

Effectiveness of Brand Equity on Consumer Preference- A Case of Retail Industry

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Chapter 1: Introduction

1.1 Overview

This dissertation is a piece of scale level development. This is constructed on the basis of past research in terms of brand equity which has applied the similar conceptualization of past dimensions (Aaker 1991; Keller 1993). The new notion and concept of brand equity that is based on the perceived dimension of the consumer will be ultimately presented. For constructing the scale and conceptualization in order to determine the dimensions which are actually perceived by the consumer, the initial step for this research was of ascertaining of the dimensions which are based on consumers by using qualitative data from nationwide sample of the population of the country.

Preliminary, this research is applied in identifying the dimensions of consumer preferences in terms of brand equity. The main dimensions from the preference of consumer in qualitative research include perceived value, perceived quality, brand loyalty and sustainability. The perceived quality includes reliability, quality, working well, long-lasting, durability and performance. The perceived values include cost, price, affordability, availability, easiness of use and value. The brand loyalty is consisted of trust, loyalty, honesty, comfort, likeably and dependency. The notion of sustainability includes health, safety, reputation and environmental responsibility (Aaker 1996).

The exploratory factor analysis is relevant statistical method in this regards that is applied for reducing data into small pieces of set and for exploring underline structure of the process. This structure was applied in order to identify overall structure that is a mean to show a relationship between consumer and variable. The “R-type factor analysis” was applied where all identified

factors are computed out of correlation matrix. After application, the resultant matrix is termed as “R-type factor analysis” (Valette-Florence et al. 2011).

1.2 Problem Statement

This research study is completely indulged into assessing the most important aspects which can put substantial impact in determining the effectiveness of brand equity, particularly on preference of consumer of retail industry. The problem statement of this research can be written as:

“To evaluate the effectiveness of brand equity on consumer preference in the case of retail industry”

1.3 Background of the Study

The review of the work of Aaker (1991) established the concept and theme of brand equity and afterwards it has been discussed that the largely accepted notion is of brand equity which is based on the validity in absence of any attempt for arguing their possible interrelation and relative importance. Thus, for developing new conceptualization in the implication of brand equity, the perception rests in the mind-set of the consumer and it has been taken by the researcher as an opportunity to make a contribution in the domain of literature on marketing. This research will strengthen and enrich the existing knowledge on brand equity with creating a scale and conceptualization on the dimensions of perception of consumers (Whan et al. 2010).

1.3.1 Objectives of the Study

The main aims and objectives of this study are presented here where basic aim is of the creation and validation of the consumer preference, consumer perception and brand equity that is consumer based. More particularly, the aims of this research include:

- To make a pool which should contain items which are perceived by the consumers for determining the brand equity;
- To reduce and synthesize all of these mentioned items into dimensions or constructs which will make the basis of this applied scale; and
- To assess and validate the proposed scale of brand equity.

1.3.2 Significance of the Study

This research will be an incorporation and addition into current literature as a new dimension. This research will become a part of marketing and brand equity in terms of retail industry and consumer preference. This is not just marketing but a psychological impact of consumer as his perspectives and preferences are determined by interests, habits and culture. This will make an analysis in this regards and will be proved as a useful increment in existing research.

1.4 Outline of the Study

This research is constructed for addressing the mentioned research questions after following the structured approach for presenting a dissertation. On the whole, this dissertation is divided into four chapters. Chapter one of this research study is based on over all introduction of the whole concept with enlisting of aims and objectives. The whole dissertation is presented and

introduced in Chapter one. In next chapter, the literature with regards to brand equity and preference of consumers in the retail marketing are presented. The extant literature with respect to the concept of brand equity along with its measurement for consumer preference is reviewed thoroughly. Moreover, the literature review is aimed to reveal the gap in this regards. In Chapter 3, a complete process of scale development is analysed and presented. Lastly, the suggestions and research implications are discussed for the purpose of upcoming research.

1.5 Definitions

a) Brand Equity

Brand equity is an important concept of marketing which can be defined as a marginal value which any given brand grants to a product (Valette-Florence et al. 2011).

b) Brand Equity and its Perspectives

The brand equity has three perspectives; cognitive, information economics and financial market. This research is linked with cognitive perspective of the consumer in terms of brand equity. This perspective of brand equity takes into consideration the thinking that the brands will be capable in generating positive responses of marketing mix out of their consumers in comparison to brand associations which are less favourable (Whan et al. 2010).

c) Consumer Preference

Consumer preference is linked with brand equity in terms of feelings of the consumer in relation to any specific product because of its associations which are not essentially related with any particular characteristics of the product. These are the connections which are present independently from any product (Aaker 1991).

d) Measures for Evaluating Effectiveness of Brand Equity

In order to evaluate the performance of retail industry with proper management of the brands, this is deemed necessary for the marketers to understand clearly their nature of value of brand or brand equity. In this regards, two important aspects are relationship between brand equity and preference of consumer and measurement or evaluation of brand equity. This measurement is performed by application of company level, customer level and financial level (Valette-Florence et al. 2011).

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Chapter 2: Literature Review

The notion of branding is not new but very old. It has been observed in ancient time period when brick-makers in Egypt used the concept of branding in order to get identification. The traders used to trademark their output in that time period for guaranteeing the quality to the users. However, branding was appeared initially in the 16th century. This was applied also by whiskey distillers in order to get brand of their barrels at the time of shipping. The concept of brand was evolved only in 18th century, at the time when names of producers were replaced with pictures and names of animals, places, origin and popular individuals (Aaker 1991). This enabled the consumers in remembering products and making differentiation among the products of competitors. In 19th century, the concept of branding was applied for enhancing the perception of the product value and worth by using various kinds of associations (Buil et al. 2013).

This project investigates the brand equity as a mean of investigating the attitude and behaviours towards the concept of brand along with its results on the perspective of the consumer in terms of the value of brand. The basic theme of this research is evaluating the effectiveness of brand equity on preference of consumer in the scenario of retail industry. This will look into the perception of the consumers in terms of beliefs, interests, behaviour and attitude in the direction of brands for determining the success of the strategy of the brand. The assessment of the consumer about any brand has an immense importance for ascertaining the value of brand and its perception and lastly the competitiveness ability of the owner of the brand (Huang and Roland 2010).

Retail Brand Equity:

The retail brand, also known as own brand, private brand, distributor brand and wholesale brand, is the concept that has attracted managerial and academic attentions in connection with consumer preference. It was defined by AMA (“American Marketing Association”) as a brand that recognizes outputs of the retailer (French and Smith 2010). The retail brand segregates its goods and services from its rivals. The retail brand makes able the retailers for constructing the proposition of high value and proposing the consumers a great variety of products at lower price which implies that retail brand assists the retailers to profitably compete in the segment of price sensitivity (Huang and Roland 2010).

On the contrary, the concept of retail brand equity is one of the recent perspectives in terms of value that is generated in retail branding. The retail brands benefit their consumers by offering a competitive substitute to the manufacturer brands that is composed on lower level of prices because of lower overhead and manufacturing costs, lack of advertising and less costly packaging (Cadogan, 2010). Generally, the retail brands use price as a motivating element behind marketing mix of retail brands (Duerte and Rapuso 2010); although retail brands have been evolved with the passage of time and are not now assumed as category killer whereas many retail brands position themselves as premium options of pricing (Buil et al. 2013). The brand equity model of Aaker (1996; 1991) has been researched very little for assessing various dimensions and aspects of retail brand equity on consumer preferences.

The concept of brand equity as mentioned by Aaker (1996; 1991) is basically a multi-dimensional notion that is comprised of brand awareness, brand associations, brand loyalty, perceived quality and all those assets which are linked with the brand. If the model of Aaker is extended on the premise of application of branding in terms of retail branding then to get genuine

brands, many characteristics of image, price and awareness are combined together (Duarte and Rapuso 2010).

Components of Retail Brand Equity:

The main component in retail brand equity is brand awareness that is related with the possibility that the name of the brand will come instantly in the mind of consumer with an ease to do so.

Brand awareness is linked with the brand recognition and brand recall. Brand recognition implies needs of the brand to be known well by the consumers whereas brand recall implies testing of the ability of the consumers in terms of remembering the name of the brand in any particular category of product (Duarte and Rapuso 2010). The consumers are expected to depend on the information cues of retail brands instead of good relationship of price and quality for evaluating the value off the product.

Any product is perceived by the consumer in terms of its attributes which are proposed by that particular product for inferring the quality of the product. As per Valette-Florence et al. (2011), perceived quality can be said as an intangible sentiment about branding that is based on general underlying dimensions. Hence, perceived quality is directly linked with the subjective perception of the consumer about brand attributes and product that is involved in the process of decision making. It has been mentioned by Sheth et al. 2011 that the concept of perceived quality is a worldwide result for experiencing various sensory stimuli which cannot be analysed by the consumer but these can be applied in terms of global assessment for quality of competition of the brand. The competitive positioning of retail brands are driven from the preference of consumer as convenient options of pricing (Buil et al. 2013). But recent trends have driven the strong orientation in the direction of value and quality proposition that is similar to the brands which are manufactured (Sheth et al. 2011).

In the context of behaviour, the brand loyalty is said to be extent or the level to which the proposed consumer becomes concentrated in purchasing over particular time period on any specific brand within the category of product (Brand Asset Consulting 2010). This concept adds in the important values in the brand since it offers a set of positive habitual consumers for period of long time (Cadogan, 2010), hence it can be inferred that the notion of customer loyalty generates many advantages for the brand. This research conceptualizes it on basis of preference of consumer. In this regards, by taking more the concept as developed by Aaker (1991), it is a situation that shows how rapidly and possibly the consumer will make a switch to any other brand, particularly if previous brand makes any change in features or price. It has been referred by (Cuneo et al. 2012) that the concept is deeply rooted with nature of relationship between brand and customer. By these definitions, it can be inferred that the concept of brand loyalty is main dimension of brand equity as loyal consumers are willing to pay prices which are higher to normal or standard and will buy more (Valette-Florence et al. 2011).

Most of the time, the price is considered or assumed as the indicator of the cost of product or service (When et al. 2010). () mentioned that the price is the representative of the expenditure in monetary kind which must be incurred by the consumer for making a purchase (Buil et al. 2013). The price image of retail brand is selected in this research as brand association where low price positioning of retail brand is driven from the preference of consumer in terms of retail brand as one of the convenient option of price in comparison to the brands of manufacturer by concentrating into the proposition of low price. Hence the price gap is the main variable in purchasing process of retail brands (Cuneo et al. 2012) and hence the retailer make strategies which are inclined towards highlighting the correct usage and value of money in terms of their choices and selection (Broyles and et al. 2010). A great range of researches have remarked the

advantages made by retail brands in relation to the savings that is connected to their overall purchase by bringing into lime light that saving need is the central aspect for purchasing retail brands (Valette-Florence et al. 2011).

Indirect Approaches:

The brand equity can be measured with indirect approaches which are good in taking the complete picture and all aspects of the brand and then look into the manifestation and dimensions of the brand. The brand equity on the basis of consumer preference has been defined by Brand Asset Consulting 2010 as the enhancement in desirability and perceived utility that is conferred by the by the brand name to the product. The authors (When et al. 2010) have proposed value, trustworthiness, social image, performance and commitment as basic dimensions of consumer preferences in brand equity. In this respect, one noticeable research was conducted by Lassar and et al. in 1995 by applying survey data that was gathered from consumer base in two categories of product; watches and TV monitors. The research applied 17 items on Likert scale and showed a substantial level of consistency of internal level along with discriminant validity. But this research and scale did not incorporate any component of behaviour of the brand equity. Moreover, no report was made by the authors about any tests of external validity.

It has been defined by other author Broyles and et al. (2010) as the total utility which is linked by the consumer to the consumption and use of the brand. This includes the linkage that is expressed by symbolic utilities and operation. The researchers have made a measuring instrument for the brand equity and consumer preference which has basic dimensions linked with brand utilities, namely product symbolic utility, product operational utility, brand name symbolic and brand name operational utilities (Cadogan, 2010). This research applied a Likert scale on point 22 and shows a reasonable level of validity and reliability for retail industry. One positive impact of this research and use of scale is that this scale is comparatively easy for administering

and it brings into lime light the brand equity and consumer preference on individual level.

Although, this was only assessed in the retail sector of shoe industry and it might need to adapt with new dimensions and contexts.

The scale developed by de Chernatony and Christodoulides (2010) is assumed as one of the most robust one that is present in the literature of equity branding and consumer preferences. This scale takes into account the cultural aspects in terms of preferences of customers.

2.1 Hypotheses

H₀: Retail brand awareness puts a positive impact on the intention and preference of purchasing of consumer.

H₁: The perceived quality of retail brand puts a positive impact on the intention and preference of purchasing of the consumer.

H₂: Retail brand loyalty puts a positive impact on intention and preference of purchasing of the consumer.

H₃: The price image of retail brand puts a positive impact on the intention and preference of purchasing of the consumer.

Chapter 3: Research Methods

3.1 Method of Data Collection

Method of data collection refers to mean through which data is collected for conducting the research. According to (Kumar, 2010), there are two methods used for data collection that are classified into primary data collection and secondary data collection. Primary data collection is referred to as collection of raw data by researcher himself. This is termed to as first hand data as it is collected by researcher himself and is used for conducting research. This data is further used for analysis in order to attain aim of study and validate results of study by researcher himself. On the other hand, there is secondary data that is already available to researcher through different sources that are journal articles, books, internet sources and in some cases, annual reports of companies that are used to collected secondary data (Kumar, 2010).

For this study the researcher has chosen to collect primary data from respondents that are customers of retail industry because the study tends to investigate effectiveness of brand equity on consumer preference so researcher aims to collect primary data from customers in order to achieve aim of study.

3.2 Sampling Technique

Sampling technique refers to selection of sample from a population. Population is a large mass of people upon which study is conducted and aimed at. A sample is a small part that is taken from population (Battaglia, 2008). The data is collected from sample and results from sample data is used to represent whole population. Sample is therefore, representative of population and data is used to generalise results over whole population. Sampling technique are

broadly categorised into two types that are probability and non-probability sampling (Merriam, 2009). In these two categories of sampling, there are numerous techniques that are applied to extract sample from population for purpose of data collection and different analysis techniques that are suitable to research nature are applied in order to gather effective results. In probability sampling, every subject in entire population has an equal chance of being selected as sample for particular study. Contrary to it, in non-probability sampling, the subjects in population do not have an equal chance of being selected in sample size.

For this particular study where authors tends to analyse effectiveness of brand equity on consumer preference in retail industry, sampling technique selected is convenient sampling that is part of non-probability sampling where subjects do not have an equal chance of being selected as sample size. Convenient sampling is chosen for convenience of researcher and respondents that can be reached easily are picked as sample of study that are customers of retail industry.

3.3 Sample Size

Sample is small part of population and it precisely represents whole population where results from sample are considered as results from population and perceived accordingly that answers from sample are same as answers from population. For this study where author tends to evaluate effectiveness of brand equity on consumer preference in retail industry, the sample size selected for study is 100 respondents that are customers of retail industry.

3.4 Instrument of Data Collection

There are various instruments of data collection that are used by researchers widely depending upon nature of research and data collection method. It is also dependent upon design of study whether it is quantitative or qualitative (Creswell, 2012). For quantitative studies,

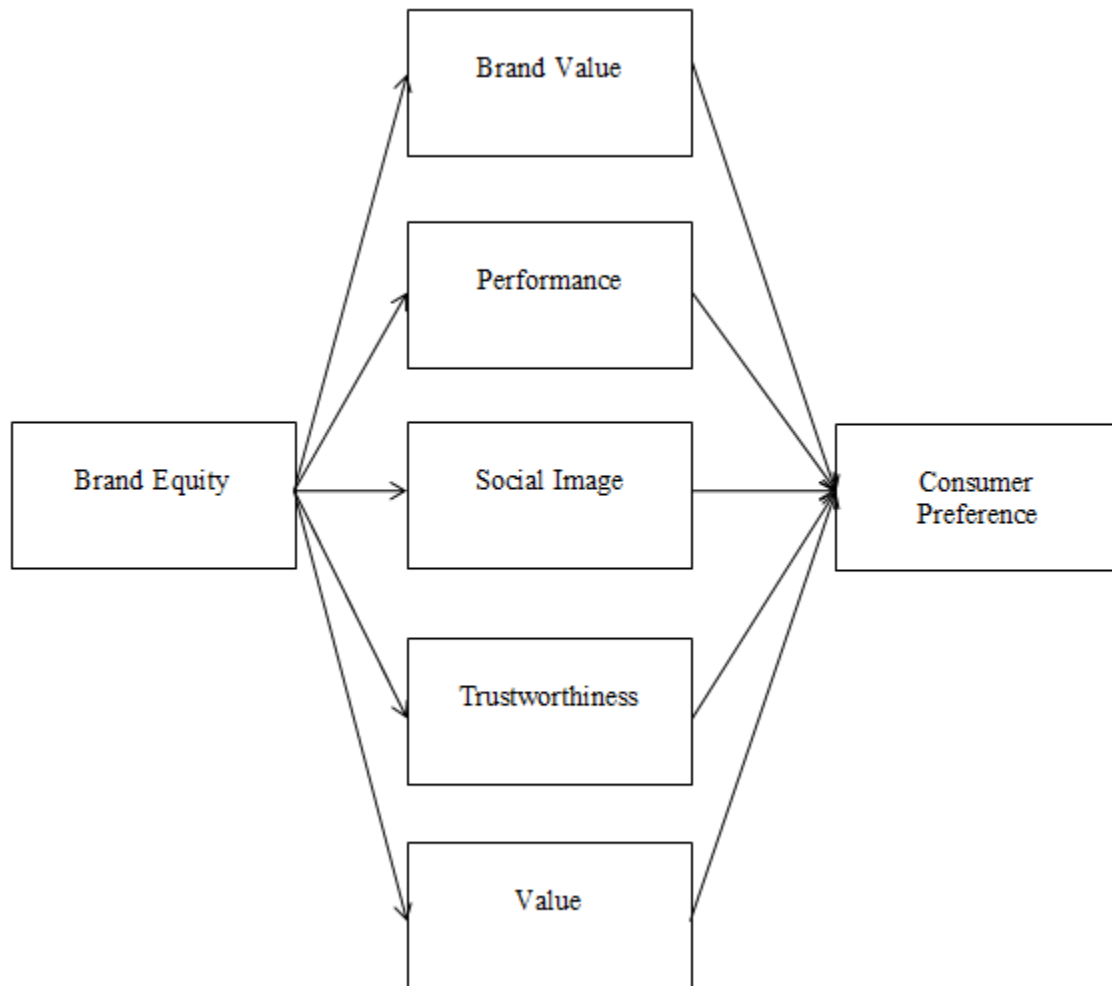
generally used instrument for data collection is survey questionnaire yet for qualitative studies; research instrument used for collecting data is in-depth interviews that give insights to meaningful information but is time consuming.

For this particular research, the researcher has adopted survey questionnaire for data collection as instrument because of it being simple and convenience (Andrew & Halcomb, 2007). It is also widely used by researcher for data collection and it is time-efficient where data from large number of people can be collected in short span of time.

3.5 Statistical Tool Used

Depending upon research, there are numerous tools that can be used by researcher for the purpose of analysing data in order to get useful findings and interpret them accordingly to achieve aim of study (Harwell, 2011). This is again dependent upon design of research for which different tools are used to analyse data. In quantitative data, statistical tools are preferred mostly because of their validity and easiness where data is presented in a systematic manner. However, in qualitative studies, researchers tend to adopt thematic analysis where interviews from respondents are moulded into meaningful manner for achieving aim of study. As this study is quantitative in nature, researcher has used SPSS software for data analysis in which correlation and regression techniques are applied to get results from collected data.

3.6 Research Model



The above picture illustrates the model used for research where independent variable and dependent variable of study are presented. Here, independent variable is brand equity divided into sub factors such as brand value, performance, social image, trustworthiness and value that affect consumer preference. The hypotheses of research are based on this figure where aim is to analyse impact of brand equity on consumer preference.

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