CHAPTER 1: INTRODUCTION

The purpose of this thesis is to understand the importance of brand position as the key determinant of success in the business environment. This process will be expressed and analyzed from the functions of brand and customer needs relationships.

1.1 Defining Brand Preference

Brand position encompasses a gestalt of product preference, its intrinsic values, or equities that add to the tangible, measurable benefits delivered by a particular product or service. These qualities are essential for measuring business success and are useful for practitioners in tracking their performances in the market place.

Brand preference can be viewed as "the consistent repurchase of and loyalty toward a particular brand" (Professor David A. Aaker, 1996). Brands vary in the amount of power and value they have in the marketplace. At one extreme are brands that are not known by most buyers in the marketplace. Then there are brands for which buyers have a fairly high degree of brand awareness. Beyond this are brands with high degree of acceptability, or in other words, brands that most customers would not resist buying. Then there are brands that enjoy a high degree of brand preference. These are the brands that are selected over the others.

Brand preference is highly related to the definition of brand equity that was defined by two of the most popular literature: Professor Kevin Keller and Professor David A. Aaker. According to Professor Keller, brand equity is defined as "differential effect that knowledge about the brand has on consumer response to the marketing of that brand". Professor Aaker believes that it is "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".

Brand equity is a branding concept that more concretely recognizes customer's preference towards the products, which in term identify the brand position in the market. It also helps inform the "health" of a particular company or its competitive position in the business. It is generally a marketing effect uniquely attributable to the brand. In short, brand equity can simply be identified as the consumers' preference towards a brand, and how that will affect their behavior.

The degree of preferential towards a particular brand is believed to be able to indicate by brand preferential index (that can be positive or negative, or with certain scale values). This index will also in helping the company to identify the consumer reactions to the product, price, promotion, distribution, or other marketing mix that they undertook.

1.2 Business Needs Assessment

There is no direct link between the value of a company and effectiveness of its marketing (Collins and Loftus, 1975). However, it is vital to create this link. If company value is the objective of marketing effectiveness, marketing can be treated as strategic investment and can regain a critical role in company direction.

The theory of marketing in general is simple. Producers collect information about consumers and create products to meet their requirements. They communicate, or advertise, to inform consumers about the availability and features of their products. In the marketing textbook, Marketing Management, Philip Kotler defines marketing as, "... the social process by which individuals and group achieve what they need and want through creating and exchanging products and values with others". However, in many instances, the practice of marketing does not follow the theory. Practitioners seldom demonstrate the key truths in Kotler's definition:

1. Marketing is about relationship with people
2. Individuals and groups differ in their needs and wants
3. Marketing involves exchange of information between producer and consumer
4. Values are as important as products

Building a brand, cultivating its strength, pruning its weakness and making it more valuable to its owners is the bottom line job of marketing. Everything marketing does should ultimately work in concert to make a company's brand more valuable. There are many different tactics and strategies that go into strengthening a brand name: advertising, promotions, public relations, research and development, etc. All these tactics are used in more than one occasion to grow their market share or to strengthen their position. The questions remains: how can they measure the return on this work? More precisely, how can a company determine the worth of one, or any of its brands? Or is there a way to evaluate this intangible marketing procedure?

These questions were not well answered by most of the marketing personnel. This confined the measurement of business success for many companies to some common factors in financial outlook, such as the net present value of its anticipated flow of future earnings, the physical assets, revenue, profit / loss, earning per share, etc. In some business environment, these measurements might not be enough to evaluate the real value of the company. Hence, it might still need to include the value of marketing activities on their balance sheet. This method was used by companies i.e., the pharmaceutical company Merck and Co., food manufacturer Rank Hovis McDougall, marketing services group WPP, JWT and O&M advertising brands.

This practice is not well accepted by the accountants, as it is an intangible asset in uncertain environment. Hence, the practice was further developed by using brand as the proxy for marketing measurement. The concept of brand lies at the heart of marketing theory and practice. A brand is a combination of features, product benefits and values. A brand is created when marketing add values to a product, and in the process differentiates it from other products with similar features and benefits. The values offered by brands are often summarized by simple advertising themes.

In the modern market, the established brands are threatened as never before. The Economist in New York: The Free Press, 1996 reported that, "all over the world look- alike competitors are elbowing aside brands that have been famous for so long some owners have been reckless enough to name a generation after them". In the same report, they have summarized four new competitions which consist of:

1. retailer private label
2. specialist retail category
3. service manufacturer
4. direct marketers

In this instance, procedures to value a brand involve a complex set of influences and possibilities. Dramatic swings in brand valuation from year to year, and anomalies like negative valuation of IBM, indicate that brand valuation methodology is not yet robust. An alternative way to overcome this problem is to value customer perception instead of using brand directly (Stewart Pearson, 1995). This approach is logical as all brand revenue flows from customer transactions and future brand revenue depends on customer behavior. The quality and reliability of brand revenue must depend on customer relationships. For example, when discussing the strength of the brand, it really means that the strength of the customer relationship with the brand. In other words, value lies in customers rather than brand (Kevin Keller, 1992).

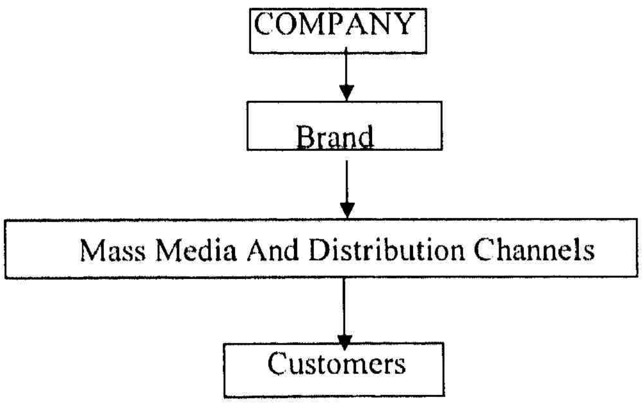
Keeping up with consumers constantly is an arduous adventure. The victor will acknowledge that the value of the brand, among others, did much to cushion the fall. Customer preference for certain brand plays a vital role in effective measurement for company value; and brand can be said to represent almost everything in the business because of its power to bind consumers and products. Brands preference is valuable icon, to such diction to showcase a personality that will grip end users.

1.3 Conceptual Framework

Historically, price was considered as the central role in attracting customer. The perception was, as price increases the demand for such products will decrease. However, a more recent survey reported by Journal of Marketing Research, Vol. 32 (May 1995), does not agree with the historical hypothesis. There are many things that will be considered by the customer before one decides to buy a product. For example, whether the consumer knows the existence of the product or what is his perceived value towards the product or to the company itself.

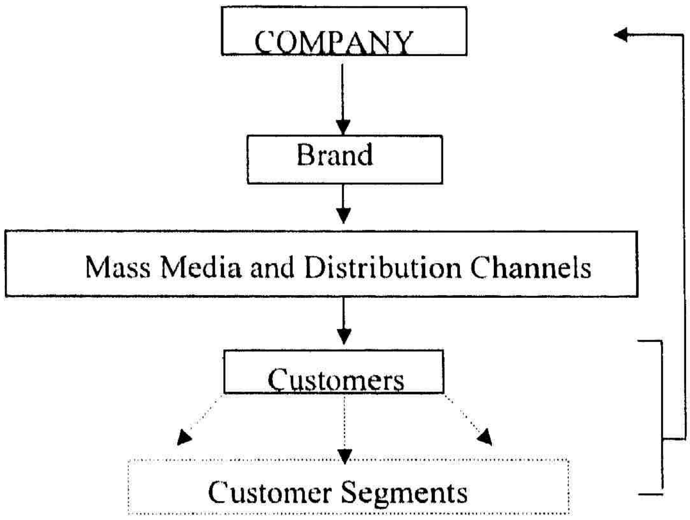
In Company Image and Reality 1993, David Bernstein indicates from his research, many firms believe that they must create a market for the product that they have. This is known as "one- way communication" as illustrated below (Figure 1.1):

Figure 1.1 Marketing Flow Chart: Historical



In the modern world, the challenge is to meet the needs of the customer within each individual segment. It is impossible for a firm to manufacture the exact needs and wants of each and every individual in the market by not understanding the consumers. That is why, two- ways communication network is very important to deliver the message from the firm to the market and back (Figure 1.2).

Figure 1.2 Marketing Flow Chart: Future



In this case, companies will understand more clearly their customer needs and wants. They are able to target the specified customer segments once identified. Selection of specialist media and distribution channels can be done after this and this will help the firm to create their marketing databases to properly manage the communication and distribution to their target audience.

From this methodology, the concept of brand preference becomes apparent in assessing how well the price, advertising or other marketing mix work. This concept is built by using two ways communication network between the firm and the market audience. Advertisement is usually a must to most of the company to connect its goods / services to the customers. However, according to Abraham and Lodish (1996), in the year 1995 an international company, Zenith, spends approximately USD$243 billion worldwide on advertising and about USD$130 billion of which is wasted. The immediate objective of all advertising is to be able to measure the effectiveness of the campaign. One of the measurements is by using brand as a measuring tool.

Professor David A. Aaker in his book, Building Strong Brands (The Free Press, 1996) believes that brand perspective focuses on the associations of a company's staff, organization behavior, programs and values (i.e., innovation, quality, customer focus or leadership). Such organization associations are more endearing and more resistant to imitation by competitors than are product attributes. A brand is believed to have more impact to consumers than the product itself. As brand itself already communicates the value of the product and its quality.

Brand equity represents the "added value" endowed to a brand as a result of past investments in the marketing. The brand is said to command strong preference if it:

1. is a favourite brand amongst consumers
2. is a brand that consumers would recommend to their friends
3. is a brand that consumers are willing to pay price premium

In order to achieve strong equity the brand must be closely associated with the attributes that contributes to the preference drivers. These factors can only be realized if the customers can relate it back to a particular brand. Hence, the measurement of brand preference can strongly support consumer based brand equity (Kevin Keller, 1995).

1.4 Research Objective

In recent years, considerable attention has been paid to the conceptualization and measurement of customer- based brand preference as well as to the study of prestige brands. This paper presents a series of conceptual models and indexes about the antecedents of a prestige brand's value. More specifically, these indexes integrate the constructs of brand image, perceived premium, customer's perceived quality and brand awareness.

The empirical test of the model is based on surveys of consumers about some well- known telecommunication brands in Malaysia. This industry is selected as it has undergone waves of change over the past years. Some of the obvious changes are:

1. Increased numbers of new competitors
2. Increased numbers of customers
3. Improving consumers sentiments
4. Integrating new technologies
5. Model outlooks and innovation

The contribution of the thesis lies in the integration of results of previous conceptual and empirical research. The research findings may present many valuable avenues for effective management of the prestige brands. This can help a company to re- access the industry and its opportunities by determining:

1. the market structure for different users (Demographic segmentation)
2. top ranking market leader (Brand ranking)
3. comparative position in the market (Competitor positioning)
4. the associations that are important to the consumers (Customer needs)

Once an effective management has been established and further opportunity identified, the company can determine if the equity of this brand can be leveraged or transferred to an entirely new product or service category. In other words, this can increase the return from the investment in building a particular brand over time by extending the brand's preference into new categories.

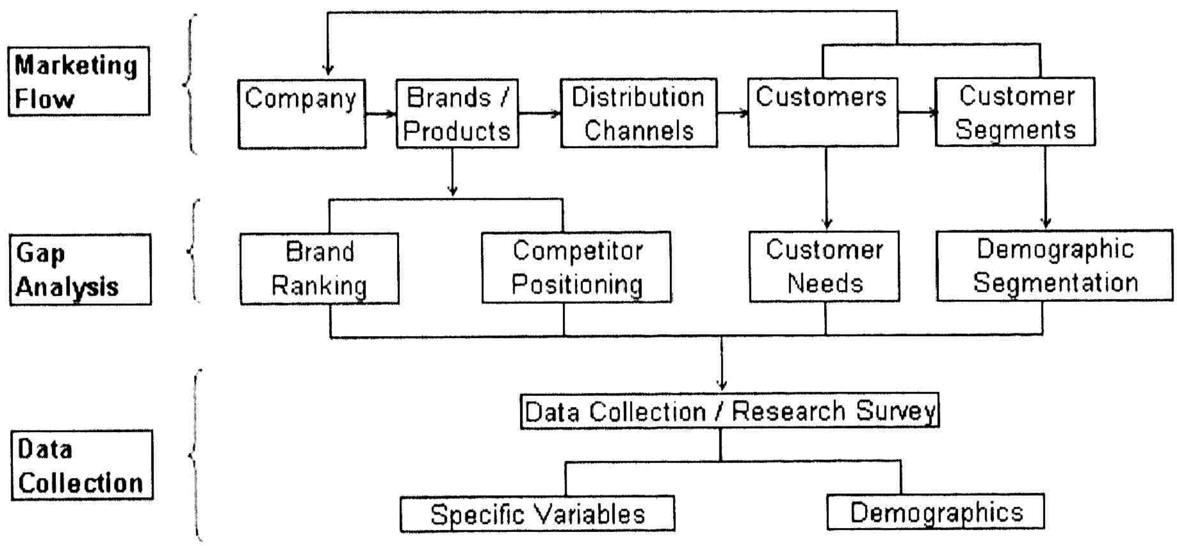
This thesis will be executed with reference from the empirical assumptions by Professor David A. Aaker (Theoretical Studies on Customer- Based Brand Equity 1996), Professor Stewart Pearson (the Empirical Works on Customer Service Response / Retention Model, 1996) and Professor Kevin Keller (Theoretical Studies on the Equity Concepts and Preferential Measurement 1998).

1.5 Report Format

The introduction of the brand preferential concept raises a host of practical issues about management of a brand. An overview of some of these issues will set stage for the following chapters.

The first chapter is the introduction to this study, which briefly indicates the importance of accessing brand preference in the market for the prosperity of a company. Where, it identifies the information gaps that relate to development of research objective (as summarized in Figure 1.3).

Figure 1.3 Chapter Summary



he second chapter is a review on conceptualizing and understanding the vital elements in randing. This literature review will help in identifying some of the key variables in etermining the brand preference or in other words, empirical evidence on the importance of rand image, brand awareness, brand knowledge and other associations that forms the basis f analysis in this paper.

he third chapter is research methodology. Telecommunication industry is picked for roviding sample for the later chapters of the thesis. This is a very important phase as it hows the analysis process. Sampling and design will play major roles here.

his is followed by two chapters of data analysis and discussion. Where in this section, eneral findings, brand ranking or position, empirical test between different types of users, nd the reasons underlying for using a particular brand are evaluated by using the brand referential concept.

inally, the conclusion summarizes the content and contribution of the research project. It vill conclude by summarizing the result findings and discussion of the brand preference oncept in Malaysia's telecommunication industry.

CHAPTER 2: LITERATURE REVIEW