loyalist's chosen brand is no longer the most efficient, lowest priced, or of the highest quality (Oliver, 1999).

Contrary to the beliefs held by researchers like Yoo *et al.*, (2000) and Yasin *et al.*, (2007) that brand loyalty as one of the main driving force of brand equity, Erdem and Swait (1998) posits that brand loyalty occurs as an outcome of brand equity rather than as its antecedent dimension. They argued that when consumers are satisfied after using a product, they get an encouraging purchase experience. If the usage experience is in tandem with the firm's product promise, brand equity surges. As a consequence, the tendency of repeat purchase becomes higher, leading to the development of brand loyalty.

2.3.4.1 Loyalty Phases

Earlier on, Oliver (1997) argues that consumers can develop loyalty to a brand at each attitudinal stage relating to dissimilar elements of the attitude development structure. Precisely, consumers are conjectured to become loyal firstly in a cognitive sense, then in an affective sense, and then later in an impulsive manner, and lastly in a behavioural manner.

Cognitive loyalty: In the first loyalty stage, the brand characteristic information available to the customer shows that one brand is preferable to another brand of same product category. Cognitive loyalty is usually based on brand belief. Cognition can be based on previous knowledge or as a result of information acquired recently through experience. Loyalty at this stage is directed towards the brand because of the information the consumer has. However, the consumer loyalty at this state is not deep-seated. This is especially so when the transaction is routine and low involving where the depth of loyalty is only tied to the performance. If satisfaction is processed, it becomes part of the consumer's memory and begins to form part of the consumer's future decision (Oliver, 1999).

Affective loyalty: With satisfying usage experience, a liking or attitude towards the brand is developed. This echoes the preference dimension of the satisfaction derived from previous encounter with the brand. Commitment at this stage is regarded as affective loyalty and is fixed in the customer's mind as cognition and affect. Unlike cognition which is easily subject to counter argumentation, affect is not as easily displaced. The brand loyalty displayed is directed at the extent of affect (liking) for the brand. Like cognitive loyalty, this form of loyalty is also not devoid of switching tendencies as shown by studies conducted in the past where brand switchers claim to have been formerly satisfied with their brand (Oliver, Rust, & Varki, 1997).

Conative loyalty: The next stage of loyalty development is the conative stage, as impacted by recurring scenarios of positive affect towards the brand. Conation, by definition, is a behavioural intention that signifies a brand-specific commitment to repurchase. Conative loyalty is a loyalty state that does not necessarily mean deeply held commitment to buy as noted in the loyalty definition. However, this

commitment is only to the intent to repurchase the brand and is more or less a motivation. In essence, the consumer may be willing to rebuy, but just like any other repurchases willingness, this desire may be an anticipated but not backed by action (Oliver 1999).

Action loyalty: Kuhl and Beckmann (1985) conceptualize the process by which intentions are transformed to actions is referred to as "action control". In the action control arrangement, the inspired intention in the prior loyalty state is transformed into willingness to act. The action control model proposes that this is carried out by an additional craving to overcome hindrances that might prevent the act. Action is perceived as an essential result of engaging both these states. If this commitment is repeated, action inertia develops, thereby enabling repurchase.

Oliver (1997) further noted that readiness to act is synonymous with the deeply held commitment to repurchase or re-patronize a preferred brand of product or service consistently in the future, while overcoming obstacles is akin to re- buying in spite of external influences and marketing activities having the prospect to instigate switching behaviour.

2.4 Overall Brand Equity Effect on Consumer Responses

Overall brand equity positively enhances how consumers respond to the marketing activities of the brand Hoeffler and Keller (2003). There are many ways in which the consumer may respond to marketing activities of brands with strong equity which may include: willingness to pay price premium (Buil *et al.*, (2013), attitude towards extensions (Martinez and Pina, 2009), brand preference (Hoeffler and Keller, 2003),

purchase intention (Laroche, Kim, & Zhou, 1996), and information costs saved as an outcome of brand equity (Erdem and Swait 1998).

2.4.1 Willingness to Pay Price Premium

The willingness to pay a price premium is described as the amount a customer is willing to pay for a preferred brand over similar or inferior brand of the same package size or quantity. Brand loyalty is precipitated by willingness to pay price premium is the most reasonable summary metric of overall brand equity (Aaker, 1996). Positive brand equity reduces the sensitivity of consumers to price hikes (Hoeffler and Keller, 2003) and more willing to pay a premium price because of the perceived unique value in the brand that alternative brands may not provide (Chaudhuri, 1995; Seitz, Razzouk, & Wells, 2010).

Hoeffler and Keller (2003) observed that what the consumer may be ready to pay varies and the higher price that can be supported in relation to competitive brands. Consumers may also vary with regards to how they respond to price hikes and reductions on either a permanent or passing basis (Hoeffler and Keller, 2003). The value of brand equity should in the end be evident in the brand's marketplace performance. Price premium is a measure of how much consumers would be willing to pay for a brand than for a private label or an unidentified product or by conducting conjoint studies with brand name as an attribute (Ailawadi *et al.*, 2003). However, Ailawadi, Lehmann, & Neslin, (2003) noted that with increasing value conscious consumer market, the fact that brands do not command a price premium does not mean they do not have positive brand equity (e.g., Air Asia, WalMart). Aaker (1996) noted that a price premium may be high or low and positive or negative based on the two brands involved in the evaluation. When comparing a

higher-priced brand, the premium can be negative because consumers may expect price advantage based on their perceived evaluation of the brand.

Further, Aaker (1996) suggested that the market should be segmented based on loyalty (e.g. loyal customers, brand switchers, and non-customer) when measuring the price premium. Each segment will have a very different viewpoint on the equity of the brand in question. Price premium may be the best available sole measure of brand equity because, in most settings, any factor that will enhance brand equity should affect the price premium. The price premium therefore becomes a realistic summary of the strength of the brand (Aaker, 1996).

Persson (2010) observed price premium as a specific and interestingly high economic form of brand strength. It was further observed that, as much as the extent of information exchange and support can affect the relationship between a customer and a brand, it may be the actual reason why the customer is willing to pay a price premium for the brand. The willingness to pay price premium as a consumer response to brand equity has also been attributed to brand community association (Persson, 2010).

2.4.2 Brand Extension

Extending brands into new product categories forms the bedrock of many firm's business growth strategy (Milberg and Sinn, 2008). Brand extensions begin with the premise that a brand is an assortment of associations (Keller 1993). Brand extension has been defined as the "use of established brand names to enter new product categories or classes" (Keller & Aaker, 1992, p. 35). As a consumer way of responding to brand equity, brand extension provides a platform for growth,

providing an avenue to enter new business areas that would have been expensive to enter without the existing brand name (Aaker, 1992).

Aaker and Keller (1990) observed four consumer evaluations of brand extension. They argued that:

- i. Inferred characteristic beliefs both positively and negatively affect the evaluations of a brand extension. Tangible product classes like taste of toothpaste are usually associated with unfavourable extension evaluations. On the other hand, abstract brand characteristics such as style are associated with favourable inferred beliefs.
- ii. Original brand's positive quality image and its extension evaluation will have a strong relationship only to the extent that there is fit between the two product categories or classes.
- iii. Brand extension has three dimensions of fit (transfer, complement, and substitute) between the original and extension product classes. The transfer fit has a direct effect on brand extension evaluation while the complement and substitute fit measures interrelated with the perceived quality of the existing brand to determine brand extension evaluations.
- iv. Product that are seen by the consumer to be pettily easy to manufacture do not command positive extension evaluation but are perceived as a barefaced attempt to take advantage of a brand name image and skim the market with unjustified prices.

Similarly, Keller (1993) posits that brand extensions take advantage of the brand image for the core product or service to well inform consumers and retailers of the newly introduced product or service. Brand extensions can simplify approval of the new product or service in two beneficial ways. Firstly, brand awareness for the

extension may be greater because the brand node is by this time rooted in memory. Therefore, consumers will only need to form a connection in memory between the previously held brand node and the extended product or service. Secondly, anecdotal associations for the characteristics, advantages, and overall perceived quality may be formed. Put differently, consumers' expectations for the extension will be created based largely on what they already know about the existing core brand (Keller, 1993).

Meyvis and Janiszewski (2004) findings were contrary to a pure similarity-based account of brand extension evaluations as they argue that consumers also evaluate brand extensions by depending on the most diagnostic and accessible brand associations. However, the findings did not foreclose the tendency that consumers in some cases may treat brand assortments as categories and attribute brand features to new extensions only to the extent that these extension products are related to those in the brand category. This similarity-based transfer of features may be possible when consumers are very aware of the brand and its products offerings, hence leading them to form a precise category for these branded products. On the other hand, when consumers are less acquainted with the brand, the brand portfolio may not be represented as a separate category, and the "accessibility-diagnosticsity" framework may offer a more precise narrative of consumers' extension evaluations (Meyvis and Janiszewski 2004).

Milberg and Sinn (2008) claimed that when brand extension goes on a collision path with a popular, well-liked competitor brand, the quality perception of the extension may be negatively impacted. However, the extension quality beliefs and negative effects on the quality belief are mostly on narrowly extended brands as against

broadly extended ones. They further argued that there is no effect of fit on both extension quality assumptions and the core brand beliefs.

In conclusion, Swaminathan (2003) found that positive shared effects of extension trial occur, especially among non-loyal users and among previous nonusers of the parent brand. These reciprocal effects also seem to translate into increase in market share. They argued that category similarity tends to moderate the existence and extent of positive reciprocal effects. Interestingly, negative reciprocal effects of failed extensions exist among existing customers of the parent brand (Swaminathan 2003).

2.4.3 Brand Preference and Purchase Intention

Strong brands are accorded preferential evaluations and higher overall preference (Hoeffler and Keller, 2003). Similarly, consumers who perceive a greater value in a brand have a high tendency of purchasing it (Aaker, 1991). Brands with positive equity have also been claimed to command a significantly high brand preference and purchase intention (Cobb-Walgren *et al.*, 1995). Because of the difficulty in ascertaining the significant attributes and benefits of brand preference, an all-inclusive component of attitudes towards the brand that has not been taken care of by the characteristics and benefits of the brand should be considered.

Alreck and Settle (1999) outlined six modes for building brand preference. They argued that consumer sense of taste and preferences for a brand can be made through one or more of the six distinct modes:

- i. Need association: The product or brand is connected to one need through continuous association. The whole idea of this simple brand preference-building process is

merely to promote the product or brand name and a specific need, concurrently and persistently.

- ii. Mood association: The mood is linked to the product or brand through persistent association. The essence of mood association is to permeate the product or brand with a positive impression.
- iii. Subconscious motivation: Evocative symbols are used to stimulate consumers' subconscious motives. Therefore consumers would not wittingly know precisely why they patronized a given preference, and may not be able to express their real motives, even when they are in a position do so.
- iv. Behavioural motivation: Consumers are accustomed to buying the brand by employing cues and rewards. Marketing stimuli like advertisements, promotion, or packaging constitute the cues. The responses that are habituated by marketers comprise mainly of purchase and consumption. The resultant reward or punishment for the consumer facilitates the reinforcement.
- v. Cognitive processing: Perceptual and cognitive obstacles like selective attention, perception, and retention are by-passed to produce favourable attitudes. The more vital the purchase is to the buyer, the more likely the consumer's preferences will come from cognitive processing (Blythe, 1997).
- vi. Mode emulation: Ideal social lifestyle simulations are advanced for consumers to imitate. Model emulation is striking to consumers in that it is a modest, easy way to make a choice. The buyer is essentially letting someone else to evaluate and study the product or service on their behalf.

It has been examined that brand preference is occasioned by top of mind brand awareness (Woodside and Wilson, 1985). Similarly, Saporito (1986) observed that

when preference intensity is high, loyalty and brand purchase intention becomes stronger. However, Jamal and Goode (2001) found a strong relationship between self-image congruency and preference of a brand. Their study concurs with the notion that consumers have preference for brands that have images well-suited with their perceptions of self (Mehta 1999). Consumers may also prefer a brand more on the basis of its figurative characteristics as against its functional qualities (Jamal and Goode, 2001).

2.4.4 Information Costs Saved

Contrary to the more popular cognitive psychology view of brand equity, the information economics view of brand equity clearly considers the imperfect and irregular informational structure of the marketplace (Erdem and Swait, 1998). This perspective of consumer based brand equity is defined as the value of a brand signal to consumers. In other words, the increased expected satisfaction to be derived; endowing a product with added worth, is the value of a brand signal to a consumer (Farquhar, 1989). Marketing activities affect and are influenced by the extent and ways by which informational imperfections and irregularities occur in a market (Erdem and Swait, 1998). For instance, other things being equal, firms may offer warranties in order to allay the fears of high consumer improbability regarding the quality of a product. Notwithstanding however, the presence of reliable warranties, in turn, affects the degree of imperfect and irregular information and its reciprocity into these informational facets of the market (Erdem and Swait, 1998).

Essentially, therefore, consumers in an attempt to gather information and minimize uncertainty and perceived risks, incur a lot of costs (Shugan 1980). Further, it has been observed that the cost of gathering information encompasses money to include

expenditure of time, psychological costs, etc. Moreover, information-processing costs also include time and psychological costs. The extent of perceived risk and cost of information accrued depends on the structure of information available in the market (Erdem and Swait, 1998).

Similarly, Murali, Laroche, & Pons, (2005) suggests that consumers in an effort to keep information costs low search only a limited number of sources. They argued that variances in interpersonal communication style, motivation to search and situational uncertainty determine consumer search for information. Further, the perceived risk inherent in the purchase decision is reduced by the information available to the consumer. This has been corroborated by Kiesel and Villas-Boas (2013) in which they argued that information costs could inhibit consumers' ability to fully optimize their purchase decision.

In the cognitive psychological approach to brand equity, consumer based brand equity offers a different set of causal order or links among some models. Aaker (1991) conceptualization suggested that brand equity offers value to consumers by enabling information processing and increasing assurance regarding a particular brand. Similarly, Buil *et al.*, (2013) identified some positive effect or consequences of brand equity on consumer responses. Their study findings is in sharp contrast to Erdem and Swait (1998) that showed a reverse causal link, indicating that the value created by reduced information costs heralds and underlies consumer-based brand equity. However, consumers are likely to gather their information about a brand when such brand has a strong equity as against when the equity is weak.



UUM

Universiti Utara Malaysia

Chapter Three

Methodology

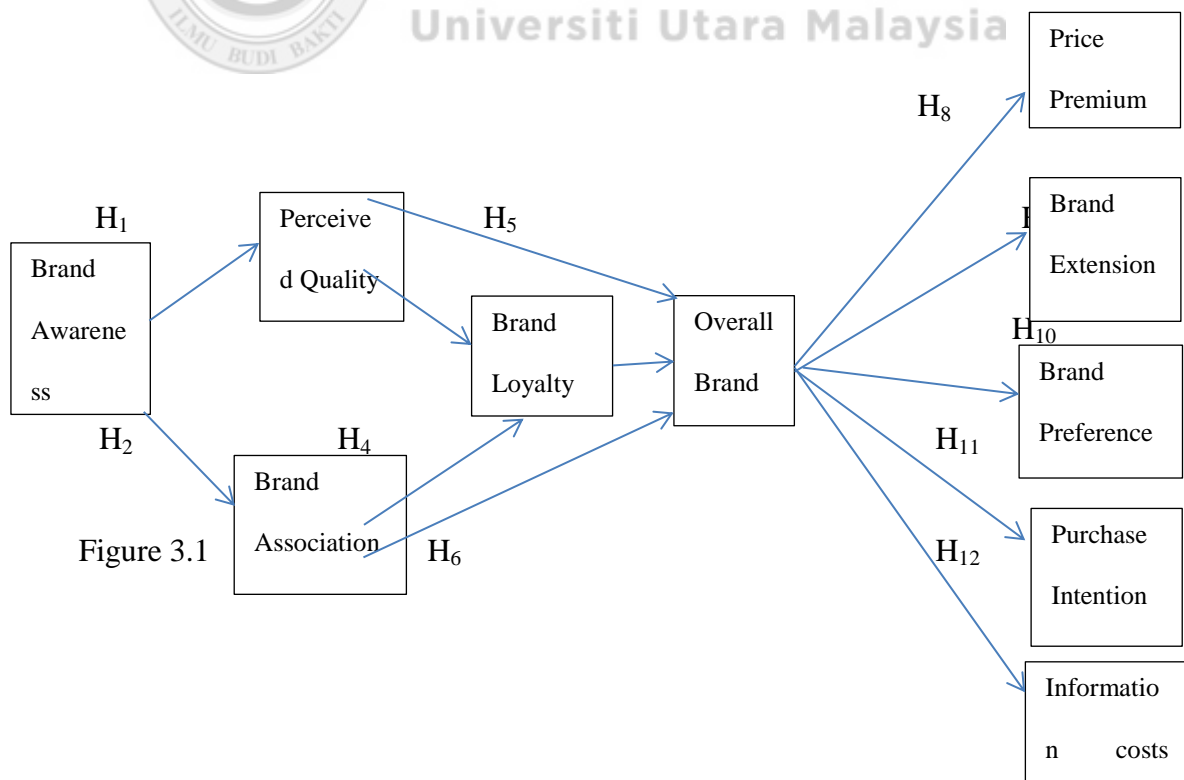
3.1 Introduction

A review of related literature was carried out to examine key consumer responses with ability to provide sustainable competitive marketing advantages to firms. This chapter outlines the overall methodology of the study which aims to investigate the consumer responses to brand equity. The chapter will begin with a discussion of the research framework, data collection survey instrument, sampling technique, and also describe the data analysis technique to use in analyzing the collected data.

3.2 Theoretical Framework

The outcomes of brand equity, which are the variables of primary interest and how they are affected will be examined on five factors namely; willingness to pay price premium, brand preference, purchase intention, attitudes towards brand extension, and information cost reduction. The study is conceptualized in line with Aaker (1991 p. 15) cognitive psychology approach where brand equity is seen as “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers”. Four brand equity antecedents identified for this study are brand awareness, perceived quality, brand associations, and brand loyalty. These brand equity antecedents have been widely examined and accepted by so many different researchers (e.g. Yoo *et al.*, 2000; Pappu *et al.*, 2005; Kim and Hyun, 2011; Buil *et al.*, 2013).

To investigate brand equity, Buil *et al.*, (2013) observed a causative order of events among the antecedents of brand equity. This chronological process that comprise of cognitive, affective and conative stages have been integrated into the widely used brand theories, like the customer-based brand equity hierarchy postulated by Keller and Lehmann (2003). First, brand awareness positively influence perceived quality and brand associations. Secondly, brand association has a positive and significant effect on brand loyalty. Similarly, Cob-Walgren *et al.*, (1995) observed that brand with higher equity generated significantly greater preference and purchase intentions. Inversely, Romaniuk and Nenycz-Thiel (2013) argued that there is a positive relationship between the current tendency to pass brand association and previous behavioural loyalty. Brand awareness comprises connecting the brand to diverse associations in memory (Keller, 2003). Thus, consumers brand association is a function of brand awareness (Aaker, 1991).



3.3 Hypotheses Development

As mentioned earlier, brand association and perceived quality can only occur when there is brand awareness (Aaker, 1991). Therefore, the study proposes the following hypotheses:

H₁: Brand awareness has a positive influence on perceived quality.

H₂: Brand awareness has a positive influence on brand associations.

Brand loyalty which is regarded as the deep-seated commitment to a brand emanates from perceived quality and positive brand association (Aaker, 1991). Previous research indicates that high levels of perceived quality and positive brand associations can increase brand loyalty (Chaudhuri, 1999; Keller and Lehmann, 2003). Therefore the following hypotheses are put forth.

H₃: Perceived quality has a positive influence on brand loyalty.

H₄: Brand association has a positive influence on brand loyalty.

All the antecedents of brand equity except brand awareness have direct relationship with brand equity. Brand awareness is an essential but insufficient requirement for building brand equity (Keller, 2003). Consumers must first be aware of a brand before they can develop any form of association with the brand. In this regard, Yoo *et al.*, (2000) combined the dimension of awareness and association into one. Thus, brand awareness can be proposed to have a positive but indirect effect on brand equity.

However, perceived quality creates brand superiority in the minds of consumers and enhances firm's ability to differentiate their brand (Farquhar, 1989). Invariably therefore, it can be proposed that perceived quality directly influence brand equity. In the same vein, through positive brand associations, product differentiation and positioning by firms as well as developing favourable attitudes and beliefs can be enhanced. This, in essence, may likely lead to stronger brand equity (Yoo *et al.*, 2000). Lastly, brand loyalty has been proven to be the main driving force of overall brand equity (Yoo *et al.*, 2000; Yasin *et al.*, 2007; Buil *et al.*, 2013). Loyal customers' favourable disposition towards a brand helps in building overall brand equity. In this regard we can develop the following hypotheses.

H₅: Perceived quality has a positive influence on overall brand equity.

H₆: Brand association has a positive influence on overall brand equity.

H₇: Brand loyalty has a positive influence on overall brand equity.

How consumers respond to the marketing of a brand, is, to a large extent an indication of the strength of the brand and its equity. These responses have a generally positive effect on firm's performance. Consumers' response to brand equity may come in many forms but this study will attempt to explore four responses and an outcome that includes; willingness to pay premium, attitudes to brand extension, brand preference, purchase intention, and information cost saved.

The amount a consumer is ready to pay for a particular brand of product in relation to a rival brand with similar value proposition is a reflection of the consumer's willingness to pay price premium. A review of the literature shows that brand equity has a noble impact on consumers' willingness to pay a price premium (Netemeyer *et*

al., 2004; Buil *et al.*, 2013). Consumers are less sensitive to price hikes in brands with strong equity and are ready to pay a higher price because of the perceived superior value in the brand that they believe is non-existent in other alternative brands (Hoeffler and Keller, 2003; Keller and Lehmann, 2003). As a consumer way of responding to brand equity, brand extension provides a platform for growth (Aaker, 1992). One of the key reasons is that bequeathing a new product with an already established brand name offers consumers with a sense of knowledge and belief that positively influences their approach towards the extension, even if they are not specifically familiar with the new product (Milberg and Sinn, 2008). Thus, brands with stronger equity are likely to generate more positive consumer responses towards possible extensions. Hence, the following hypotheses are developed.

H₈: Overall brand equity has a positive influence on consumers' willingness to pay price premiums.

H₉: Overall brand equity has a positive influence on consumers' attitude towards brand extensions.

As pointed out earlier, strong brands are accorded preferential evaluations and higher overall preference (Hoeffler and Keller, 2003). Similarly, consumers who identify a greater value in a brand have a high tendency of purchasing it (Aaker, 1991). Brands with positive equity have also been claimed to command a significantly high brand preference and purchase intention (Cobb-Walgren *et al.*, 1995). Therefore, the following hypotheses are proposed.

H₁₀: Overall brand equity has a positive influence on consumers' brand preference.

H₁₁: Overall brand equity has a positive influence on consumers' purchase intention.

The effects of brand equity on consumer information costs are expected to increase brand potential utility. This increase can be conceptualized as the "added value" associated with brands (Farquhar, 1989, p. 24). The active information gathering and processing carried out by consumers increase information costs by encouraging information search. Consumers incur costs when gathering and processing information in order to reduce uncertainty and perceived risk (Shugan, 1980). Further, the literature has shown that the cost of gathering information encompasses money to include expenditure of time and psychological costs. The extent of perceived risk and cost of information accrued depends on the structure of information available in the market (Erdem and Swait, 1998). Brands with strong equity are likely to reduce consumers' information gathering and processing. Therefore, the study hypothesizes thus;

H₁₂: Overall brand equity has a positive influence on information costs saved.

3.4 Research Design

Research design involves a series of rational decision making choices regarding a study (Cavana, Delahaye, and Sekaran, 2001). To begin a scientific research project, the researcher needs to make some assumption of what is to be known and how to know it (Creswell, 2009). Basically, a research design should involve the purpose of the study, the type of investigation, the unit of analysis, the study setting, and the time horizon (Cavana *et al.*, 2001).

Essentially, therefore, this study will test hypotheses by investigating the causal relationship among the identified variables in order to explain the variance in the dependent variable and its possible outcomes. In explaining nature of certain

relationships, hypothesis testing is usually used (Cavana *et al.*, 2001). The unit of analysis will be the individual unit where a field survey will be carried out in a non-contrived setting to collect cross sectional quantitative data, aggregate the data, and subsequently analyze the data.

3.5 Unit of Analysis

In the context of this study, the individual consumer is the unit of analysis. The study choose the individual consumer because in consumer-based brand equity studies (e.g. Pappu *et al.*, 2005; Christodoulides, Cadogan, & Veloutsou, 2015), survey questionnaire is administered among consumers.

3.6 Population and Sample Size

According to the Registrar's office of Universiti Utara Malaysia (UUM), there are 4,597 post-graduate students studying in UUM as at March 2016. This number constitutes the population of the study. Postgraduate students were selected because the stimuli or product category used to examine the impact of brand equity on consumer response is the automobile. Postgraduate students are also familiar with the brands, hence the study's decision to use them as sample. The sample size of 384 was arrived at based on Krejcie and Morgan (1970) sample size table.

3.7 Sampling Technique

Sampling is the process of drawing conclusions based on measurement of a subset of the population (Zikmund, Babin, Carr, & Griffin, 2012). With the appropriate statistical procedure followed, a researcher does not need to select all the items in the population. This is because it is practically impossible to collect data of all the

elements due to human resource, time and cost constraints (Cavana *et al.*, 2001). This study adopts a non-probability sampling method in selecting the sampling units from the total population. Non-probability sampling technique is used extensively by researchers in carrying out both qualitative and quantitative research (Zikmund *et al.*, 2012). Moreover, similar studies conducted have used the non-probability sampling procedure to collect data (e.g. Buil *et al.*, 2013).

In addition, the convenience non-probability sampling procedure was used in collecting data in various postgraduate schools of UUM. Convenience sampling allows for obtaining data from people or units that are available. Researchers often use convenience sampling to collect a large number of responses in an efficient and cost effective way when it is practically difficult to obtain sample through other means (Sekaran & Bougie, 2009).

3.8 Research Instruments

Well entrenched scales will be employed to measure the variables included in the model. The study used a seven point interval scale where 1 is strongly agree and 7 is strongly disagree as it is one of the recommended widely used scales (Zickmund *et al.*, 2012 p. 316). The seven point likert scale was also used by past related studies (Buil *et al.*, 2013).

Brand awareness will be measured using five items that assess recall, recognition and familiarity with the brand (Yoo *et al.*, 2000; Buil *et al.*, 2013). For perceived quality, four items to measure the construct were adopted from previous works (Pappu *et al.* 2005; Buil *et al.*, 2013). In measuring brand equity antecedents, some latent construct such as brand image, can be drawn-out to clarify the underlying

construct in detail (Yoo and Donthu, 2001). Therefore, three types of associations extensively used in past literature were included: organisational association, brand personality and perceived value, (Aaker, 1996; Pappu *et al.*, 2005; Buil *et al.*, 2013). Lastly, the scale used by Yoo *et al.* (2000) was used to operationalize brand loyalty as overall attitudinal brand loyalty.

Similarly, overall brand equity measurement was also adopted from the works of Yoo *et al.*, (2000). To measure consumers' responses, three items each for willingness to pay price premium, consumers' attitude towards brand extension, brand preference and purchase intention were adopted from a previous study by Netemeyer *et al.*, (2004) and Buil *et al.*, (2013). Finally, to measure the outcome for information costs saved, four items will be adopted from the work of Erdem and Swait (1998).

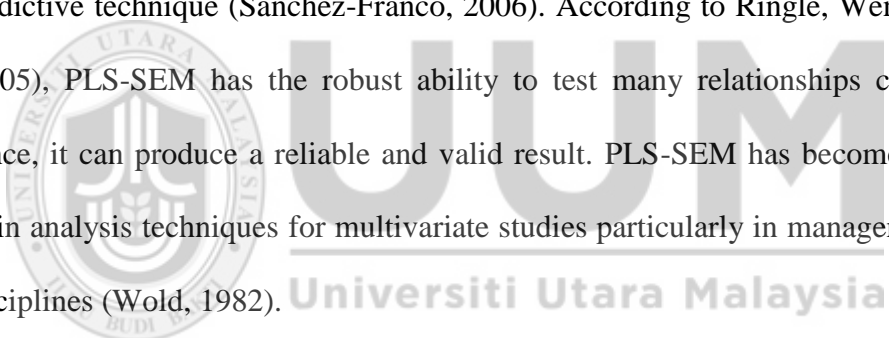
3.9 Data Collection Procedures

Data for this study was collected through a self-administered survey using questionnaires. A total of at least 400 questionnaires were distributed by the researcher. Moreover, Data for dependent and independent variables were collected from the same respondents. This study adapts the survey procedures employed by Pappu *et al.*, (2005) and Buil *et al.*, (2013). The product category selected as outlined in chapter one are high in terms of consumer involvement, price, and associated risk. Proton and Perodua are the brands selected for the product category which are all well-known brands to Malaysian car consumers. According to the Malaysian Automobile Association, Proton and Perodua have a combined market share of 50%. Respondents that have known and experienced products well are likely to provide reliable and valid responses to the questionnaire (Yoo *et al.*, 2000).

Hence, the two leading brands were chosen. The questionnaire was divided into two, one for each brand. Respondents were randomly given questionnaire to respond on either of the brand. This is in line with previous procedures used by researchers (e.g. Pappu *et al.*, 2005).

3.10 Statistical Techniques

The data collected were appropriately analyzed to ascertain whether or not the hypotheses formulated have been supported. It is also to determine whether the objectives of the study have been substantiated. Partial Least Square - Structural Equation Modeling (PLS-SEM) was used to analyze the data because of its predictive technique (Sanchez-Franco, 2006). According to Ringle, Wende, & Will, (2005), PLS-SEM has the robust ability to test many relationships concurrently; hence, it can produce a reliable and valid result. PLS-SEM has become one of the main analysis techniques for multivariate studies particularly in management related disciplines (Wold, 1982).



3.11 Pilot Test

This aspect of the study is conducted to test the reliability of the measurement instruments to be used for the study. Moreover, a pilot study specifically addresses concerns relating to item difficulty, item judgment, internal consistency, and rates of response as well as estimation of parameter (Johanson and Brooks, 2009). In order to achieve this, a total of 30 questionnaires were administered using a sample drawn from the actual population. Johanson and Brooks (2009) posited that 26-34 sample size is adequate for a pilot study.

Statistical Package for Social Science Version 20 (SPSS V. 20) software was used to analyze the pilot data. Table 3.1 shows the results of the reliability test obtained from the pilot study conducted.

Table 3.1

Reliability Test Result				
Variable	Number of items	Cronbach's Alpha	Item deleted	Cronbach's alpha item deleted
Brand awareness	5	0.882	Nil	-
Perceived quality	4	0.930	Nil	-
Brand association	9	0.944	Nil	-
Brand loyalty	3	0.852	Nil	-
Overall brand equity	4	0.912	Nil	-
Price premium	3	0.830	Nil	-
Brand preference	3	0.933	Nil	-
Brand extension	3	0.933	Nil	-
Purchase intention	3	0.822	Nil	-
Information costs saved	4	0.706	Nil	-

As a rule of thumb, a reliability of 0.70 or more is required before an instrument could be used (Sekaran 2003). As can be seen from the table above, all the variables

have a Cronbach's alpha of 0.70 and above and therefore the instruments can be used for the main study.

3.12 Summary of Chapter

This chapter discusses the research design of the study first by formulating hypotheses, identifying the data collection procedure, determining the sampling technique and the sample size as well as the technique of data analysis. A pilot test was also conducted to test the reliability of the instruments of data collection.



Chapter Four

Data Analysis and Findings

4.1 Introduction

This chapter describes the process the study followed to analyze the data and the justification for choosing the particular analysis technique. The researcher begins by first checking the returned questionnaires for any incomplete or straight-line responses, and then keyed into SPSS data editor. These screenings have been recommended by a number of texts such as Sekaran and Bougie (2009). Data were checked for missing values and the demographic characteristics of respondents were obtained through descriptive statistics. The assessment of the research model was carried out in two stages, i.e. the structural model and the measurement model as per Hair, Hult, Ringle, & Sarstedt, (2013).

Discriminant and convergent validity, composite reliability, and average variance extracted (AVE) were used to assess the measurement model. The structural model on the other hand was assessed using coefficient of determination (R^2) and hypotheses were tested to determine path relationship using bootstrapping procedure as suggested by Hair *et al.*, (2013).

4.2 Response Rate

The distribution of questionnaire began on the 6th of March 2016 and was called off two weeks later. A total of 400 questionnaires were distributed but only 243 were returned representing 60.75% response rate. All efforts made by the researcher to retrieve more questionnaires proved abortive. According to O'Sullivan and Abela

(2007), a response rate of more than 20% is satisfactory. Table 4.1 shows a summary of the response rate.

Table 4.1

<i>Response Rate</i>	
Item	Rate
Number of distributed questionnaire	400
Returned (useable)	234
Returned (unusable)	9
Response Rate	60.75%
Rate of useable responses	58%

4.3 Data Coding and Data Entry

Statistical Package for Social Sciences (SPSS) version 20 was employed for coding and data entry. The SPSS variable view was customized to suit the analysis objectives. To achieve that, each case was given a serial number for easy identification. The demographic variables were labeled accordingly, while all the items in the questionnaire were labeled with a code as follows; brand awareness items were labeled AW1-AW5, perceived quality PQ1-PQ4, brand association ASS1-ASS9, brand loyalty LO1-LO3, overall brand equity OBE1-OBE, price premium PPR1-PPR3, brand preference BPR1-BPR3, brand extension EXT1-EXT3, purchase intention PI1-PI3, and information costs saved IC1-IC4.

After performing the coding and entry, the data was checked to ascertain if there were any missing values. A number of values (25) were found to have been missing arbitrarily. Brand awareness has 5 missing values while perceived quality has 4 cases of missing value. Also, brand association, overall brand equity, brand extension and information costs saved had 4, 2, 9, and 1, missing value cases

respectively. The missing values were therefore replaced with mean using SPSS (Hair, Black, Babin, & Anderson, 2010) as shown in Table 4.2.

Table 4.2

Analysis of missing values

	Result Variable	N of Replaced Missing Values	Case Number of Non-Missing Values		N of Valid Cases
			First	Last	
1	AW1	1	1	234	234
2	AW2	0	1	234	234
3	AW3	0	1	234	234
4	AW4	2	1	234	234
5	AW5	2	1	234	234
6	PQ1	0	1	234	234
7	PQ2	1	1	234	234
8	PQ3	2	1	234	234
9	PQ4	1	1	234	234
10	ASS1	0	1	234	234
11	ASS2	0	1	234	234
12	ASS3	0	1	234	234
13	ASS4	0	1	234	234
14	ASS5	0	1	234	234
15	ASS6	0	1	234	234
16	ASS7	1	1	234	234
17	ASS8	1	1	234	234
18	ASS9	2	1	234	234

19	LO1	0	1	234	234
20	LO2	0	1	234	234
21	LO3	0	1	234	234
22	OBE1	1	1	234	234
23	OBE2	1	1	234	234
24	OBE3	0	1	234	234
25	OBE4	0	1	234	234
26	PPR1	0	1	234	234
27	PPR2	0	1	234	234
28	PPR3	0	1	234	234
29	BPR1	0	1	234	234
30	BPR2	0	1	234	234
31	BPR3	0	1	234	234
32	EXT1	2	1	234	234
33	EXT2	3	1	234	234
34	EXT3	4	1	234	234
35	IC1	1	1	234	234
36	IC2	0	1	234	234
37	IC3	0	1	234	234
38	IC4	0	1	234	234
39	PI1	0	1	234	234
40	PI2	0	1	234	234
41	PI3	0	1	234	234

4.4 Profile of the Respondents

The unit of analysis of this study is the individual consumer and the demography of the respondents which consists of gender, marital status, age, ethnicity, educational

qualification and occupation were collected and analyzed. 55.1% of the total respondents were male while 44.9% were female. Also, 70.5% of the respondents fall between the ages of 20-29 whereas 20.5% were between the ages of 30-39. 6.8% of the respondents fall within the age bracket of 40-49 while the remaining 1.7% of the respondents are 50 years and above. The distribution of responses for married, single, divorce and others were 34.2%, 64.1%, 0.9% and 0.9% respectively. More than half the population of respondents or 52.1% are from the Malay ethnic nationality. Chinese ethnic nationals constitute 15.4% of the total respondents while only 2.6% of the respondents were from the Indian ethnic group. Interestingly however, other non-Malay, non-Chinese and non-Indian respondents were 29.9% of the total responses. This relatively high figure is as a result of the high number of international students studying in UUM. Other demographic variables of the respondents can be seen from table 4.3.

Table 4.3

Demographic

Profile of the Respondents

Gender		
	Frequency	Percent
Male	129	55.1
Female	105	44.9

Age of respondents		
	Frequency	Percent
20-29	165	70.5
30-39	48	20.5
40-49	16	6.8
50 and above	4	1.7

Marital Status

	Frequency	Percent
Married	80	34.2
Single	150	64.1
Divorce	2	.9
Others	2	.9

Ethnic group

	Frequency	Percent
Valid Malay	122	52.1
Chinese	36	15.4
Indian	6	2.6
Others	70	29.9

Educational qualification

	Frequency	Percent
Degree	100	42.7
Master	110	47.0
PhD	22	9.4
Post Doc	2	.9

Occupation of respondents

	Frequency	Percent
Student	173	73.9
Public sector	35	15.0
Private sector	19	8.1
Others	4	1.7

4.5 Assessment of Measurement Model

As mentioned earlier, PLS-SEM has two stages of model assessments namely the measurement model and the structural model. Measurement model also referred to as the outer model is the structural relationship between latent variables and their

indicators (Tabachnick and Fidell, 2007). Measurement model is assessed based on convergent and discriminant validity, by the values of average variance extracted (AVE) and composite reliability. The individual assessment will be discussed with tables of result presented where necessary.

4.5.1 Indicator Reliability

As a rule of thumb, all individual item loadings should have a value greater than 0.7 (Hair *et al.*, 2010). However, Hair *et al.*, (2013)) posited that indicators with outer loadings between 0.40 and 0.70 should only be removed in as much as the deletion leads to an increase in composite reliability and AVE over and above the threshold value. Two items, IC2 and IC3 were found to have loadings that fall within the bracket mentioned above after calculating PLS algorithm using SmartPLS 2.0. The items were not deleted based on the criteria mentioned above. Table 4.5 shows all the entire items and their individual loadings.

4.5.2 Convergent Validity

Convergent Validity is the extent of agreement among multiple items in measuring a particular concept (Hair *et al.*, 2013). A common measure to establish convergent validity on the construct level is the AVE. The AVE is akin to the communality of a construct. An AVE with a value of at least 0.50 indicates that, on average, the construct explains more than half of the variance of its indicators. Table 4.4 indicates that all the constructs of the measurement model are above the minimum 0.50 value required to explain the variance.

Table 4.4

Convergent

validity

Variables	AVE	Composite Reliability	R Square	Cronbach's Alpha	Redundancy
Brand Association	0.661	0.946	0.398	0.935	0.262
Brand Awareness	0.666	0.909	0.000	0.875	0.000
Brand Extension	0.838	0.939	0.588	0.903	0.489
Brand Loyalty	0.857	0.947	0.535	0.917	0.372
Brand Preference	0.910	0.949	0.657	0.951	0.597
Brand Information Costs Saved	0.571	0.837	0.456	0.768	0.239
Overall Brand Equity	0.838	0.944	0.676	0.935	0.191
Purchase Intention	0.901	0.935	0.638	0.945	0.575
Price Premium	0.782	0.914	0.527	0.855	0.421
Perceived Quality	0.839	0.941	0.299	0.936	0.251



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Table
4.5

*Cross
loadings*

Items							Overall			
	Brand Association	Brand Awareness	Brand Extension	Brand Loyalty	Brand Preference	Information Costs Saved	Brand Equity	Purchase Intention	Price Premium	Perceived Quality
ASS1	0.719	0.534	0.383	0.413	0.353	0.475	0.367	0.388	0.291	0.539
ASS2	0.804	0.519	0.578	0.572	0.515	0.526	0.601	0.566	0.430	0.663
ASS3	0.754	0.478	0.551	0.601	0.550	0.593	0.610	0.573	0.489	0.660
ASS4	0.822	0.570	0.485	0.535	0.447	0.492	0.531	0.500	0.374	0.680
ASS5	0.894	0.551	0.605	0.659	0.596	0.589	0.622	0.620	0.527	0.751
ASS6	0.761	0.550	0.483	0.603	0.510	0.480	0.535	0.511	0.428	0.513
ASS7	0.858	0.492	0.570	0.550	0.485	0.517	0.578	0.525	0.435	0.677
ASS8	0.858	0.468	0.601	0.606	0.524	0.564	0.597	0.612	0.458	0.672
ASS9	0.832	0.464	0.622	0.589	0.563	0.585	0.622	0.616	0.459	0.642
AW1	0.452	0.740	0.310	0.225	0.229	0.412	0.291	0.310	0.174	0.360
AW2	0.607	0.786	0.540	0.571	0.521	0.542	0.545	0.521	0.482	0.534
AW3	0.563	0.865	0.354	0.478	0.410	0.400	0.449	0.437	0.332	0.475
AW4	0.435	0.837	0.227	0.217	0.189	0.333	0.231	0.214	0.169	0.388
AW5	0.472	0.845	0.315	0.297	0.257	0.385	0.327	0.297	0.226	0.435
BPR1	0.603	0.376	0.745	0.810	0.961	0.653	0.797	0.770	0.742	0.604
BPR2	0.580	0.374	0.725	0.774	0.955	0.670	0.746	0.775	0.701	0.584
BPR3	0.607	0.434	0.740	0.795	0.945	0.687	0.775	0.783	0.772	0.645
EXT1	0.554	0.400	0.901	0.638	0.660	0.646	0.640	0.661	0.628	0.529
EXT2	0.711	0.439	0.923	0.699	0.741	0.706	0.758	0.717	0.625	0.706

EXT3	0.567	0.375	0.921	0.665	0.714	0.702	0.700	0.711	0.661	0.571
IC1	0.597	0.517	0.703	0.584	0.686	0.874	0.633	0.629	0.634	0.568
IC2	0.281	0.189	0.323	0.193	0.491	0.540	0.244	0.286	0.158	0.290
IC3	0.322	0.245	0.428	0.289	0.415	0.681	0.316	0.377	0.278	0.347
IC4	0.647	0.473	0.678	0.649	0.692	0.874	0.662	0.704	0.601	0.609
LO1	0.705	0.472	0.709	0.925	0.765	0.607	0.727	0.713	0.676	0.671
LO2	0.668	0.461	0.684	0.944	0.794	0.605	0.749	0.759	0.664	0.635
LO3	0.584	0.343	0.635	0.908	0.751	0.546	0.733	0.690	0.731	0.573
OBE1	0.666	0.489	0.735	0.740	0.731	0.620	0.866	0.731	0.632	0.655
OBE2	0.644	0.423	0.685	0.727	0.753	0.613	0.936	0.715	0.688	0.620
OBE3	0.606	0.406	0.688	0.724	0.748	0.601	0.933	0.714	0.662	0.577
OBE4	0.638	0.403	0.699	0.718	0.734	0.637	0.924	0.763	0.675	0.602
PI1	0.660	0.479	0.732	0.722	0.761	0.682	0.750	0.947	0.590	0.642
PI2	0.634	0.410	0.718	0.755	0.776	0.654	0.746	0.951	0.601	0.613
PI3	0.633	0.402	0.719	0.743	0.779	0.691	0.779	0.951	0.639	0.607
PPR1	0.481	0.419	0.513	0.504	0.517	0.588	0.529	0.459	0.746	0.474
PPR2	0.481	0.288	0.650	0.721	0.760	0.550	0.676	0.619	0.947	0.488
PPR3	0.474	0.274	0.672	0.726	0.752	0.542	0.706	0.613	0.945	0.493
PQ1	0.720	0.522	0.603	0.635	0.612	0.615	0.630	0.604	0.519	0.921
PQ2	0.749	0.490	0.655	0.640	0.604	0.575	0.649	0.614	0.526	0.943
PQ3	0.735	0.532	0.584	0.592	0.575	0.606	0.579	0.588	0.482	0.911
PQ4	0.712	0.463	0.584	0.613	0.555	0.543	0.599	0.590	0.470	0.889

As can be seen from table 4.3, information costs saved has the least AVE of 0.571. This may be as a result of the weak loadings for the items IC2 and IC3 as mentioned earlier. All the other constructs have an AVE of between 0.6 and 0.9, which is above average.

Because of the weaknesses of Cronbach's alpha, a more strong measure of assessing internal consistency reliability that is preferred is composite reliability. This type of reliability considers the different outer loadings of the indicator constructs (Hair *et al.*, 2013). According to Nunally & Bernstein, (1994) as reported by Hair *et al.*, (2013)), values between 0.70 and 0.90 can be regarded as satisfactory.

4.5.3 Discriminant Validity

The degree to which a construct is actually unique or distinct from other constructs by empirical standards is referred to as discriminant validity (Zikmund *et al.*, 2013). The Fornell-Larcker criterion is used to assess discriminant validity in this study. The criterion suggests a comparison between the square roots of the AVE values with the latent variable correlation. Precisely, the square root of each construct's AVE should be larger than its highest correlation with any other construct. Moreover, the discriminant validity was also assessed by the value of latent variable indicator loadings and cross-loading, where the loading for a particular indicator must be higher in its own construct than its shared loading with other constructs. Table 4.6 indicates that 0.831 is the highest correlation value between brand preference and brand loyalty quickly followed by 0.811 which is between overall brand equity and brand preference. Price premium and brand awareness have the lowest correlation value of 0.358. On the other hand, the values of square root of average variance extracted for all the constructs (the bold diagonal) are all above the

correlation among other constructs (the off- diagonal). The lowest value of the square root of AVE is 0.755 for information costs saved, which is above the value of correlations of any constructs in the model.



Table 4.6

Discriminant validity

Variables	Brand association	Brand Awareness	Brand Extension	Brand Loyalty	Brand Preference	Information Costs Saved	Overall Brand Equity	Purchase Price Intention Premium	Perceived Quality	
Brand Association	0.813									
Brand Awareness	0.631	0.816								
Brand Extension	0.672	0.443	0.915							
Brand Loyalty	0.706	0.461	0.731	0.926						
Brand Preference	0.626	0.414	0.772	0.831	0.954					
Information Costs Saved	0.661	0.517	0.749	0.634	0.702	0.755				
Overall Brand Equity	0.698	0.470	0.767	0.795	0.811	0.675	0.915			
Purchase Intention	0.676	0.453	0.761	0.779	0.814	0.712	0.799	0.949		
Price Premium	0.537	0.358	0.696	0.744	0.775	0.626	0.726	0.643	0.884	
Perceived quality	0.796	0.546	0.662	0.677	0.641	0.638	0.671	0.654	0.545	0.916

4.6 Assessment of Structural Model

Having successfully assessed the measurement model, which is essential for the successive analyses in PLS, the structural model was also assessed. Assessment of structural model examines the predictive capabilities as well as the relationships between constructs (Hair *et al.*, 2013). First, the significance and relevance of the structural model was weighed based on the value of path coefficient, statistical *t*-values and standard error. Therefore the hypotheses were tested and assessed based on (Hair *et al.*, 2011). This was carried out using the bootstrapping procedure in SmartPLS 2.0 (Hair *et al.*, 2013) for both exogenous model and the endogenous constructs. Similarly, coefficient of determination (R^2) was also used to assess the variance explained by the model.

4.6.1 Hypotheses Testing

There were a total of twelve (12) hypotheses formulated in chapter three of this study. Conventionally, statistical *t*-values that are substantially different from zero are said to be almost always statistically significant, however, it is largely depending on the degree of freedom, confidence interval and directionality of hypothesis. Therefore *p*. value is used to determine if the paths are significant (Hair *et al.*, 2014). In order to obtain the statistical *t*-values and the standard error, the PLS bootstrapping resampling was conducted as recommended (Hair et al 2013). Prior to that, PLS standard algorithm was also calculated during measurement model assessment, thus the path coefficients and the directionality of the relationships (positive or negative) was obtained. SmartPLS 2.0 does not directly provide the *p*-value; therefore it was calculated in Microsoft excel spreadsheet using the ‘T.DIST’ function as illustrated in (Hair *et al.*, 2013). The *p*-value was calculated at 95 per

cent confidence level, as it is acceptable in social science research (Zikmund *et al.*, 2013).



Table 4.7

Result of Hypotheses Testing

Hypotheses	Relationships	Beta	Standard Error	T Statistics	P-value	Decision
H ₁	Brand Awareness -> Perceived Quality	0.548	0.078	6.981	0.00	Supported
H ₂	Brand Awareness -> Brand Association	0.631	0.071	8.904	0.00	Supported
H ₃	Perceived Quality -> Brand Loyalty	0.315	0.131	2.406	0.01	Supported
H ₄	Brand Association -> Brand Loyalty	0.455	0.129	3.529	0.00	Supported
H ₅	Perceived Quality -> Overall Brand Equity*	0.134	0.111	1.210	0.11	Not supported
H ₆	Brand Association -> Overall Brand Equity	0.188	0.116	1.628	0.05	Supported
H ₇	Brand Loyalty -> Overall Brand Equity	0.571	0.093	6.165	0.00	Supported
H ₈	Overall Brand Equity -> Price Premium	0.726	0.058	12.625	0.00	Supported
H ₉	Overall Brand Equity -> Brand Extension	0.767	0.046	16.867	0.00	Supported
H ₁₀	Overall Brand Equity -> Brand Preference	0.811	0.035	23.098	0.00	Supported
H ₁₁	Overall Brand Equity -> Purchase Intention	0.799	0.043	18.629	0.00	Supported
H ₁₂	Overall Brand Equity -> Information Costs Saved	0.675	0.068	9.970	0.00	Supported

Note: *p<0.1



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Table 4.7 indicates the result of the hypotheses tested. It can be seen that overall brand equity – brand preference path coefficient beta has the highest value of 0.811, a standard error of 0.035 and a T-stat of 28.098. The hypothesis is supported at 1% confidence level. Similarly, brand awareness – perceived quality, brand awareness – brand association, brand association – brand loyalty and brand loyalty – overall brand equity paths are all significant at 1%. Perceived quality – brand loyalty path and brand association – overall brand equity path on the other hand were significant at 5% confidence level and therefore the hypotheses were supported by the findings.

All the results of the other hypotheses namely; brand loyalty – overall brand equity, overall brand equity – brand extension, overall brand equity – purchase intention and overall brand equity – information costs saved were found to be supported at 1%. However, perceived quality – overall brand equity path was not supported by the result as it has a p-value of 0.11 which is above the threshold acceptable for social sciences research.

4.6.2 Assessment of Coefficient of Determination (R^2)

Coefficient of determination (R^2) is the variance explained in the endogenous latent variable by exogenous latent variables (Henseler, Ringle, & Sinkovics, 2009). Therefore it is an alternative means of evaluating structural model quality in variance-based structural equation modeling. Cohen (1988) recommended three levels of structural model quality ranging from substantial (0.26 and 0.67), moderate (0.13 and 0.33) to weak (0.02 and 0.19). In assessing the measurement model for this study, the standard PLS algorithm was calculated for the main effect model. The R^2 were found to substantially explain the variance. This can be seen as illustrated in figure 4.1.



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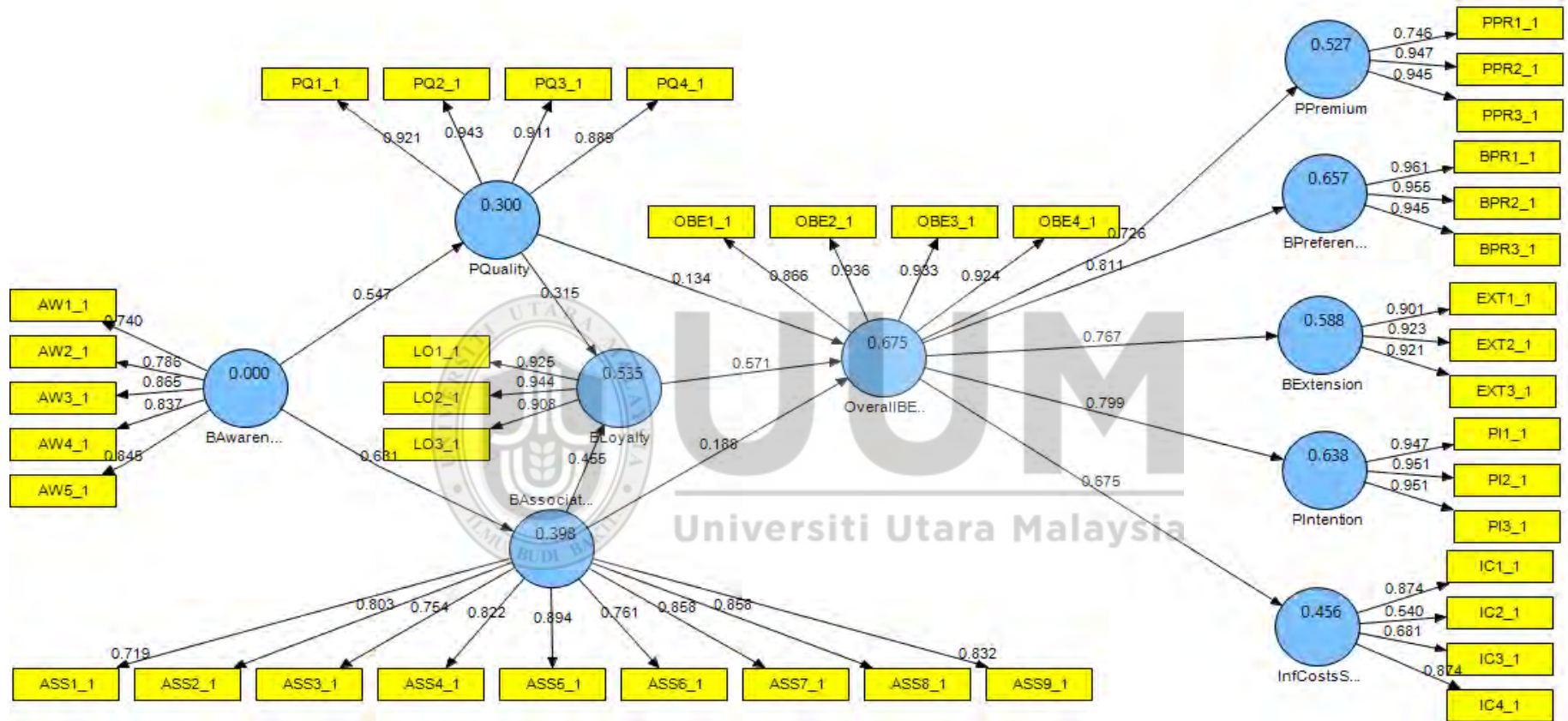


Figure 4.1

Measurement Model

4.7 Summary of Chapter

This chapter demonstrated the technique and results of the data analysis procedure earlier proposed in chapter three. The chapter began with data preparation and screening, where data was subjected to coding and data imputation in SPSS v.20 software. Thereafter, the data was screened for entry error, where a few entry errors were detected and corrected. Then the data was checked for missing values. It was found that the missing values have no specific pattern (MCAR) and are less than five (5) per cent, therefore were treated using mean replacement as suggested in (Hair *et al.*, 2010).

As it is traditional when using PLS-SEM for data analysis, the model was assessed in two stages, the measurement model and the structural model. The measurement model was evaluated based on the internal consistency, convergent validity and discriminant validity. On the other hand, the structural model was assessed in relation to the hypotheses test and the coefficient of determination R^2 .

A discussion of the findings of the study, conclusion and recommendation, as well as its implication to research and practice is hereby discussed in chapter five.

Chapter Five

Discussion and Conclusion

5.1 Introduction

In this chapter, a highlight and summary of the study is given followed by a discussion, implication of the study, recommendation, study's limitation and future research direction. Also in this chapter, an attempt will be made to infer meaning to the results of the study vis-à-vis what is available in extant research. The chapter will also ascertain whether the objectives of the study have been substantiated.

5.2 Summary of Findings

As discussed in the previous chapters, the main thrust of this study is to evaluate consumer responses to brand equity. Following an in-depth review of the literature, five variables of interest were identified, willingness to pay price premium, brand preference, attitudes towards brand extension, purchase intention and information costs saved. Prior to identifying these variables however, overall brand equity and its four dimension comprising of brand awareness, brand association, perceived quality and brand loyalty (Aaker, 1991; Yoo *et al.*, 2000) were included in the research model. Moreover, the causal relationship of the brand equity antecedents was also captured in the model (Buil *et al.*, 2013). Being that all the variables are latent constructs that cannot be measured directly, proxy measurement items were adopted from previous studies to measure them.

Five items were used to measure brand awareness and was adapted from Yoo *et al.*, (2000) and Netemeyer *et al.*, (2004). For perceived quality four items adopted from

Pappu *et al.*, (2005) was used as measurement instruments. Brand association was categorized into three to include perceived value, organisational association and brand personality as recommended by previous studies (Aaker, 1996; Pappu *et al.*, 2005; Buil *et al.*, 2013). Nine items, three for each category were adapted from Buil *et al.*, (2013). Brand loyalty and overall brand equity were measured with three and four items respectively, adapted from Yoo *et al.*, (2000). While willingness to pay price premium, brand preference, attitudes towards brand extension and purchase intention were measured with three items each adapted from Netemeyer *et al.*, (2004), Buil *et al.*, (2013), Martinez and Pina (2009) and Erdem, Swait, & Valenzuela (2006) respectively. Lastly, information costs saved was measured with four items adopted from Erdem and Swait (1998).

With a composite reliability ranging from 0.837 to 0.910 exceeding the minimum threshold value of 0.70 (Hair *et al.*, 2013), this indicates that the measurements have a good internal consistency reliability. Similarly, results of the AVE also indicate the measurements have converged together in measuring the constructs. The structural results also showed that all the hypotheses formulated were supported except perceived quality – overall brand equity path.

5.3 Discussion of Findings

Result of this study showed that in the build up to brand equity, there is a causal relationship among the antecedents. This finding is in agreement with previous studies (Buil *et al.*, 2013; Torres *et al.*, 2015). Brand awareness positively influence perceived quality and brand association, in the same way perceived quality and brand association influence brand loyalty. This hierarchy of effects has also been established in the literature as an important activity in understanding brand equity

(Cobb-Walgren *et al.*, 1995; Keller and Lehman 2003). Interestingly, perceived quality influence on overall brand equity was not supported by the result while brand association's influence on overall brand equity was partially supported by the result. Although this finding is in contrast to similar study conducted in Europe where perceived quality positively influence brand equity (Buil *et al.*, 2013), Torres *et al.*, (2015) nevertheless argued that, the influence of perceived quality on brand equity is mediated by brand loyalty. It further points out that perception of quality is not necessarily a driver of overall brand equity among Malaysian consumers. However, unsurprisingly, brand loyalty has a very strong positive influence on overall brand equity in conformity with previous research (Yoo *et al.*, 2000; Bravo *et al.*, 2007).

This study also sought to find out how overall brand equity can influence consumer responses and the result was encouraging. Firstly, overall brand equity positively influences consumers' willingness to pay price premiums. Yoo *et al.*, (2000) examined that consumers attribute higher product price to high quality brands with strong and positive equity. Similarly, the study found that overall brand equity influence consumers favourable disposition towards potential brand extension. Still in the same vein, overall brand equity also influence brand preference and purchase intention. This empirical evidence has also been attested to in previous studies (Buil *et al.*, 2013). Lastly, information costs saved as an outcome of overall brand equity was supported by the result of the hypothesis. This is in tandem with the findings of Erdem and Swait (1998) in which they reported that brands with strong equity in them are a credible source of information for consumers. Thus, overall brand equity is a source of reducing costs of searching information by consumers.

5.4 Research Implication

The overall objective of this study was to evaluate the effects of brand equity on consumer response. Having presented and discussed the findings of the formulated hypotheses, it is imperative to highlight the implication of the study from both managerial and theoretical point of view. Building brand equity theory requires a cross-contextual framework that cuts across different types of brand as well as different geographic locations (Davicik *et al.*, 2015). The research implication of this study is that it contributes towards a more holistic and inclusive brand equity theory building by using a model that incorporates four antecedents of brand equity as well as different outcomes of brand equity. Moreover, most of the brand equity theory building studies conducted were in the developed countries of North America and Europe. This study comes from a different geographical perspective which is a fundamental requirement for building a unified accepted theory of brand equity.

This study also has a number of managerial implications. Firstly, the study found out a causal relationship among brand equity antecedents which mean that managers should strive to create strong brand awareness first as a precondition to building brand image (brand association) and perceived quality. At this stage, marketing efforts that will entrench top of mind awareness and stimulate brand recall and recognition should form part of the management's priority. For a brand to be successful, it must first be part of consideration set in consumers' memory (Hakala *et al.*, 2012). Perceived quality and brand association breeds brand loyalty, which has been seen to have the most influence on brand equity. As per the result of this study, and in Malaysian context, brand association plays a nobler role in building brand equity than perceived quality. Therefore, managers should ensure consumers

brand encounter convey favourable brand attributes, benefits, and overall favourable brand attitude. Additionally, as pointed out earlier, because brand loyalty is the dominant influencer of overall brand equity, marketing managers should direct their energy towards marketing activities that will build brand loyalty.

Development of a multi-level research framework has been advocated in the literature (Davicik *et al.*, 2015). This study also integrates a post-brand equity model that investigates the outcomes of brand equity. The findings of this study will help managers in designing a long term brand marketing strategy that will prevent switching tendencies by developing a heterogeneous brand through extension. Moreover, managers can better manage price wars with a brand with positive brand equity. Brand managers are constantly under intense pressure to justify to management how brand portfolios are adding value to the firm. This study shows that positive brand equity leads to increasing purchase intention and brand preference. Finally, brand in itself is a credible source, and an assortment of information for the consumer. A brand with strong and favourable brand equity will save the consumer costs of searching information, prompting brand purchase that will in turn add value to the firm.

5.5 Limitation of the Study and Future Research direction

This study like many other studies in the social sciences is not devoid of limitations that can provide an avenue for future research. First, the study used only one product category which is the automobile, a high involving product with a relatively low purchase frequency. Other products category that are less involving with relatively shorter consumption length can be used in future studies. Secondly, the study was conducted in Malaysia only, which means generalization of findings has to be done

with caution, owing to the cultural peculiarities of the country. For example, consumer perception of quality may rank higher in the build up to brand equity in some countries, contrary to the findings of this study. Similarly, Chritodoulides *et al.*, (2015) observed that some brand equity dimension may be inconsistent across countries. Lastly, the study was conducted from the perspective of the consumer. Future studies can look at it from the company and financial perspective with a view to building unified brand equity theory.

5.6 Conclusion

Brand equity can be a veritable tool for organisations to achieve sustainable competitive advantage. The four antecedents of brand equity appear to have been firmly rooted in the literature as there has been a near consensus among scholars and researchers alike. This has brought about a paradigm shift in research away from building brand equity to managing brand equity by measuring its outcomes. This is occasioned by the need for marketers to better understand how consumers respond to brand with strong and positive equities. As evident in the literature, consumers' willingness to pay price premiums is positively hinged on brand equity. This study was conducted using a model capable of achieving objectivity and parsimony required in a scientific research.

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