# Investigating different factors influencing on brand equity

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| C H R O N I C L E | A B S T R A C T |
|---|---|
| | The purpose of this paper is to determine and prioritize factors influencing on brand equity in consumer's point of view for a case study of Samsung appliance consumers in city of Tehran, Iran. The study investigates the effects of four factors in terms of the customer's perspective, price, advertisement, family and brand image, by dimensions of brand equity, perceived quality, brand awareness, brand association, brand loyalty, on brand equity. The research method is based on a descriptive-survey research. The questionnaire includes Samsung consumers in city of Tehran, Iran. To test the hypotheses, SPSS and LISREL software packages are used. For data analysis, descriptive statistics and inferential statistical tests including structural equation modeling and path analysis are used. The results of the survey have indicated that family and brand image influence positively on brand equity but the effects of advertisement and price on brand equity were not confirmed. |

## 1. Introduction

Brand equity is regarded as one of the most important marketing concepts since the year 1980 (Keller 1998). Brands often assist firms to keep their uncertainly and risk performance. The real value is not available within product or service, rather it is potential issue in customer's mind and brand is something that is available customers' mind (Kapferer, 2008). Nowadays, many of the products and services do not have considerable difference with each other, nevertheless, brands generate significant amount of difference. An effective brand has many advantages for organization including: high loyalty, increasing ability of organization under critical conditions, higher marginal profit, more positive reaction of customers toward change in prices and opportunities of developing brand (Keller 2003). Keller recommended brand knowledge as brand awareness and brand image (Oliveira-Castro et al., 2008).

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Various point of views influence on aspects of brand equity, its perspectives should be studied and solution should be anticipated (Oliveira-Castro et al., 2008). In spite of having various point of views, all of them have one item in common that is "marketing activities leads to increasing brand equity". For clarity of this topic, we may refer to marketing of a product or service with brand and without brand and level of their success. At level of firm, it is possible for measuring firms' market share, income, higher price and customer level to learn more about customer brand, brand image and positive attitude, which influence on volume of profit, volume of sale and brand equity (Keller 1998, Oliveira-Castro et al., 2008).

This study aims to learn more about consumer perspective to determine the differences between various components of brands including mental attitude, perception and interpretations and behavior and a number of practical recommendations for guiding business executives in recognizing effective factors on brand equity.

## 2. Theoretical study

### 2.1 Brand equity

According to Upshaw (1995), an official definition of marketing science of brand equity is given as "set of concepts and related behaviors with customers, members of canal and firms that leads to obtaining higher profitability of brand; meanwhile, without brand obtaining such profitability is impossible". Scholars have offered various definitions of brand. Some of them defined brand as added value toward product, brand loyalty, brand recognition, brand awareness, perceived quality, changing behavior due to brand recognition (Aaker, 1991, 2009; Yoo et al., 2000). There are some common points among these theories to specify brand equity including: brand awareness, perceived quality, brand remembrance, brand loyalty. Other factors refer to ability of brand for discriminating from other rivals (Keller, 1993). It is to be noted that all of these activities originate from recognition of consumers from brand recognition of consumers from a brand leads to offering different responses to marketing activities in relation to that brand (Oliveira-Castro et al., 2008).

### 2.1.1 Advertisement

Advertising is the basis for reaching brand awareness and it is related positively to the strength of the advertising spending. The advertising spending in a brand may increase the scope and repetitions of the advertising message and as a consequence, a higher level of awareness will be obtained for the brand (Gil et al., 2007).

### 2.1.2 Family

The family has been considered as a powerful influencer in consumer behavior. The family may have a considerable influence on the consumer-brand relationship, and this may result in the formation of consumer-based brand equity. Thus, the family puts the individual in contact with brands consumed at home, providing a higher knowledge of those brands. Moreover, those brands may be linked to family memories, which provide an emotional meaning (Olsen, 1993).

### 1.1.3 Price

Consumers use price as an important extrinsic cue and indicator of product quality or benefits (Yoo et al., 2000). Price is also perceived as a quality signal. Thus, high-price brands are generally perceived as higher quality brands than those with a low price. This has been outlined in numerous studies (Gil et al., 2007).

*2.1.4 Brand Image*

The importance of channel design and management as a marketing tool of increasing brand equity is growing. In a distribution channel, retailers encounter a firm's ultimate consumers. Selecting and managing retailers is therefore a firm's major marketing task in satisfying consumers' needs. Distribution through good image stores signals that a brand is of good quality and finds significant positive effects of brand image on perceived quality (Yoo et al., 2000).

3. **Research model and hypotheses**

According to Aaker's model (1991, 1997), Gil et al. (2007) and Yoo et al. (2000), we present an extended model and add marketing activities, assuming that they have significant effects on brand equity.
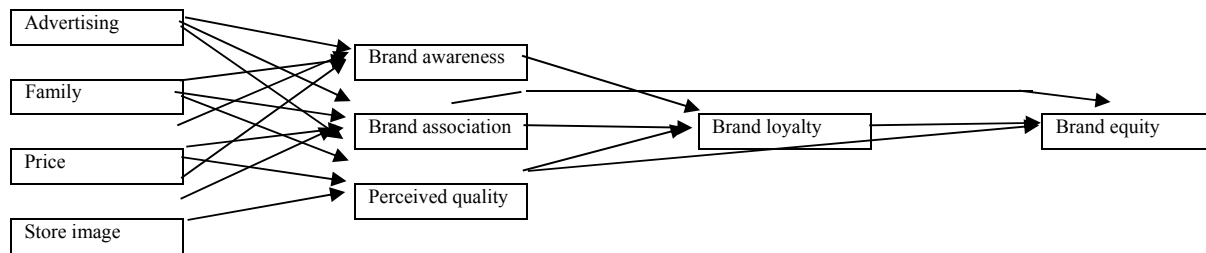


**Fig. 1.** Proposed research model

Based on the research model, hypotheses of this research are as follows:

1. The advertising spending influences on brand equity.

2. The positive brand information provided by the family influences on brand equity.

3. The price influences on brand equity.

4. The image store influences on brand equity.

4. **Methodology**

This study is a descriptive and analytic applied research. The survey technique was implemented for collecting the necessary data from the respondents. The questionnaire was designed and developed using the results of the literature review. Some measures were drawn from previous research, while others were created specifically for this study. The draft questionnaire was tested by scholars and experts, which led to minor modifications in the wording of some survey items. These questionnaires were based on a 5-point Likert scale ranging from (1) 'strongly disagree' to (5) 'strongly agree'. These questionnaires were distributed among all Samsung appliance consumers in Tehran. Internal consistency measures (Cronbach's ά) were obtained to assess the reliability of the measurement instruments .The reliability of these questionnaires has been measured based on Cronbach alpha and it was 0.914 brand equity. Descriptive statistics (average and standard division) and valid percent were used to describe data. Inferential statistic, single sample test, individual test and ANOVA, and Path analysis was used to describe the effect of variables. The data were analyzed using the statistical package for Social Science (SPSS) and LIZLER. The sample size is calculated as follows,

$$N = Z_{\alpha/2}^2 \frac{p \times q}{e^2}, \tag{1}$$

where $N$ is the sample size, $p = 1 - q$ represents the probability, $z_{\alpha/2}$ is CDF of normal distribution and finally $\varepsilon$ is the error term. For our study we assume $p = 0.5, z_{\alpha/2} = 1.96$ and $e=0.05$, the number of sample size is calculated as $N=98$.

Fig. 2 demonstrates basic statistics on personal characteristics of the participants. The proposed study of this paper has applied structural equation modeling to examine four hypotheses of the survey. In our survey, Root-mean-square error of approximation (RMSEA) is equal to 0.0032, which is within the acceptable limit. In addition, adjusted goodness-of-fit index (AGFI) is also equal to 0.96, which is in good level. Finally, comparative good fitness (CFI) is equal to 0.99, which is within the desirable level.
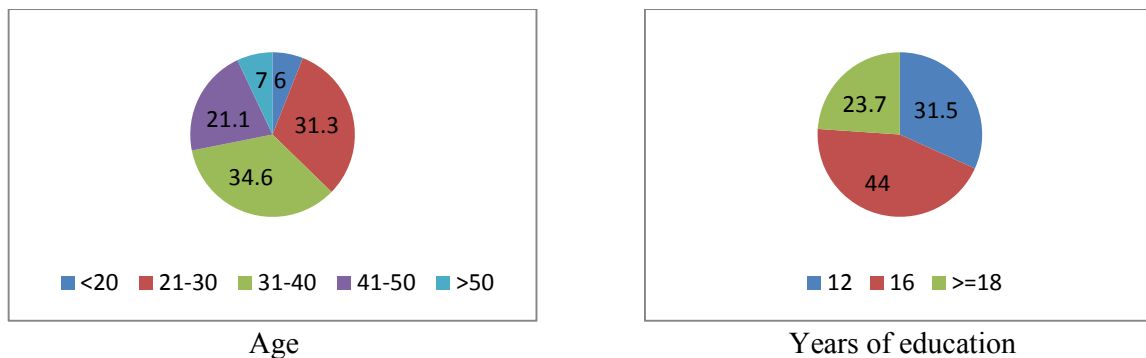


Age          Years of education

**Fig. 2.** Personal characteristics of the participants

As we can observe from the results of Fig. 2, most participants in our survey were middle-aged people and most of them had some university education. In addition, 22.4% of the participants were male and 77.6% of them were female. The next step was to examine skewness and kurtosis to see whether the absolute values of skew and kurtosis are between -2 and 2 and conclude that the data set are normally distributed (Kline, 2005). Accordingly, values of skew and kurtosis were calculated for the distribution of scores for the advertising, family, price and brand image and they are summarized in Table 1. None of these values exceed the absolute value between ( -2 to 2 ) for skewness and kurtosis indices and moderately normal distribution and the maximum likelihood estimation were used.

**Table 1**
Skewness and kurtosis statistics for Factors affecting brand equity and brand equity

| Factor affecting brand equity | Average | Standard Deviation | Skewness | Kurtosis |
|---|---|---|---|---|
| Advertising | 3.56 | 0.85 | -0.53 | 0.41 |
| Family | 2.65 | 0.64 | -0.13 | -0.10 |
| Price | 3.68 | 0.76 | -0.44 | 0.08 |
| Brand Image | 2.96 | 0.97 | -0.26 | -0.47 |
| Brand equity | 2.82 | 1.01 | 0.14 | -0.057 |

According to the results of Table 2, there are positive and meaningful effects among family, brand image and brand equity. In addition, there are negative and meaningless effects between advertising spending, price and brand equity.

**Table 2**
The summary of testing the effect between factors affecting brand equity

| Influence | dependent | Path Coefficient | t | Significant level | Result |
|-----------|-----------|------------------|------|-------------------|--------|
| Advertising | Brand equity | 0.07 | 0.22 | 0.80 | Reject |
| Family | Brand equity | 0.016 | 3.12 | 0.001 | Confirmed |
| Price | Brand equity | 0.015 | 0.45 | 0.088 | Reject |
| Brand Image | Brand equity | 0.11 | 2.08 | 0.001 | Confirmed |

## 6. Results and Discussion

The purpose of this study was to determine the effects of factors influencing brand equity in consumers' point of view for Samsung appliance consumers in Tehran. The results of structural equation modeling have indicated that the proposed measurement model and structural model could satisfy the necessary fit conditions. Based on these results, all research hypotheses were tested, two confirmed and two rejected by path coefficient and *t* tests. This study suggests that managers should prevent the alternating price or low-price, permanently.

Investment on advertisement and applying from advertisement as effective tool for increasing awareness and association of brand in consumer's mind to benefit from slogans in their advertisement to show that their brand was different from other brands could lead to increase brand loyalty or to apply from innovative programs for competing with other rival brands. Distribute products through stores have better image; since, consumer infers having higher quality product that increases fame of store.

In addition, stores or firms through applying from positive, attractive and specific titles are able to associate their brand in customers' minds, such as the brand of Samsung that through observing it the idea of "life is better" was associated in consumer's mind. Investment on advertisement is effective tool for increasing awareness and association of brand in consumer's mind. To show that their brand is distinguished than other brands that leads to increase brand loyalty or to apply from innovative programs for competing with other rival brands.

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