# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

A review of the literature is conducted in this chapter addressing theoretical foundation of brand equity, perspective of brand equity, consumer based brand equity, conceptual framework and hypothesis of consumer based brand equity (brand equity, brand awareness, brand loyalty, brand associations, and perceived quality), and measuring consumer based brand equity. The use of diagrams and illustrations throughout this chapter are to emphasize certain points and to clarify certain meanings of the literature.

## 2.2 Theoretical Foundation of Brand Equity

According to Krishnan and Hartline (2001), brand equity has interested marketing researchers for the many years. A brand can be defined as "a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors" (Kotler, 1991, p. 442). The entire set of brand elements makes up the brand identity, the contribution of all brand elements to awareness and image (Keller, 2003). Some examples of brand elements are:

Brand Names

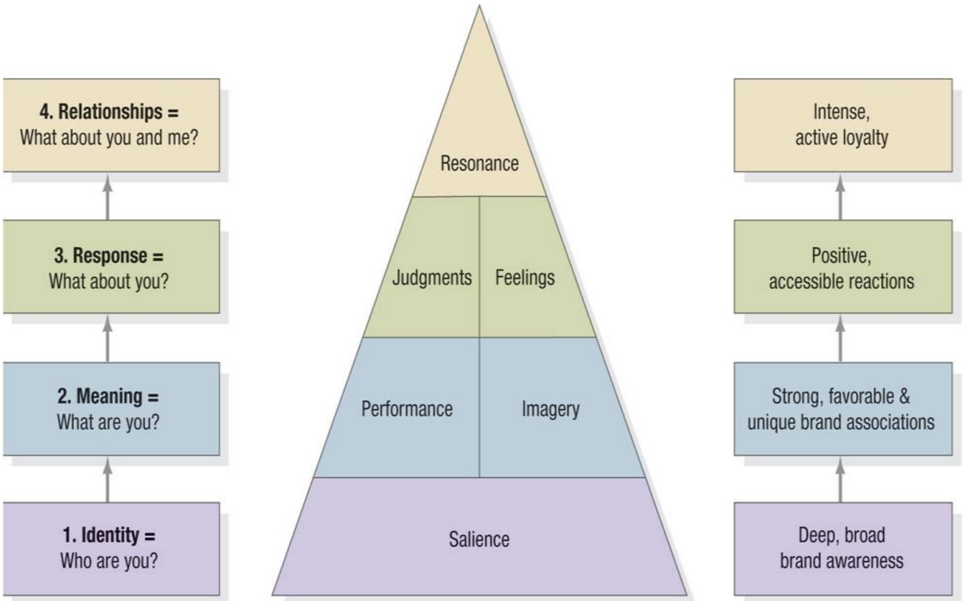

Brand Logos


Figure 2.1: Examples of brand elements

The area of brand equity has received significant research attention in recent years. As a result, current marketing research studies attempt to conceptualize, measure, and manage brand equity in a way that drives brand market performance, and helps firms in strategic decision making (Tolba and Hassan, 2009). The brand equity becomes an important tool for the marketer as the consumer uses it as a cue to infer certain perceived quality, brand awareness, brand association and brand loyalty.

The meaning of the term brand equity has been debated in a number of different ways and for a number of different purposes (Keller, 2002). The concept of brand equity means the added value of the product. Researchers tend to define brand equity differently from marketers, with the concept being defined both in terms of the relationship between customer and brand or as something that accrues to the brand owner (Wood, 2000). Brand equity represents a condition in which the consumer is familiar with the brand and recalls some favorable, strong and unique brand associations (Keller, 1993).

Brand equity, according to Keller, is the effect that brand knowledge has on consumer response to the marketing of a brand, with the effect occurring when the brand is known and when the consumer possesses favorable, strong and unique brand associations (Keller, 1993). The Customer-Based Brand Equity (CBBE) model identifies four steps which denote questions asked by customers, and represent a 'branding ladder', with each step dependent on achieving the previous one (Keller, 2001). These steps consist of six brand building blocks, with a number of sub-dimensions (Keller, 1993). To build a strong brand, the aim is to reach the pinnacle of the pyramid where a harmonious relationship exists with customers.




Briefly overviewed, the first step of the CBBE model is to ensure the correct 'brand identity'. Answering the first question customers ask about brands - Who are you? - The purpose is to create an identification of the brand, and an association with a specific product class or need (Keller, 2003). The initial step consists of the brand building block, 'salience'. The second step answers the customer question - What are you? - by establishing 'brand meaning' in their minds, and linking brand associations with certain properties (Keller, 2001). Two brand building blocks make up this step - ‘performance’ and ‘imagery’.

The next step is ‘brand response’ whereby the proper customer responses to the brand identification and meaning are elicited (Keller, 2003). This step is achieved with the ‘judgments’ and ‘feelings’ building blocks, and answers the question - What about you? ‘Brand relationships’ constitutes the final step in the CBBE pyramid where brand response is converted to an intense, active loyalty relationship between customers and the brand (Keller, 2001). Addressing the customer question of - What about you and me? - the final brand building block and the pinnacle of the pyramid is ‘resonance’.

Brand equity offers certain strategic benefits to companies. It is important for adding line extension. When a product category has entered the decline stage of the product life cycle, strong brand equity can help a brand survive longer than its competitors. Likewise, in periods of economic downturn, brand equity provides a platform that keeps the brand afloat at a profit long after competing products without strong brand identification begin to flounder. The power of brand equity is especially important in international marketing. Global brands have international presence and visibility, and this ”equity” makes it easier for them to expand. 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, 324–325)

According to Sloot *et al.* (2005), consumers generally prefer high-equity brands and they are willing to exercise more effort to obtain their favorite high-equity brand. Moreover, high-equity brands tend to have a greater distribution level than low equity brands, which often consist of private labels, regional brands, and price brands.

Distinction between high and low equity brands are: a brand has high customer-based brand equity when consumers react more favorably to a product. On the other hand, low customer-based brand equity when consumers react less favorably to a product (Keller 2002). In general, consumers value high-equity brands more than low-equity brands. Compared with high-equity brands, low-equity brands do not provide as many benefits and are bought mainly because of their lower price (Chandon *et al.* 2000).

Motameni and Shahrokhi (1998) stated that brand equity has variety views of perspectives. The first perspective of brand equity concept can be use in the context of marketing decision making, with the aim of improving the efficiency of the marketing process. The second perspective is financially based and views brand equity in terms of the incrementally discounted future cash flows that would result from a branded product in comparison with the revenue.

According to Lassar *et al*. (1995), there are five important considerations of brand equity :

1. Is a relative measure, that must be compared to relevant competitors;

2. Is a global impression of the value associated with a brand;
3. Influences financial brand equity positively;
4. Refers to consumer perceptions, rather than objective indicators; and
5. Originates from the brand name, and not only physical attributes.

Anselmsson *et al*. (2007) stated that the improvement of a brand equity framework for the consumer products has contributed to a better understanding of why consumers are willing to pay more for certain brands. They also mentioned that the brand equity concept provides additional, and apparently very essential, aspects that help explain how price premium is driven for the consumer products. They also suggested quality, awareness, associations, and loyalty need to be considered when the business will influence to the consumers' willingness to pay more for the certain brands.

According to Burmann *et al*. (2009), the development of brand equity is consists of ongoing interaction between brand identity and brand image forms. They defined "brand equity as present and future valorization derived from internal and external brand-induced performance". This definition includes three major categories: psychological brand equity, behavioral brand equity and financial brand equity. The conceptual proximity of the first two categories leads to a comprehensive and widely accepted term: brand strength and third category leads to internal and external significant behaviors of stockholders for a brand.

## 2.3 Customer Based Brand Equity

Keller (1993) defined "Customer-based brand equity" (CBBE) as "the differential effect of brand knowledge on consumer response to the marketing of the brand".

According to Keller, the differentiation effect is determined by comparing consumers' reactions to the marketing of a brand with their reactions to same marketing of an unnamed version of the product.

Keller (2003) described brand equity as ''a multidimensional concept and complex enough that many different types of measures are required. Multiple measures increase the diagnostic power of marketing research'' (p. 477). He noted that, from a marketing perspective, brand equity is referred to as consumer-based brand equity. Recently, the concept of brand equity has been employed to measure how consumers assess a brand overall (Ford, 2005). In particular, the measurement of customer-based brand equity is considered an important but challenging aspect of branding (Pappu *et al*., 2005). Although there have been no consistent measurement techniques, several researchers have explored brand equity measurement based on customers' perspectives (Boo, *et al*., 2009).

According to Tolba and Hassan (2009), consumer based brand equity (CBBE) consists of five constructs: knowledge equity (KE), perceived value, image (an aggregate of perceived quality, prestige and affect), satisfaction, and attitudinal loyalty. They also mentioned that knowledge equity (KE) is defined as the component of consumer based brand equity (CBBE) that evaluates consumers' awareness of the brand (recognition and recall), and their familiarity with brand characteristics, meaning, and functions.

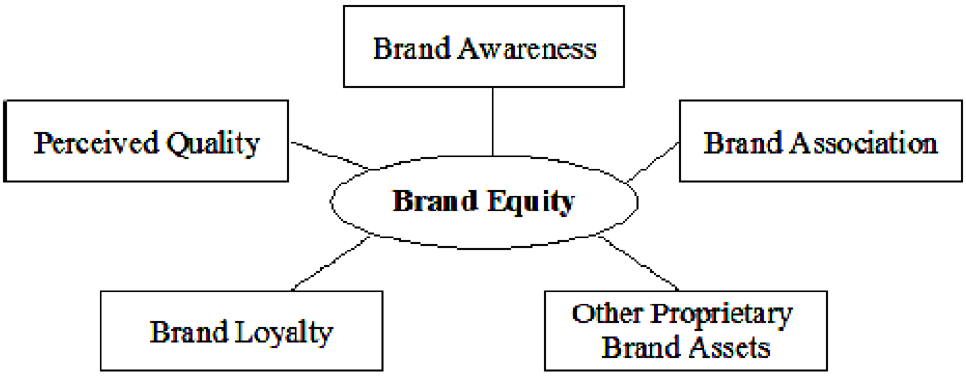
Pappu *et al.* (2005) stated that there are four dimensions of consumer-based brand equity which are: brand awareness, brand associations, perceived quality and brand loyalty. It is envisaged that consumers' perception of quality will be associated with their brand loyalty. The more brand loyal a consumer is, the more the consumer is likely to perceive the brand as offering superior quality and vice versa. Correspondingly, the more favorable associations consumers have towards a brand, the more their loyalty and vice versa. They also mentioned that consumers who hold favorable associations towards a brand are also likely to develop favorable perceptions of quality and vice versa. Brand awareness in the present study has been defined as consumer's ability to recall that the brand is a member of the product category. Consumers' brand awareness is likely to be high when they have strong associations for the brand and when they perceive the quality of the brand to be high and vice versa. Similarly, consumers' perception of quality of a brand is likely to be high when they have strong association with the brand and vice versa.

## 2.4 Conceptual Framework of Costumer-Based Brand Equity

Brand equity is a multidimensional concept and a complex phenomenon. Keller (2002) separated it into two components: awareness and association. Aaker (1991, 1996) grouped it into five categories: perceived quality, brand loyalty, brand awareness, brand association, and other proprietary brand assets such as patents, trademarks, and channel relationships. Among these five brand equity dimensions, the first four represent customers' evaluations and reactions to the brand that can be readily understood by consumers (Yoo and Donthu, 2001), so they have been widely adopted to measure customer-based brand equity in previous studies. In summary, strong brand equity means that customers have high brand-name awareness, maintain a favorable brand image, perceive that the brand is of high quality, and are loyal to the brand (Tong and Halwey, 2009).

The present research conceptualizes brand equity in accordance with Aaker (1991) and Keller (1993) based on consumer perceptions. In this section the relationships between brand equity and brand equity four dimensions (brand awareness, perceived quality, brand loyalty and brand associations) in term of consumer-based brand equity (shown in figure 2.1) are discussed.

**Figure 2.3** Conceptual framework of consumer-based brand equity




**Source:** Aaker, 1991; Tong and Halwey, 2009

### 2.4.1 Perceived Quality

Perceived quality is another important dimension of brand equity (Aaker, 1991). Perceived quality is not the actual quality of the product but the consumer's subjective evaluation of the product (Zeithaml, 1988). Similar to brand associations, perceived quality also provides value to consumers by providing them with a reason to buy and by differentiating the brand from competing brands.

Perceived quality is defined as the consumer's judgment about a product's overall excellence or superiority (Low and Lamb, 2000). For instance, Sethuraman and Cole (1997) found that perceived quality explains a considerable portion of the variance in the price premium consumers are willing to pay for national brands. The perceived quality of products and services is central to the theory that strong brands add value to consumers' purchase evaluations.

According to Aaker (1996), perceived quality provides a surrogate variable for other more specific elements of brand equity. Perceived quality also has the important attribute of being applicable across product classes. He also mentioned that perceived quality can be measured with scales such as the following:

- In comparison to alternative brand, this brand has high quality vs. average quality vs. inferior quality
- In comparison to alternative brand, this brand is the best vs. one of the best vs. one of the worst vs. the worst
- In comparison to alternative brand, this brand has consistent quality vs. inconsistent quality

Aaker (1991) sated that perceived quality lends value to a brand in several ways: high quality gives consumers a good reason to buy the brand and allows the brand to differentiate itself from its competitors, to charge a premium price, and to have a strong basis for the brand extension.

### 2.4.2 Brand Awareness

According to Macdonald and Sharp (2000), brand awareness has been argued to have important effects on consumer decision making by influencing which brands enter the consideration set, and it also influences which brands are selected from the consideration set (Macdonald and Sharp, 1996). Brand awareness affects the latter through its use as a heuristic for choice (e.g., - "I'll choose the brand I know") and its influence on perceived - quality, ("I've heard of the brand, so it must be good").

Brand awareness refers to the strength of a brand's presence in consumers' minds. Brand awareness is an important component of brand equity (Aaker, 1991; Keller, 1993). Aaker (1991) mentioned that there are several levels of brand awareness, ranging from mere recognition of the brand to dominance, which refers to the condition where the brand involved is the only brand recalled by a consumer. Rossiter and Percy (1987) defined brand awareness as the consumers' ability to identify or recognize the brand, whereas Keller conceptualized brand awareness as consisting of both brand recognition and brand recall.

Keller (1993) stated that brand awareness consists of two sub-dimensions: brand recall and recognition (cited on Tong and Hawley, 2009). Brand recognition is the basic first step in the task of brand communication, whereby a firm communicates the product's attributes until a brand name is established with which to associate them. Brand awareness can be a sign of quality and commitment, letting consumers become familiar with a brand and helping them consider it at the point of purchase (Aaker, 1991).

According to Burmann *et al.* (2009), brand awareness falls into the class of knowledge-oriented measures and as such forms the measurement basis of external brand strength. This concept reflects the ability of the buyer to identify and correctly classify a brand to a product category. Also, from an internal perspective, brand awareness is highly relevant for establishing brand strength. A high level of brand awareness may have a positive impact on consumers' commitment to a brand, as a well-known brand is likely to be perceived more positively than an unknown brand. They also mentioned that brand awareness might leverage the influence of internal brand strength on external brand strength. Nevertheless, brand awareness itself is not sufficient to create internal or external brand strength. Rather brand awareness represents a necessary condition for brand strength since the positive or negative quality of brand strength is determined by the other dimensions.

### 2.4.3 Brand Associations

Keller (1993) defined brand associations as the other informational nodes linked to the brand node in memory and contained the meaning of the brand for consumers. According to Chen (2001), brand association is the core asset for the building strong brand equity compared to three other assets of Aaker's –brand awareness, brand loyality, and perceived quality. Several reasons were addressed for this argument. First, brand awareness is a necessary asset but not sufficient for building strong brand equity. Second, the other brand equity dimensions enhance brand loyalty. The perceived quality, the association, and the well-known name can provide reasons to buy and affect user satisfaction, which results to brand loyalty. Nevertheless, brand loyalty is sometimes excluded from the conceptualization of brand equity. This is because consumers may be in the habit of buying a particular brand without really thinking much about why. Finally, the perceived quality is one kind of brand association. The concept of brand knowledge also focuses on the association network.

Brand associations are believed to contain "the meaning of the brand for consumers" (Keller, 1993). While a brand may derive associations from a range of sources, brand personality and organizational associations are the two most important types of brand associations, which influence the brand's equity (Aaker, 1991). According to Aaker (1991) there are at least nine brand associations. The associations convey either the concept, or the meaning of the product in terms of how it fulfills a customers need. In today's highly competitive environment a distinctive product image is most important. As products become more complex and the market place more crowded, consumers rely more on the products image than its actual attributes in making purchase decisions. These brand associations can be used by firms in differentiating its product:

1. Product attributes

   These refer to a product's characteristics. Attributes are associated with a product's rational benefit. For example, a Volvo car's attribute is durability. A marketer requires identifying an attribute that is important to a major segment and not already claimed by a competitor, e.g an attribute that offers something extra (like features or services that offer something better). The identification of an unmet customer problem can sometimes lead to an attribute previously ignore by competitors (Aaker, p. 115).

2. Customer benefits

   Customer benefit refers to the need that is satisfied by a product. For example, cavity control by a toothpaste is a customer benefit. Customer benefit may be rational, psychological (emotional) benefit, or self- expressive benefit. A rational benefit is closely linked to a product's attribute and would be part of a "rational" decision process. A psychological benefit relates to what feelings are engendered when buying and/or using the brand (Aaker, p.1 19).

3. Use/application

   A marketer can associate a brand with a particular use or application. For example, a beer can be associated with good friends in a warm social setting.

4. User/customer

   Another way of positioning a brand is to associate it with a type of user or customer. This involves identifying the brand with its target segment. For example, a brand can be associated with those who are interested in weight control as would be the case of a new drug.

5. Relative price

   Price plays an important role in any marketing element. This involves positioning of the brand in the market at a comparative price. The price can be an indicator of the superiority of the brand.

6. Celebrity/person

   This is the individual who endorses a brand. Linking a celebrity with a brand can transfer associations such as reliability, strength, performance, and so on. The extent to which the association can be linked to the celebrity depends on how credible the person is perceived by the audience.

7. Life-style/personality

   'The brand can be viewed as a person. Like a person, a brand can be perceived as being competent, trustworthy, active, or youthful (Aaker, 1996). A brand personality may help communicate a product's attribute and thus contribute to a functional benefit. Similarly, it can help create a self-expressive benefit that becomes a vehicle for the customer to express their own personality.

8. Competitors,

   A firm positions its brand using the organization's attributes such as innovation, a drive for quality, and a concern for the environment. A firm can position its brand with respect to a competitor. Sometimes it is not important how good customers think a firm is, but how they believe it is better than a given competitor. While this brand association can be accomplished by comparative advertising, it is not usually allowed in some countries (Cateora, 1996).

9. Country of origin

   One more strategic option that a marketer has is to associate a brand with a country. The country of origin has an effect on the market's perception of a product - either a positive or a negative perception. Cateora (1996) asserts that a company competing in global markets may manufacture products world-wide and when the customer becomes aware of the country of origin, there is the possibility that the place of manufacture will affect product/brand image (p.349).

Keller (1993, 1998) classifies brand associations into three major categories: attributes, benefits and attitudes (cited on Río *et al.*, 2001).

- 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.

According to Aaker (1991), brand associations create value for the firm and its customers by helping to process/retrieve information, differentiate the brand, create positive attitudes or feelings provide a reason to buy, and provide a basis for extensions. As a result, consumer-based brand equity occurs when consumers have a high level of awareness and hold some strong, favorable, and unique brand associations in their memories (Tong and Hawley, 2009).

### 2.4.4 Brand Loyalty

Brand loyalty is at the heart of brand equity. It is the key component of brand equity (Aaker, 1991). Oliver (1997) defined brand loyalty as: “a deeply held commitment to repurchase a preferred product or service consistently in the future, despite situational influences and marketing efforts having potential to cause switching behavior”. Oliver’s definition emphasizes the behavioral dimension of brand loyalty, whereas Rossiter and Percy (1987) argued that brand loyalty is often characterized by a favorable attitude towards a brand and repeated purchases of the same brand over time. Brand loyalty is also conceptualized based on an attitudinal perspective.

According to Brexendorf *et al.* (2009), sustaining brand loyalty is a key challenge in increasingly competitive markets. Brand loyalty generates numerous benefits like erecting barriers to competitors, generating greater sales and revenues, reducing customer acquisition costs, and inhibiting customers' susceptibility to marketing efforts of competitors. They also mentioned that brand loyalty is the central concern of brand equity. Building brand loyalty requires investments in marketing programs that target current and potential consumer. Through the marketing programs brand loyalty can influence to the consumers' mindset and may influence the result in a number of different outcomes, such as brand awareness, brand associations, attitude and behavior towards the brand.

Loyalty provides fewer reasons for consumers to engage in extended information search among alternatives regarding particular brand (Thiele and Mackay, 2001). Solomon (1994) also indicates that purchase decisions based on loyalty may become simplified and even habitual in nature and, so supports the assertion that this may be a result of satisfaction with the current brand(s). For instance, there is little point in considering an alternative when a consumer is satisfied with the performance of a brand.

Jacoby (1971) defines brand loyalty as repeat purchase but clearly points out that this behavior is a function of psychological processes. Based on a purely stochastic approach, brand loyalty is considered tantamount to repeat purchasing and grounded on no manifest factors determining the behavior. It is impossible to detect any antecedents of repeat purchases, and therefore companies gain no understanding of how to build brand loyalty. Based on a determinist approach brand loyalty is conceptualized more like an attitude or intention to purchase and it is believed that the researcher can investigate the factors producing brand loyalty (Jensen and Hansen, 2006). Jensen and Hansen (2006) also mentioned that loyal customers are likely to be resistant to the machinations of competitors. They are likely to tell family, friends and colleagues of the wonders the products perform. When they need what is on offer they are very likely to come back and buy it again.

Jacoby and Kyner (1973) stated that brand loyalty is more than just repeat purchase behavior. The conceptual definition of brand loyalty is expressed by a set of six necessary and collectively sufficient conditions (cited on Qyester and Lim, 2003). Based on six necessary and collectively sufficient conditions, brand loyalty is:

- The biased (i.e. non-random)
- Behavioral response (i.e. purchase)
- Expressed over time
- By some decision making unit
- With respect to one or more alternative brands out of a set of such brands, and
- Is a functional of psychological processes

Brand loyalty is often inferred from statements relating to whether you would recommend the product to another person (friend, family and others). According to Aaker (1991), brand loyalty adds considerable value to a brand and/or its firm because it provides a set of habitual buyers for a long period of time. In addition, brand loyalty develops when the brand fits the personality or self-image of the consumer or when the brand offers gratifying and unique benefits that the consumer seeks (Qyester and Lim, 2003, p. 24).

## 2.5 Measuring Customer Based Brand Equity

Customer-based brand equity has been defined as the differential effect of brand knowledge on consumer response to the marketing of the brand (Kamakura and Russell, 1991). Hence, brand equity is conceptualized from the perspective of the individual consumer and customer-based brand equity occurs when the consumer is familiar with the brand and holds some favorable, strong, and unique brand associations in the memory.

According to Lassar *el al*. (1995), firms measure the equity associated with their brands on a regular basis. Firms use a simple paper and pencil instrument to measure brand equity. The advantage of this scale is not only the small number of items but also the ability to measure the individual dimensions of brand equity. Thus the measurement of brand equity will enable companies to evaluate their marketing programs. They also mentioned that if the brand equity is seen to suffer, further feedback can be obtained from consumers. This feedback will aid in:

- Identifying product performance problems,
- Identifying advertising/ positioning problems, and
- Providing feedback to the firm's employees on where improvements need to be made.

Mackay (2001) stated that consumer based brand equity measures with the intention of trying to determine how they performed in a financial services market. His research results suggest that most of the measures are convergent and correlate in the predicted direction. He also mentioned that the best measures of brand equity in terms of correlation with market share are: brand recall and familiarity. This is because people are likely to be aware of, and more familiar with, the brands that they use or perhaps have used in the past.

According to Kapareliotis and Panopoulos (2010), there are two main schools of thought concerning the value of the brand or brand equity. One is the consumer's approach and another is the firm's approach. Consumer's approach emphasizes mainly on qualitative variables or measuring techniques. This approach is the most widespread nowadays due to the importance markets give to the brand evaluation from the consumer's point of view. Firm's approach measures the financial market value of the firm to its replacement cost into the intangible assets such as common stock price and preferred stock price.

## 2.6 Conclusion

In summary, from the deliberation in this chapter on brand equity, its dimensions, framework of customer based brand equity and measuring customer based brand equity, this study aims to utilize these concepts and models in testing the sportswear market in Malaysia. Although there have been previous studies on the same topic for other countries, such as America, China, and Turkey, it is interesting to see if the same applies in Malaysia. Knowing that there are vast differences in culture, religion and beliefs from country to country that will have effect on consumer's behavior, thus this study intends to investigate such area in Malaysia.