CHAPTER ONE: INTRODUCTION

The introductory chapter starts with a discussion on the background information, the definition of the research problem and the purpose of the study are also presented. This chapter examines the significance and scope of the study. End of the chapter, the organization of the report is presented to give the reader an overview of the structure of the thesis.

1.1 Introduction

Over the past decade or so, sportswear has transcended the sporting arena and moved away from its traditional confines of track and field into the mainstream apparel market. Sportswear was no longer seen being the limited clothing of athletes but also the relaxed garb of the casual fashionistas. Versatility and comfort also allows the new found sportswear apparel greater appeal not just in sporting activities, but also as clothing suitable for home, in school, at work, or at leisure. This is greatly reflected in the prominent trend in the sportswear industry which has seen a convergence between casual design and athletic design in sportswear. Sports lovers now combine functional requirements of their sportswear with fashion characteristics of leisurewear in order to look smart and fashionable when they undertake their sporting activities (Lau et al., 2006, p. 1).

The active sportswear and athletic footwear product group is one of the most heavily branded areas in the global fashion apparel market. Estimates hold that over three-quarters of the total active sportswear market, and nearly 80 percent of athletic
footwear, are branded (Tong and Halwey, 2009, p. 262). In the highly competitive sportswear industry, the key is to create a unique, favorable, and strong brand image to provide customers with a reason to buy the product, then work to maintain loyalty and gain from their repeat business (Aaker, 1991; Tepeci, 1999, Tong and Halwey, 2009).

According to Aaker (1991), brand equity is a set of assets linked to a brand’s name and symbol that add to the value provided by a product or service to a firm and/or that firm’s customers. Brand equity “can lead to greater revenue, lower cost, and higher profit; it has direct implications for the firm’s ability to command higher prices, a customer’s willingness to seek out new distribution channels, the effectiveness of marketing communications, and the success of brand extensions and licensing opportunities (Keller, 1993, p. 8). Krishnan and Hartline (2001) suggested that the importance of brand equity for services will vary depending on whether the service is dominated by search, experience, or credence attributes. For example, Bharadwaj et al. (1993) proposed that brand equity is more important for services that are dominated by experience and credence attributes. The presence of search attributes helps to tangibilize the service, thereby making the purchase less risky for the consumer.

In 2009, the top 20 Best Global Brands as reported by Business Week is as in Table 1.1 below.
<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand</th>
<th>Country of Origin</th>
<th>Sector</th>
<th>2009 Brand Value ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coca-Cola</td>
<td>United States</td>
<td>Beverages</td>
<td>68,734</td>
</tr>
<tr>
<td>2</td>
<td>IBM</td>
<td>United States</td>
<td>Computer Services</td>
<td>60,211</td>
</tr>
<tr>
<td>3</td>
<td>Microsoft</td>
<td>United States</td>
<td>Computer Software</td>
<td>56,647</td>
</tr>
<tr>
<td>4</td>
<td>GE</td>
<td>United States</td>
<td>Diversified</td>
<td>47,777</td>
</tr>
<tr>
<td>5</td>
<td>Nokia</td>
<td>Finland</td>
<td>Consumer Electronics</td>
<td>34,864</td>
</tr>
<tr>
<td>6</td>
<td>McDonald's</td>
<td>United States</td>
<td>Restaurants</td>
<td>32,275</td>
</tr>
<tr>
<td>7</td>
<td>Google</td>
<td>United States</td>
<td>Internet Services</td>
<td>31,980</td>
</tr>
<tr>
<td>8</td>
<td>Toyota</td>
<td>Japan</td>
<td>Automotive</td>
<td>31,330</td>
</tr>
<tr>
<td>9</td>
<td>Intel</td>
<td>United States</td>
<td>Computer Hardware</td>
<td>30,636</td>
</tr>
<tr>
<td>10</td>
<td>Disney</td>
<td>United States</td>
<td>Media</td>
<td>28,447</td>
</tr>
<tr>
<td>11</td>
<td>HP</td>
<td>United States</td>
<td>Computer Hardware</td>
<td>24,096</td>
</tr>
<tr>
<td>12</td>
<td>Mercedes-Benz</td>
<td>Germany</td>
<td>Automotive</td>
<td>23,867</td>
</tr>
<tr>
<td>13</td>
<td>Gillette</td>
<td>United States</td>
<td>Personal Care</td>
<td>22,841</td>
</tr>
<tr>
<td>14</td>
<td>Cisco</td>
<td>United States</td>
<td>Computer Services</td>
<td>22,030</td>
</tr>
<tr>
<td>15</td>
<td>BMW</td>
<td>Germany</td>
<td>Automotive</td>
<td>21,671</td>
</tr>
<tr>
<td>16</td>
<td>LVMH</td>
<td>France</td>
<td>Luxury</td>
<td>21,120</td>
</tr>
<tr>
<td>17</td>
<td>Marlboro</td>
<td>United States</td>
<td>Tobacco</td>
<td>19,010</td>
</tr>
<tr>
<td>18</td>
<td>Honda</td>
<td>Japan</td>
<td>Automotive</td>
<td>17,803</td>
</tr>
<tr>
<td>19</td>
<td>Samsung</td>
<td>Republic of Korea</td>
<td>Consumer Electronics</td>
<td>17,518</td>
</tr>
<tr>
<td>20</td>
<td>Apple</td>
<td>United States</td>
<td>Computer Hardware</td>
<td>15,433</td>
</tr>
</tbody>
</table>

Table 1.1: Top 20 Global Brands
### Top 5 Brands in Sporting Goods (by Value)

1. **Nike** – Value: $10.7 billion – Nike is the sports apparel giant. The brands overall value is greater than that of the entire ESPN network.

2. **Adidas** – Value: $7.3 billion – All Day I Dream About Soccer Adidas is the second largest sporting equipment brand in the world…and a European favorite.

3. **Gatorade** - Value: $6.4 billion – While not technically an “apparel” brand, Gatorade has a market share of 75% of the North American sports drink industry. We just couldn’t leave it off the list.

4. **Reebok** – Value: $2 billion – While Reebok is the official uniform provider for the NFL and NHL, even if you took the combined overall value or Reebok & Adidas (the parent company of Reebok) you’d still fall short of the value of Nike.

5. **Under Armour** – Value: $530 million – Valued at over $2 Billion in 2007 version of this list, Under Armour still has the anti-moisture shirts market completely cornered. Apparently, UA is such a favorite of U.S. Marines, that the Department of Defense was forced to change it’s policies on wardrobe regulations.

*Source: Forbes.com 12/2/2010*

Table 1.2: Top 5 Brands in Sporting Goods

#### 1.2 Research Problem

In Malaysia, sportswear brands such as Nike, Adidas, Reebok, Puma, New Balance, Umbro and Fila are the most well known brands amongst sportswear consumers. Sportswear has also become a common and popular category among the youth as it identifies them with a more relaxed lifestyle, greater versatility and comfort. This has prompted manufacturers like Nike and Adidas to start expanding their business particularly in Asia as it has the potential to give them higher volume of sales for their products (Yee and Sidek, 2008, p. 222). It is also stated by the aforementioned
researchers that sportswear is one industry which offers vast potential for growth in the consumer market due to its inherent ability to transcend traditional boundaries also due to the various types of sporting activities. Sales value in Malaysia of the brands mentioned above could not be found. However, sales values for Asia and Asia Pacific as published in the annual reports of each brand are used as a representative of the sales in Malaysia. A summary of sales for Nike, Reebok, Adidas and Puma for Asia Region is as in Table 1.3

<table>
<thead>
<tr>
<th>Brand</th>
<th>Percent of total sales</th>
<th>2007 €</th>
<th>2008 €</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nike (Asia Pacific)</td>
<td>18%</td>
<td>1,872.2m</td>
<td>2,362.7m</td>
<td>26%</td>
</tr>
<tr>
<td>Adidas (Asia)</td>
<td>27%</td>
<td>1,920m</td>
<td>2,111m</td>
<td>10%</td>
</tr>
<tr>
<td>Reebok (Asia)</td>
<td>12%</td>
<td>279.9m</td>
<td>257.8m</td>
<td>(8%)</td>
</tr>
<tr>
<td>Puma (Asia Pacific)</td>
<td>21%</td>
<td>498.4m</td>
<td>530m</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Annual report 2008 of Nike, Adidas, Reebok, Puma

According to Nike Annual Report 2007, the global market share of athletic footwear and athletic apparel are as in chart 1.2 and 1.3 below:
Despite the growing importance of sportswear apparel in the Malaysian market, there seems to be a dearth of research on how sportswear companies build brand equity particularly in Malaysian market. By retesting the most popularly adopted brand equity dimensions, namely perceived quality, brand awareness, brand association and brand loyalty, this study aims to empirically test and operationalize the customer-based brand equity components and how they relate within the context of sportswear brands in a Malaysian sample. Thus, it is important for the sportswear companies to delve into the factors that will affect Malaysian consumers’ perception on brand
equity components and capitalize in their marketing strategies. The end results of this research also leads to a deeper understanding of a sportswear brand equity concept as well as provide some implications for practitioners working in the sportswear industry.

In this study the importance of brand equity of sportswear apparel in Malaysia is being discussed. Why is brand equity important for sportswear apparel in Malaysia? This could be due to brand equity is associated with tangible goods and has received a great deal of attention in the literature. This study compares a range of different consumer based brand equity measures with the desired purpose of determining how they perform in the Malaysian sportswear apparel market.

1.3 Research Objectives

With the changing lifestyle for Malaysian consumers who are more health conscious, together with the emergence with many fitness centers around Klang Valley, particularly in Kuala Lumpur city center. As a result this has effect on the Malaysian consumers on their sportswear trend. Thus it is important for the sportswear companies to know Malaysian consumers attitude towards the factors contributing to the brand equity, whether perceived quality, brand awareness, brand association and brand loyalty matters to Malaysian consumers in strategizing their marketing effort in Malaysia.

The main objective of this study is to investigate which brand equity dimensions matters in Malaysians sportswear market. Specifically the research aims to:
• The preference brand by different demographic factors
• Investigate whether perceived quality influence brand equity
• Examine whether brand awareness significantly influence brand equity.
• Explore how brand association contributes to brand equity in the sportswear market in Malaysia.
• Determine whether brand loyalty positively influence brand equity in the sportswear market in Malaysia.

1.4 Research Questions

This study attempts to answer the following questions:
• Does perceived quality influence the brand equity of sportswear market in Malaysia?
• Does brand awareness influence the brand equity of sportswear market in Malaysia?
• Does brand association have a significant positive direct effect on brand equity in Malaysia?
• Does brand loyalty contribute to the brand equity of the sportswear market in Malaysia?

1.5 Significance of the Study

There have been a significant amount of studies that examine the importance of brand equity in any product and services to tackle the intense competition in the present global economy. There have also been a number of relevant studies in investigating
the impact of brand equity components in the sportswear apparel industry. However, most of the studies have been conducted in Western countries such as the United States of America, Europe and China particularly. Thus, it is crucial for the marketers in sportswear industry in Malaysia to gain a better understanding of the importance of brand equity for consumers in Malaysia.

This study was a research inquiry to a quantitative investigation of consumer perceptions regarding brand equity of sportswear market in Malaysia. This research was designed to be relevant for the purpose of research theories, business practices, and marketing policy-making.

This study was to examine reasons for brand equity in the sportswear market of Malaysia and investigate gap, if any, among the consumers regarding perceived quality, brand awareness, brand associations and brand loyalty.

It was expected that this study could provide a much needed theoretical framework in identifying the critical factors that influence brand equity via perceived quality, brand awareness, brand associations, and brand loyalty. It examined different consumers perceptions about Malaysian sportswear market based on demographical information.

1.5.1 How perceived quality influence to the brand equity?

Perceived quality influences relationship quality by having direct relationship with customer satisfaction (Ruben and Paparoidamis, 2007; Lam and Bojei, 2006). Improvement in perceived quality will increase customer satisfaction, loyalty, and
profitability (Gummesson, 1998). Customer perceived quality is posited as an antecedent to relationship quality.

1.5.2 Why brand awareness is important?

Brand awareness, as one of the fundamental dimensions of brand equity, is often considered to be a prerequisite of consumers’ buying decision, as it represents the main factor for including a brand in the consideration set. Brand awareness can also influence consumers’ perceived risk assessment and their confidence in the purchase decision, due to familiarity with the brand and its characteristics. Why brand awareness is important in the business market. The answer is: It can play a major role in purchasing decisions of consumers. The reality is, the more aware consumers are of business product and its brand, and the more likely they are to buy from the market.

Furthermore, brand awareness is the first and prerequisite dimension of the entire brand knowledge system in consumers’ minds, reflecting their ability to identify the brand under different conditions: the likelihood that a brand name will come to mind and the ease with which it does so (Keller, 1993).

1.5.3 How does work brand association in the consumer market?

According to Río et al. (2001), brand associations one way can be distinguish by their level of abstraction, that is, by how much information is summarized or subsumed in the association. Therefore, brand associations are the other informational nodes linked to the brand node in memory and contain the meaning of the brand for consumers.
Keller (1993, 1998) classifies brand associations into three major categories: attributes, benefits and attitudes. Attributes are those descriptive features that characterize a brand, such as what a consumer thinks the brand is or has and what is involved with its purchase or consumption. Benefits are the personal value consumers attach to the brand attributes, that is, what consumers think the brand can do for them. Brand attitudes are consumers’ overall evaluations of a brand.

1.5.4 How to brand loyalty influence to the consumer behavior?

According to Odin et al. (2001), a repeat purchasing behavior under conditions of strong sensitivity will be considered as brand loyalty: a consumer who tends to repurchase the same brand and who attaches great importance to brands in his/her choice is said to be brand loyal. To the opposite, a repeat purchasing behavior under conditions of week brand sensitivity is considered as purchase inertia. In this case, the consumer does not give any importance to the brand of the product he/she is to buy, as he/she is not able to make any difference between existing brands, and also as he/she is not involved in the product category.

1.6 Scope of Study

This paper attempts to understand consumer based brand equity of sportswear market in Malaysia. This study focuses on four main factors of brand equity which are perceived quality, brand awareness, brand association, and brand loyalty. This study will help to the sportswear industry in Malaysia to know the consumers preference about the sportswear brand equity. This study will provide the information about the
some areas of brand equity within Malaysian market such as perceived quality on sportswear brand, brand awareness on sportswear, brand association on sportswear, and consumer brand loyalty on sportswear product.

1.7 Organization of study

The thesis is divided into 5 parts. The short overview of the thesis is as follows.

Chapter one: Introduction

This chapter presents the background information, the objectives of the study, research questions, significant of the study, and justification of the study.

Chapter two: Literature Review

This chapter presents the theoretical foundation of brand equity, perspectives of brand equity, consumer-based brand equity, conceptual framework and measuring customer based brand equity.

Chapter three: Methodology

This chapter discusses and explains the research framework, hypotheses development, research methodology responding to the research design, source of data, sampling and data collection, and measurement of research variables, which applies in this study.

Chapter four: Data Analysis and Results

The data analysis presented in this chapter, including a summary of the demographic data, reliability and factor analysis, brand equity analysis, and hypothesis testing and interpretation.

Chapter five: Conclusion and Recommendation

This chapter covers the managerial implications, conclusion, recommendation, limitation of the study, and the suggestions for further study presented in this chapter.
1.8 Conclusion

This chapter discussed the introduction of the study, which includes the research problem, purpose of the study, importance of the study, research scope and the thesis organization.

![Diagram of the report's organization]

Figure 1.1: Organization of the report