Chapter 1

Introduction
CHAPTER I

INTRODUCTION

Brands are the 21st century’s warriors in the market place and a means to distinguish the goods from one brand to another. A customer as well as a firm finds an identity in a brand. A brand carves a niche in the psyche of customers. Brand helps a customer to identify the source of a product. A customer does not need any additional description of a product if he or she recognizes a brand. Brands are all pervasive. The purpose of any business is to create valuable customers at a profit, and the most valuable asset of a company is its customers’ loyalty. The value of a brand comes from its ability to gain an exclusive and prominent place in the minds of a large number of customers. A brand is valuable to an organization and important to its customers. It provides a strong competitive edge over the other companies and hence they are increasingly becoming important tradable assets. Brand has a name, logo, symbol, package design, or other attribute that identifies a product and distinguishes it from others. A brand’s ability to gain approval from customers results in the success of brand. Branding is an art and a cornerstone of marketing and is all about creating a difference.

Brand equity is one of the most popular and potential concepts in the new era of marketing. Brand equity is uniquely attributable to a brand and relates to its fact. Brand equity is the willingness of someone to continue his loyalty and it measures segments from entrenched users of the brand to convertible users. Aaker (1991) defines brand equity 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”. Keller’s views on brand equity focus on the customer and his knowledge of the brand. The main elements of Keller’s theory of brand equity are differential effect generated by strong brand name, brand knowledge, and customers’ response. Brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand. Brand equity can be determined at the firm level, product level and customer/consumer level. Firm level approaches measure the brand as a financial asset. A product level approach measure is to compare the price and no-name or private label
product to an equivalent branded product. Consumer level approach seeks to map the mind of the consumers to find out what association they have with the brand.

Ambler et al (2000) state that Brand equity is measured mainly on two perspectives, namely, financial outcomes for the firm and consumer-based perceptions of firm performance.

Brand equity: denotes the differences in customer responses to marketing activities (a financial perspective);

Customer Equity (Customer Based Brand Equity): denotes the valuation of the customer base (a strategic perspective).

Customer Based Brand Equity model provides a blue print for the steps involved in building a strong brand. Customer Based Brand Equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favourable, and unique brand associations in memory. Customer Based Brand Equity model lays out a series for building a strong brand equity which are: i) establish the proper brand identity ii) create the appropriate brand meaning. iii) elicit positive brand responses, and, iv) forge strong brand relationship with the customers. Customer Based Brand Equity results in the creation of a strong brand and this is achieved when the brand awareness and the image are at high level and add value to the customers.

Brand equity has to be learnt from the customer’s point of view because that is what ultimately affects brand success. It is the consumer’s sense that adds value to the brand and leads to preference for a particular brand. Financial consequences of brand equity follow the Consumer’s perception of added value. Strong brands have become an important part of the asset value of a company. Aaker (1991), describes brand equity as a set of assets and liabilities that are grouped into four categories: brand awareness, brand loyalty, brand association, and perceived quality. Franzen (1999) views at a brand’s value to the consumers in terms of something he calls ‘mental brand equity’ described in terms of awareness, perception, and attitude, and ‘behavioural brand equity’ that accounts for various aspects of purchase behaviour.

Customer Based Brand Equity springs from consumer awareness for the brand that triggers associations in memory that are linked to the brand, overtime, their positive brand attitude which takes on strong emotional associations that extend well beyond the ‘liking’
of the brand. The favourable brand attitude built over time by the acceptance of perceived benefits for the brand, and the loyal brand behaviour, result in a strong positive brand equity.

1.1 Statement of the problem

Brands play a significant role in emerging business scenario and are considered to be the wealth-generators of the twenty-first century. The marketers have high responsibility to create a value for their brand. The marketers should identify the parameters for creating value to a particular brand which helps them to sustain in the market for a long period. Customer based brand equity is an appropriate concept for studying brand equity because it is directly linked with the customer behaviour and their attitudes. Moreover, customers play a more active role in the creation of brand at various points and they have reasons to buy a brand. The customer based brand equity comprises five dimensions, namely, brand awareness, brand loyalty, brand association, perceived quality—named as ‘principal assets’ and proprietary brand assets—named as ‘supplementary assets’.

The need for customer based brand equity has increased abundantly for industrial sectors especially for car industry which is named as “Sunrise sector” of Indian economy, because the development in automobile sector overhauls the perception of the potential car buyers, with their disposable income and availability of profitable financial position. Today’s fast-changing passenger car market has become tougher to analyse the brand equity of a particular brand. Hence, this has become an important challenge for firms in automobile industry in general and car industry in particular, for their survival and sustainable growth in the market.

A number of studies with separate focus on brand awareness, brand loyalty, brand association, perceived quality, purchase behaviour, customer retention, customer satisfaction, and attitude in areas such as restaurants, sport wear industry, fast moving consumer goods and automobile industry have been conducted both in India and abroad. All these studies have revealed the necessity for further research to exhibit how far all these dimensions are positively correlated with customer based brand equity. There are hardly
few studies which have considered all the dimensions of the customer based brand equity. This has resulted in the need for studying customer based brand equity with a comprehensive coverage of core dimensions.

1.2 Scope of the study

The study aims at examining the customer based brand equity of passenger cars both new and pre-owned cars, considering four dimensions, namely, brand awareness, brand loyalty, brand association, and perceived quality (principal assets) from customer perspective. The dimension of proprietary brand assets (supplementary assets) is not considered in this study as it is a dimension from firm’s perspective.

1.3 Objectives

The study has focused on the following objectives:

1. To study the demographic factors and product related factors in respect of passenger cars and to examine the relationship between these factors.

2. To explore the core customer based brand equity dimensions and to analyse their relationship.

3. To study the relationship between customer based brand equity dimensions and psychological factors, pre-purchase factors and post purchase satisfaction.

4. To construct a model involving customer based brand equity dimensions, the factors influencing the purchase of cars and their effect on purchase satisfaction.

1.4 Research Methodology

i) Period and Area of the Study

The period considered for the study has been 2009-2013. The study is pertaining to Coimbatore City only.

ii) Sampling

Stratified random sampling method has been adopted for the selection of respondents in this study.
Regional Transport Office, Coimbatore is the main source of information in respect of passenger cars selected for the study. Coimbatore region is mainly divided into three zones, South, North, and Central. The areas covered in each zone are shown in (Appendix I). The total numbers of passenger cars registered during the year 2005-2011 has been 101365. Zone wise distribution has been stated in the Table 1.1. National Education Association, (US) has prescribed a model to determine the size of sample when the population size is very large.

Accordingly, the following model is used to determine the required sample size.

\[ s = \chi^2 NP(1-P) + \frac{d^2}{2(N-1)} + \chi^2 P(1-P) \]

where,

\[ s \text{ = required sample size} \]
\[ \chi^2 \text{ = the table value of chi-square for 5 degree of freedom at the desired confidence level (6.635)} \]
\[ N \text{ = the population size} \]
\[ P \text{ = the population proportion (assumed to be 0.50 since this would provide maximum sample size)} \]
\[ D \text{ = the degree of accuracy expressed as a proportion (0.10).} \]

Thus, the sample size arrived at is 498. For arithmetical convenience, the sample size considered is 500, which is distributed in the ratio of registered passenger cars in zone wise i.e., 45:35:20(South, North, and Central).

### Table 1.1

<table>
<thead>
<tr>
<th>Zonal Office</th>
<th>No. of Registration</th>
<th>No. of Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Zone</td>
<td>45614</td>
<td>225</td>
</tr>
<tr>
<td>North Zone</td>
<td>35478</td>
<td>175</td>
</tr>
<tr>
<td>Central Zone</td>
<td>20273</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>101365</td>
<td>500</td>
</tr>
</tbody>
</table>

Source: Regional Transport Office, Coimbatore
iii) Data and Data Sources

The study is based mainly on primary data. Secondary data have also been used in this study. Primary data have been collected using interview schedule (Appendix II). A pilot study has been conducted initially with 50 respondents. The results of the pilot study have necessitated certain changes for the final structuring of the interview schedule meant for 500 respondents chosen.

Cronbach’s alpha test has been applied to test the reliability of the set of statements in the interview schedule forming the scale. The alpha values of 0.75 or greater represents satisfactory reliability of statements measuring the dimensions. The alpha coefficient has been found to be ranging from 0.770 to 0.894.

Necessary secondary data have been collected from the Regional Transport Office-Coimbatore, India Brand Equity Foundation (IBEF), Society of Indian Automobile Manufacturers (SIAM), Automotive Component Manufacturers Association of India (ACMA), dealers, Car financing agencies, journals, magazines, and websites.

The brands of passenger cars selected for the study are on the basis of the survey by the Automotive Component Manufacturers Association of India (ACMA). The association has ranked the brands of cars based on their market share (2010). The market share of passenger cars in India in the year 2009-2010 has been: Maruti – 50 per cent, Hyundai - 26 per cent, Tata Motors - 12.7 per cent, Hindustan Motors - 2.6 per cent, Ford - 2.4 per cent, Honda - 2.0 per cent and other brands - 4.3 per cent.

Hence, the study has considered brand selection limited to only six brands based on the market share and other brands are not considered as their contribution to market share is insignificant.

iv) Statistical Tools Used

The following statistical tools have been used for analyzing the data collected using SPSS version 17.
• Descriptive Statistics: Percentage analysis, Mean and Standard Deviation

• Statistical tests: Chi-square, t-Test, ANOVA, Correlation, Factor analysis (Kaiser-Meyer Measure of Sampling Adequacy and Barlett’s Test), and Multiple regression.

• Model: Constructed a Structural Equation Model

1.5 Hypotheses

The following null hypotheses have been framed for the study.

• Demographic factors do not have any relationship with the product related factors in respect of passenger cars.

• Customer Based Brand Equity is an independent function.

• Customer Based Brand Equity and Psychological factors do not play any role in Pre-purchase decision.

• Customer Based Brand Equity and Psychological factors do not play any role in Post-purchase satisfaction.

1.6 Importance of the study

The results of this study would be of immense use to the manufacturers, dealers, pre-owned car dealers, marketers, and the potential customers who have an intention to purchase a car. It also helps the government, academicians, and lending agencies.

1.7 Limitations of the study

The following are the limitations of the study:

• Inability of the human mind to remember certain facts poses a limitation.

• The normal limitations inherent in the statistical tools may be present in the current study too.

1.8 Chapter Scheme

Chapter I: deals with the introduction, statement of the problem, scope of the study, objectives, research methodology, hypotheses, importance, limitations, and chapter scheme.
Chapter II: summarizes literature available in the area relevant to the study.

Chapter III: narrates the concepts of customer based brand equity and purchase behaviour.

Chapter IV: examines the demographic factors and product related factors and reveals the relationship between these factors.

Chapter V: explores the core customer based brand equity dimensions and exhibits their relationship.

Chapter VI: analyses the relationship between customer based brand equity dimensions and psychological factors, pre-purchase factors and post purchase satisfaction.

Chapter VII: constructs a model involving customer based brand equity dimensions, the factors influencing the purchase of cars and their effect on purchase satisfaction.

Chapter VIII: summarizes the findings, offers suggestions, and brings conclusion.
REFERENCES:


- Keller, Kevin.L,”Conceptualising, Measuring and Managing Customer-Based Brand Equity”,


