CHAPTER - 1

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1.1 An Overview of Brand Equity:

The concept of brand equity has received significant attention from both scholars and marketing practitioners, which resulted in a large number of articles and books on the branding subject (e.g. Aaker, 1991 and 1996; Aaker and Keller, 1990; Farquhar, 1990; Aaker and Biel, 1993; Keller, 1993; Agarwal and Rao, 1996; Yoo et al., 2000; Morgan, 2000; Rio, et al., 2001; Datta, 2003, Moore et al., 2002; Keller, 2003). The importance of brand equity consists of numerous benefits for companies that own brands. One of the benefits provided by high brand equity is the possibility of brand extension to other product categories. Generally, brand extension is defined as the use of an existing brand name for entry into a new product category (Aaker and Keller, 1990). When compared to new brand names, brand extensions have lower advertising costs and higher sales (Smith and Park, 1992). Successful brand extensions contribute to higher brand equity of the original brand (Dacin and Smith, 1994; Keller and Aaker, 1992); however, unsuccessful extensions may reduce the brand equity of the parent brand (Aaker, 1993; Loken and John, 1993). Aaker and Keller (1990) developed a model for consumer evaluation of brand extensions and a number of authors worked on generalization of this model (Barrett et al., 1999; Bottomley and Doyle, 1996; Sunde and Brodie, 1993).

In addition, brand equity increases (1) willingness of consumers to pay premium prices, (2) possibility of brand licensing, (3) efficiency of marketing communication, (4) willingness of stores to collaborate and provide support, (5) elasticity of consumers to price reductions, and (6) inelasticity of consumers to price increases, and reduces the company's vulnerability to marketing activities of the competition and their vulnerability (Barwise, 1993; Farquhar et al., 1991; Keller, 1993; Pitta and Katsanis, 1995; Simon and Sullivan, 1993; Smith and Park, 1992; Yoo, 2000).

In a general sense, brand equity is defined in terms of the marketing effects uniquely attributable to the brand. That is, brand equity relates to the fact that different outcomes result from the marketing of a product or service because of its
brand element, as compared to outcomes if that same product or service did not have brand identification. Although a number of different views of brand equity have been expressed, they all are generally consistent with the basic notion that brand equity represents the “added value” endowed to a product or a service as a result of past investments in the marketing for the brand. Research scholars studying brand equity at least implicitly acknowledge that there exist many different ways that value can be created for a brand; that brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand; and that there exists many different ways in which the value of a brand can be manifested or exploited to benefit the firm. (Keller 1993; Keller 1998,)

There have been two general motivations for studying brand equity. One is strategy-based motivation to improve marketing productivity. Given higher costs, greater competition, and flattening demand in many markets, firms seek to increase the efficiency of their marketing expenses. As a consequence, marketers need a more thorough understanding of consumer behavior as a basis for making better strategic decisions about target market definition and product positioning. Perhaps one of the firm’s most valuable assets for improving marketing productivity is the knowledge that has been created about the brand in consumers’ minds from the firm’s investment in previous marketing programs. Financial valuation issues have little relevance if no underlying value for the brand has been created or if managers do not know how to exploit that value by developing profitable brand strategies. A second reason for studying brand equity arises from a financially based motivation to estimate the value of a brand more precisely for accounting purposes in terms of asset valuation for the balance sheet or for merger, acquisition or divestiture purposes. (Keller 1993)

Brand equity can be defined in several ways and it has value both to a branding company and to a brand’s user. An important characteristic of virtually all definitions of brand equity is that they focus on the incremental effect of the brand compared with some concept of what the customer response would be to the same product or service, if it were unbranded. (Barwise 1993)

The review of the literature reveals that brand equity can be regarded as a managerial concept, as a financial intangible asset, as a relationship concept or as a customer-based concept from the perspective of the individual consumer.
The brand equity provides value for both the customer and the firm. Brand equity creates value to customers by enhancing efficient information processing and shopping, building confidence in decision making, reinforcing buying, and contributing to self-esteem. Brand equity creates value to firms by increasing marketing efficiency and effectiveness, building brand loyalty, improving profit margins, gaining leverage over retailers, and achieving distinctiveness over the competition. (Bagozzi – Rosa – Celly – Coronel 1998)

Brand equity is also what enables branded products or services to charge premium prices. Many major brands are positioned as quality products, and many people are willing to pay more for a quality product they are familiar with, particularly if the brand has an image with which they would like to be associated. The challenge is to find the point where the premium price is still acceptable in exchange for the confidence embedded in the brand. (Keegan – Moriarty – Duncan 1995)

We can further conclude that definitions of brand equity are broadly consistent with Farquhar’s definition of equity as the value added by the brand to the product. No single number of concepts captures brand equity. Rather, brand equity should be thought of as a multidimensional concept that depends on which knowledge structures are present in the consumers’ minds and which actions a company can take to capitalize on the potential offered by these knowledge structures. (Park – Srinivasan 1994). We have found that from the various literatures on brand equity helps to differentiate the product from competitors’ offerings; serves as a representation for quality and creates positive images in consumers’ minds; presents market share erosion during price and promotional wars; and prevents market share erosion by giving a firm time to respond to competitive threats.

1.2 Definition of Brand Equity:

Aaker (1991) presents one of the most detailed and widely accepted definitions of brand equity, it is a set of brand assets and liabilities linked to a brand, its name and symbol, which add to or subtract from the value provided by a product or service to a firm and to that firm's customers. Brand equity is a multidimensional concept. It consists of brand loyalty, brand awareness, perceived quality, brand associations and other proprietary brand assets.
Farquhar (1990) contends that brand equity to a consumer follows from a positive evaluation of, or attitude toward the branded products.

Keller (1993) hypothesizes that consumer-based brand equity arises from a more favourable differential response to the firm's marketing efforts. Brand equity can also be viewed as the result of consumer behavior: it is the consumer's biased behavior toward the brand with certain positive brand associations. The differential response referred to by Keller is said to result from the consumer's brand knowledge memory structure, which consists of brand image and brand awareness. Keller views brand image as the perceptual beliefs about a brand's attributes, benefits, and attitude associations, which are frequently seen as the basis for an overall evaluation of attitude toward the brand.

In the literature we can find the following different definitions for brand equity apart from the above:

a) Marketing effects uniquely attributable to the brands for example when certain outcomes result from the marketing of a product or service because of its brand name that would not occur if the same product or service did not have the name” (Keller 1993)

b) A utility not explained by measured attributes (Barwise 1993),

c) A differentiated clear image that goes beyond simple product preference (Barwise 1993),

d) The value of a brand name adds to a product (Broniarczyk – Alba 1994),

e) The differential effect that brand knowledge has on consumer response to the marketing of that brand (Keller 199; Keller 1998),

f) The combination of brand awareness, liking and perceptions (Moore 1993),

g) The added value endowed by the brand to the product as perceived by a consumer (Park –Srinivasan 1994),

h) The value attached to a brand because of the powerful relationship that has been developed between the brand and customers and other stakeholders over time (Keegan– Moriarty – Duncan 1995),
i) The incremental price that a customer will pay for a brand versus the price for a comparable product or service without a brand name on it (Keegan – Moriarty – Duncan 1995),

j) A long-term relationship with those people who loyally buy the brand over and over again (Keegan– Moriarty – Duncan 1995),

k) The accumulated brand support by all stakeholders, not only by customers (Duncan – Moriarty 1997),

l) A product of the total net brand support of customers and other stakeholders that is determined by all communication interactions of the company (Duncan – Moriarty 1998),

m) Off-balance sheet intangible brand properties embedded in a company’s brand (Kerin Sethuraman 1998).

Yoo, Donthu and Lee (2000) recognized that perceived quality, brand loyalty, brand awareness and brand associations are the common dimensions of brand equity. They further indicated that store image, advertising spending and price deals would all affect brand awareness and brand associations with a positive relationship.

The practice of branding has been conducted for centuries as a means for producers to distinguish their goods against those of competitors by creating a recognizable and memorable image. Farquhar (1989) states “A brand is a name, symbol, design, or mark that enhances the value of a product beyond its functional purpose”. The term brand equity first came into widespread use in the 1980s and was defined as “The added value with which a brand endows a product.” (Farquhar 1989). This may be deemed a rather straightforward and raw definition, but it has served as the springboard of future research. It is to observe that at the root of these marketing effects is consumers’ knowledge. In other words, consumers’ knowledge about a brand makes manufacturers/advertisers respond differently or adopt appropriately adopt measures for the marketing of the brand.

In Indian consumer durables industry, household appliances in the market are changing continuously due to stiff competition, the competitive cost is continuously increasing, product differentiation is also increasing, the firms solely depending on their products may fail, most consumers pay attention not only to product practical
function, but also to its brand name as a measure of selecting a product. As a result, building brand equity is really one of the key points to struggling for existence and growth, brand equity has become a very important asset to a company, many companies expect to enhance their brand equity to make more profit.

The market share of multinational companies (MNCs) in consumer durables sector is growing significantly. The MNC’s major target is the growing middle class of India and offer superior technology to the consumers whereas the Indian companies compete on the basis of firm grab of the local market, their well acknowledged brands, products such as household appliances, the dimensions of brand equity such as brand awareness, brand loyalty, perceived quality, brand association and other proprietary brand assets. Brand awareness, perceived quality, and brand associations can increases the brand loyalty by rising customer satisfaction and giving reason to buy the product. Brand associations would represent the functional and experiential attributes offered by the specific brand. The intangible qualities that consumers associate the brand with, such as innovativeness, distinctiveness, dynamism and prestige are also considered as brand associations. The combination of tangible and intangible attributes creates a brand identity, that is “a unique set of brand associations that the brand strategist aspires to create or maintain,” which drives brand associations, brand equity has become an important asset to a company, many companies use to enhance their brand equity to make more profit.

Brand equity issues are important in the design and development of a company and its product or service offerings. However, academics have not achieved a widely accepted methodology of measuring a firm’s brand equity or the effect of different variables on the valuation of a brand, the way in which, and how intensively individual marketing mix elements affect the studying brand equity. Creation of brand equity has remained unstudied; with the exception of a paper by Yoo et al.(2000) given the importance that brand equity has for companies operating under existing conditions, it seems fully justified to explore how and with what intensity individual marketing mix elements impact brand equity, this study on household appliances in the Indian market as to how they can build and maintain the brand equity of household appliances, and certainly represent a research contribution to a better understanding of the mechanisms, ways and intensity of influence brand equity on individual marketing mix elements and consumer response.
A brand is a name, term, sign, symbol, or design, or a combination of them intended to identify the goods or services of one seller from among a group of sellers and to differentiate them from those of the competitors. Thus, a brand identifies the seller or manufacturer. Under trademark law the seller is granted exclusive rights to the use of the brand name in perpetuity. This differs from other assets such as patents and copyrights that have expiration dates. If a company treats a brand only as a name, it misses the point of branding. The challenge in branding is to develop a deep set of meanings for the brand. Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect, and enhance brands. (Kotler 1994)

Two principal approaches to branding can be identified:

1) Manufacturer brands and

2) Private label brands which are also called own label, distributor, retailer, dealer or store brands.

Manufacturer brands usually contain the name of the manufacturer. These brands appeal to a wide range of consumers who desire good quality and a low risk of poor product performance. Manufacturers, which brand their products, face a decision of whether to use individual or family brands or a combination. Manufacturers sell their brands in many competing retail outlets, spend large sums on promoting them and frequently run co-operative advertisements with retailers so that costs can be shared. Recently, there has been considerable growth in private label brands, whereby channel members such as retailers are able to sell products using their own brand name or label. By doing so these retailers do not incur the large promotional cost normally associated with manufacturers brands. Part of this cost saving is usually passed on to the consumer in the form of a lower price. Private label brands mean that retailers have greater control over the supplier, since private labels have become more powerful. (Bradley 1995; Burton – Lichtenstein – Netemeyer – Garretson 1998; Hankinson – Cowking 1993; Keegan – Moriarty – Duncan 1995; Kotler 1994)

A successful brand is an identifiable product (consumer or industrial), service, person or place, augmented in such a way that the buyer or user perceives relevant and unique added values, which match their needs closely. If a brand provides good service over many years of regular use, it acquires added values of familiarity and
proven reliability. The added values can come for example, from experience of using the brand, e.g., familiarity, reliability, risk reduction and character; from the kind of people who use the brand, e.g., rich and snobbish, young and glamorous; from a belief that the brand is effective, e.g., promised satisfaction and delivered uniform and consistent quality; from the appearance of the brand, which is one of the prime functions of packaging; and from a manufacturer’s name and reputation. (Bradley 1995; de Chernatony – McDonald 1992; Doyle 1998; Jones 1986)

Consumers’ feelings about themselves are often reflected in their brand choices and the particular associations embedded for them in brand personalities. One way to build a relationship between a brand and a consumer is to create an appealing brand personality to associate human characteristics with a brand to make it more attractive to consumers. This works because personality is generally seen as a bundle of traits – e.g., friendliness, neighborliness and responsibility – which make a person distinctive. A considerable amount of research has focused on how the personality of a brand enables a consumer to express his or her own self and ideal self or specific dimensions of the self through the use of a brand. Further brand personality can be viewed as a key way to differentiate a brand in a product category, as a central driver of consumer preference and usage, and as a common denominator that can be used to market a brand cross cultures. (Aaker 1997; Keegan – Moriarty – Duncan 1995)

Advertising and sponsorship are often used to convey images of prestige or success by associating the brand with personalities. Beliefs in efficiency can be created by comparative evaluations and rankings from, e.g., consumer associations and industry endorsements. The design of the brand can clearly affect preference by offering cues to quality. In many situations a strong company name attached to a new product will provide confidence and incentive to trial. (Doyle 1998)

A brand can be seen consisting of generic or core, expected, augmented and potential levels. The generic level is the commodity form that meets the buyer’s or users basic needs. Within the expected level, the commodity is value engineered to satisfy a specific target’s minimum purchase conditions, such as functional capabilities, availability and pricing. With increased experience, buyers and users become more sophisticated, so the brand would need to be augmented in more refined ways with added values satisfying both emotional and functional needs. The
augmented brand provides a range of basic ancillary services not associated with the core brand. These include guarantees, credit and purchase terms, customer service, installation, training and delivery. With even more experience with the brand, it is only creativity that limits the extent to which the brand can mature to its full potential level. (Bradley1995; de Chernatony – McDonald 1992; Christopher – Payne – Ballantyne 1991; Doyle 1998)

Brands vary in the amount of power and value they have in the marketplace. Brands are complex entities, but ultimately they reside in consumers’ minds. Consumers are not passive recipients of marketing activity and consequently branding is not something done to consumers, but rather something customers do things with. Brands can be seen developing through evolutionary stages. At one extreme are brands that are unknown to most buyers in the marketplace. Further, there are brands for which buyers have a fairly high degree of brand awareness as measured either by brand recall or recognition. Beyond this are brands that have a high degree of brand acceptability, i.e., most customers would not resist buying them. Then there are brands, which enjoy a high degree of brand preference. They would be selected over the others. Finally, there are brands that command a high degree of brand loyalty. (de Chernatony 1993; Kotler 1994)

1.3 Need for the Study:

The consumer durables industry is riding the crest of the country’s economic boon with a lot of Indian brands dominating the market scenario. But over the years, multinational players have made significant inroads into the market. The consumers taste changes rapidly. Consumers want newer models with the latest features. The competition is on features differentiation, time to market, price, and promotion, basically on every front. The dealer push and brand pull both plays an important role. The changing dynamics of consumer behavior i.e. luxury goods are now being perceived as necessities with higher disposable income. There is a drastic shift in the consumers’ preference in favor of high ended technologically superior branded products, the demand being boosted by increasing consumer awareness and preference for new models. This shift is also determined by the growing trend of products being manufactured in the organized sector of the economy and the narrowing down of the price differential between branded and non-branded goods.
No research has been undertaken to understand and analyze this in detail. The present study attempts to bridge this research gap by analyzing significant changes in the perception of Indian household appliance buyers, as the proposed research work may help them to improve the brand equity of household appliances in India.

1.4 Statement of the Problem:

Brand equity offers strategic benefits to companies in the marketing decisions. It is vital factor for adding line extension of the product. When a particular product category has entered the decline stage of the product life cycle, strong brand equity of the product can help a brand to survive longer than its competitors. Likewise, in periods of economic downturn, brand equity provides a platform that keeps the brand afloat at a profit against competing products without strong brand identification begin to struggle. The need of brand equity is highly essential in international marketing. Global brands have international presence and visibility, and this “equity” makes it easier for them to expand their business throughout the globe.

Brand equity enables branded products or services to charge premium prices. The producers of household appliances have positioned their brands as quality products in the competitive market of consumer durable industry. Hence on the basis of extensive review of literatures certain questions arise such as: How companies build brand equity of household appliances? How to enhance companies continuously their brand equity? How intensively marketing mix elements affect the building of brand equity? This study has emerged to find solutions for the above questions.

1.5 Objectives of the Study:

1. To examine the relationship between brand equity dimensions with selected household appliances.

2. To assess the linkage between the consumer demographics association with brand equity dimensions of selected household appliances.

3. To identify the importance of brand equity dimensions with respect to marketing mix elements.

4. To analyze the consumer response of purchase decisions of selected household appliances.
5. To identify the most influential factors among the brand equity dimensions and marketing mix elements factors on customer response.

1.6 Hypotheses for the Study:

Based on the research objectives, the following hypotheses on the relationships between marketing mix elements, brand equity and consumer response can be formed:

H1a: Brand awareness has a significant positive effect on brand equity (customer-based brand equity)

H1b: Brand association has a significant positive effect on brand equity (customer-based brand equity)

H1c: Perceived quality has a significant positive effect on brand equity (customer-based brand equity)

H1d: Brand loyalty has a significant positive effect on brand equity (customer-based brand equity)

1.7 Scope of the Study:

This research is confined to the brand equity of household appliances, particularly refrigerators and air conditioners. The data for this study is collected from consumers using refrigerators and air conditioners for the domestic purpose and showrooms selling refrigerators and air conditioners in Bangalore and Mysore city.

1.8 Research Methodology:

Research Design:

A combination of exploratory and descriptive research design is used for conducting this research. Exploratory design was used initially to get acquainted with the problem environment to determine the general nature of problems and variables related to it and to design an appropriate measurement instrument. The descriptive design was used to analyze the large data that was collected through primary and secondary research methods for interpretation and conclusion.
Source of the Data:

The proposed research required both primary and secondary data.

**Primary data:** Primary data on perceptions of the household appliance buyers was collected through a structured questionnaire. Full questionnaires were developed and pre-tested in a pilot study conducted before scaling for research. It was administered to the targeted respondents in selected places in Karnataka. The questionnaire was meant for Indian household appliance buyers across Karnataka aimed to collect information on the various aspects of brand equity. The primary data was also collected from the refrigerator and air conditioner (AC) users, dealers, and retail store advisors of select household appliances that helped in designing the structured questionnaire.

**Secondary data:** The secondary data used in the research are extracted from among different published sources such as Annual Reports and magazines, National productivity Council of India, research articles, textbooks and selected websites.

Sampling Design:

**Population of the Study:**

The present study has considered refrigerators and air conditioners users, those who are much familiar with household products, the personal experience of the aforesaid users will enable the researcher to collect a more reliable and valid responses from the respondents.

**Sampling Method under the Study:**

The samples are selected on the basis of convenience sampling technique for the selection of the sample from the population.

**Sampling Size of the Study:**

The sample size of 300 respondents is selected for the study. Out of 300 respondents 150 respondents have filled the questionnaire of refrigerators and the remaining 150 respondents have filled the questionnaire of air conditioners.
**Questionnaire Design:**

The questionnaire was designed according to the objectives of the research. The survey questionnaire is divided into four parts. It includes personal information of the respondent, dimensions of brand equity, marketing mix elements and factors influencing on purchase decisions. The scaling technique used in the questionnaire is five point Likert scale.

**Data Analysis:**

The data is analyzed using statistical techniques such as Statistical Package for Social Science (SPSS) 19.0 and Statistical Analysis Software (SAS). The methods used in data analysis are including descriptive analysis, factor analysis and multiple regression analysis.

In this study the collected data was analyzed and the research finding was interpreted by using SPSS 19.0 ver. Software. The descriptive analysis presents the demographic characteristics. There are total of 134 people correctly responded for air conditioner questionnaire and 148 people usefully responded for Refrigerator questionnaire in the sample survey. 67.02 % male and 32.97 % female. To obtain the measurement of the relationship between brand equity and marketing activities by using the dimensions of brand equity, the data reduction method was used to identify the underlying factors. After making use of this factor reduction method seven new constructs were retained out of forty five items. To find out whether factor analysis is applicable, Kaiser-Meyer-Olkin (KMO) and Bartlett’s test was conducted. In order to confirm all the constructs are reliable variables the reliability test was applied instead of just following bench mark value of Cronbach’s Alpha coefficients (reliability coefficients) which was clearly mentioned under the heading of “Reliability test”.

Finally by using regression analysis, we found that brand awareness, brand association, perceived quality and brand loyalty have positive effect on customer based brand equity.
1.9 Chapterisation of the Study:
The entire study has been divided into five chapters.

Chapter 1 Introduction: This chapter discusses about overview of Brand Equity, need for the study, research objectives, research methodology, scope of the study, scheme of chapterisation and limitations of the study.

Chapter 2 Literature Review: The chapter commences the investigation using an academic approach by researching the theories of respected specialists in marketing. In order to effectively dissect the theories and relate them to the research objectives, the structure of the literature review is done on brand equity.

Chapter 3 Data analysis and Interpretation: This chapter deals with analysis and interpretation of data collected from primary and secondary sources relating to brand equity, marketing mix elements and customer response.

Chapter 4 Summary of Findings: This chapter deals with the summary of findings of the research.

Chapter 5 Conclusions and Suggestions: This chapter deals with suitable recommendations, draws conclusion and identifies the scope for further research.

1.10 Limitations of the Study:

Although this study provides theoretical and substantive explanations about the brand equity on marketing household appliances, there are still some limitations that needed to be considered.

1. This study is limited to analyze brand equity on marketing consumer durables in the selected household appliances. The findings relate to the select household appliances.

2. The study being a sample study, only two household appliances are selected, and the study is limited to Bangalore and Mysore city.

3. The findings of the study have the limitations of the generalization of the entire consumer durable industry.

4. This study is restricted to customers who have used the product of the branded household appliances: this researcher cannot detect a general conclusion from prospective customers who do not have similar usage experience or who have just purchased for the first time.