

## CHAPTER 2: LITERATURE REVIEW

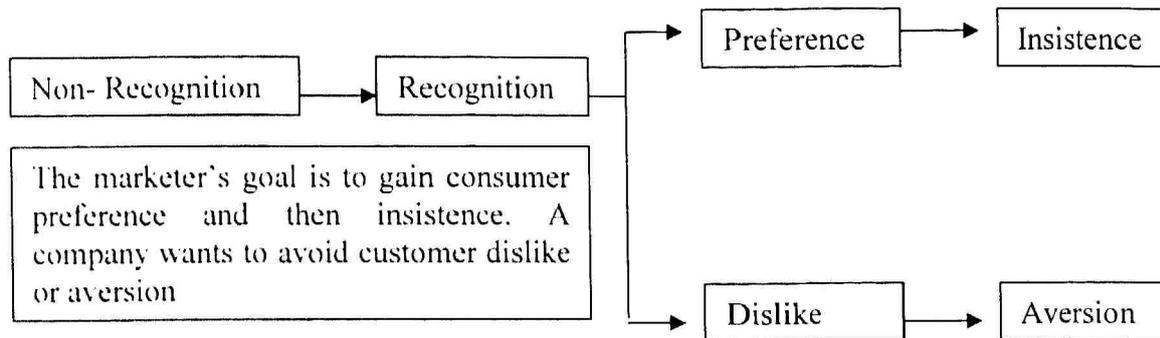
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This chapter review on the literature of branding concept, by identifying some of the key features in determining the value of brand preference. Empirical evidence will be provided to show the importance of brand image, brand awareness, brand knowledge and other associations that forms the basis of analysis.

### 2.1 Understanding the Elements of Branding

The valuation of customer's preference towards brand is one common way of linking marketing effectiveness to company value. Branding responsibilities will usually fall onto marketing activities. However, marketers must understand that the fundamental principle of marketing is the most important factor in order to proceed for company valuation (Joel R. Evans and Barry Berman, 1997). In other words, brand valuation can only be possible if the consumers recognize the brand existence. This means that in order to do branding, a firm should plan for stages in the consumer's brand decision process. Where this process will enable a non- recognition of brand to either insistence for purchase or aversion towards it. Figure 2.1 displays the process.

Figure 2.1: The consumer's Brand Decision Process (Cyndee Miller, 1995)



For a new brand, a consumer begins with non- recognition of the name, and the seller must make the person aware of it. Consumer then moves to recognition, wherein the brand and its attributes are known, and the seller stresses persuasion. Next, the person develops a preference (or dislike) for a brand and buys it (or opts not to buy); the seller's task is to gain brand loyalty. Finally, some people show a brand insistence (or aversion) and become loyal (or never buy); the seller's role is to maintain consumer loyalty. Often, people form preferences towards several brands but do not buy or insist upon one brand exclusively. By using this method, a new product would favorably begin at the recognition, then proceed to preference, and end- up at insistence stage. However, consumers who dislike the existing product line would be unlikely to try a new product under the same name, but they might try another company product under a different brand.

By using the measurement of brand equity, it can assist in identifying customer's brand preference and to keep track of consumer's brand decision process. Brand equity is a brand preferential concept that is able to help determine the value of brand name in the market, as well as assisting the company to indicate its general competitive position (David A. Aaker 1996); This is a marketing effect that uniquely relates to brand selection. The brand preference index would play a vital role in identifying the consumer reactions to the product, price, promotion, distribution, or other marketing mix that is taken.

Apart from the mentioned definitions of brand preferential concept by Professor Kevin Keller and Professor David A. Aaker, there are also other theories by:

- William D. Neal and Keith Crum of SDR, Inc "... is defined as the bundle of intrinsic features / attributes delivered by the branded product or service...".
- Professor Philip Kotler of Northwestern University believes that brand equity is highly related to how many brands the customers recognize in the specific classes.
- These theories were furthered by Professor Stewart Pearson, to the degree of brand name recognition, perceived brand quality, strong mental and emotional associations, and other assets such as patents, trademarks and channel relationships.

All these authors have different styles of explaining the brand preferential concept. However, if we really understand deeper into their definition, it is basically developed from the perspective of the individual consumer. This is where the consumer conceptualized their brand preference according to an associative network memory model known as brand knowledge with two main components: brand awareness and brand image.

## **2.2 Brand Knowledge**

Brand knowledge can be viewed in a simple form of basic memory principles that is used to understand a particular brand and its relation to the equity. Understanding the content and structure of brand knowledge is one of the key issues as it has a big impact on branding. This can be related to the marketing or promotional activities for the brand in the market (Alba, Hutchinson, and Lynch 1991). For example, in considering a soft drink purchase, a consumer may think of Pepsi because of its strong association with product category. Consumer knowledge that is strongly linked to Pepsi should also then come to mind, such as perceptions of its taste, sugar and caffeine content, or even recalled images from recent advertising campaign or past product experience (Collins and Loftus 1975; Raaijmakers and Shiffrin 1981; Ratcliff and McKoon 1988).

The relevant dimensions that distinguish brand knowledge and affect consumer response are awareness of the brand, in terms of brand recall and recognition, as well as the image in consumer's perception, in term of favorability, strength, and uniqueness of the brand associations (Kevin Keller, 1989). These dimensions are usually influenced by other characteristics and relationships among the brand associations. For example, factors related to the type of brand association and the congruity among brand association affects the favorability strength and uniqueness of the brand associations (Phillip Kotler 1991).

Hence, two main findings can assist in recognizing the importance of brand knowledge is brand awareness and brand image. These dimensions will further improve the appreciation of brand knowledge in playing the major role in brand preferential concept.

## 2.3 Brand Awareness

Brand awareness is related to the strength of the brand node or trace in memory, as reflected by consumers' ability to identify the brand under different conditions (Rossiter and Percy 1987). This means that the likeliness of a brand name will come to mind when it is prompted by certain factors. Brand awareness consists of brand recognition and brand recall performance.

Brand recognition relates to consumers' ability to confirm prior exposure to the name when given the brand as a cue. This means that brand recognition requires that consumers correctly discriminate the brand as having been seen or heard previously (Duane Knapp 2000).

Brand recall relates to consumers' ability to retrieve the brand when given the product category, the needs fulfilled by the category, or some other type of probe as a cue (Chuck Chakrapani, 1998). In other words, brand recall requires that consumers correctly generate the brand from memory.

The relative importance of brand recall and recognition depends on the extent to which consumers make decisions in the store versus outside the store, among other factors (Bettman 1979; Rossiter and Percy 1987).

Brand awareness plays an important role in decision making for three major reasons:

It is important that consumers think of the brand when they think about the product category. Raising brand awareness increases the likelihood that the brand will be the serious consideration set for purchase (Baker et al. 1986; Nedungadi 1990).

Brand awareness can affect decisions about brands in the consideration sets, even if there are essentially no other brand associations. In low involvement decision settings, a minimum level of brand awareness may be sufficient for product choice, even in the absence of a well formed attitude (Bettman and Park 1980; Hoyer and Brown 1990; Park and Lessig 1981).

Brand awareness affects consumer decision making by influencing the formation and strength of brand associations in the brand image. A necessary condition for the creation of a brand image is that a brand node has been established in memory, and the nature of that brand node should affect how easily different kinds of information can become attached to the brand in memory (Stewart Pearson, 1996).

## 2.4 Brand Image

Brand image can be view as attitudes about a brand as reflected by associations held in consumer memory. Brand associations are the other informational nodes linked to the memory and contain the meaning of the name for consumers. The favorability, strength and consumer attitudes of the associations are the dimensions which distinguish brand knowledge that play an important role in determining the differential response that makes up brand equity (Dickstein, Erlen and Judith, 1991). In this case examining different types of brand associations may help in further understanding the element present in consumer memory.

There are numerous types of brand associations. One way to distinguish among brand associations is by their level of abstraction (Alba and Hutchinson 1987; Chattopadhyay and Alba 1988; Johnson 1984; Russo and Johnson 1980). Among the brand associations, it can be classified into three main categories: attributes, benefits, and attitudes.

Attributes are those descriptive features that characterize a product or service - what a consumer thinks the product or service is or has, and what is involved with its purchase or consumption. Attributes can be distinguished according to the relation to the product or service performance which can be categorized into product related or non product related component. Product related brand associations correspond to all the functional and experiential attributes or benefits provided by the products, while non- product related brand associations comprise symbolic attributes or benefits (Jaworski, Ambler, 1994). Some examples of non- product related components are imagery, price, packaging, etc.

Price plays an important role in attributes as it represents a necessary step in the purchase process for most consumers. Consumers often have strong beliefs about the price and value of a brand; it may organize their product category knowledge in terms of price tiers of different brands (Blattberg and Wisniewski 1989). One of the most favored measurements of price / value is by setting up choice situations for respondents where, at the first level of choices, all prices are equal across the brand. As price increases in relation to other brands, the willingness to pay among the customers can be witnessed. This, in turn, may provide a sense of loyalty for the brand in the context of a reasonable range of prices.

Benefits are the personal value consumers attach to the product or service attributes. This can be further categorized into three components according to Park, Jaworski, MacInnis 1996:

1. Functional Benefits – intrinsic advantages of product or service consumption and usually correspond to product related attributes.
2. Experiential Benefits – relate to what it feels like to use the product or service and also usually correspond to product related attributes.
3. Symbolic Benefits – are more extrinsic advantages of product or service consumption. They usually correspond to non - product related attributes and relate to underlying needs for social approval or personal expression and outer directed self - esteem. It is sometimes viewed as the “badge” of the product.

Apart from that, consumers’ overall evaluations of a brand, or brand attitudes, also play an important role because this often forms the basis for consumer behavior (Wilkie 1986). It can be viewed as a multiplicative function of:

1. the salient beliefs a consumer has about the product or service - i.e., the extent to which consumers think the brand has certain attributes or benefits
2. the evaluative judgement of those beliefs – i.e., how good or bad it is that the brand has those attributes or benefits

Brand attitudes can be related to beliefs about product - related attributes and functional and experiential benefits, consistent with work on perceived quantity (Zeithaml 1988). It can also be related to beliefs about non - product related attributes and symbolic benefits (Rossiter and Percy 1987), consistent with the functional theory of attitudes (Katz 1960; Lutz 1991), which maintains that attitudes can serve a "value- expressive" function by allowing individuals to express their self concepts.

## **2.5 Different Types of Brand Associations**

Different types of brand associations making up the brand image include product related or non - product related attributes; functional, experiential or symbolic benefits; and overall brand attitudes. As mentioned, these associations can be distinguished according to their favorability, strength, and uniqueness (Kevin Keller 1996).

Associations differ according to how favorably they are evaluated. The success of a marketing program is reflected in the creation of favorable brand associations – that is, consumers believe the brand has attributes and benefits that satisfy their needs and wants such that a positive overall brand attitude is formed. Consumers are unlikely to view an attribute or benefit as very good or bad if they do not consider it to be very important. Hence, it is difficult to create a favorable association for unimportant attributes (MacKenzie 1986).

Associations can further be categorized by the strength of connection to the brand. The strength of associations depends on how the information enters consumer memory (encoding) and how it is maintained as part of the brand image (storage). Strength is a function of both the amount or quantity of processing the information received, and the nature or quality of the processing the information. For example, how much a person thinks about the information or level of depth in processing approach, and the manner in which the person evaluates the information (Craik and Lockhart 1972; Craik and Tulving 1975).

Brand associations may or may not be shared with other competing brands. The essence of positioning is that the brand has a sustainable competitive advantage or “unique selling proposition” that gives consumers a compelling reason for buying that particular brand. These differences may be communicated explicitly by making direct comparisons with competitors or may be highlighted implicitly without stating a competitive point of reference. Furthermore they may be based on product - related or non - product related attributes (David A. Aaker 1996; Ries and Trout 1979).

The presence of strongly held, favorably evaluated associations that are unique to the brand imply superiority over other brands is critical to a brand’s success. However, unless the brand has no competitors, the brand will most likely share some associations with other brands.

## **2.6 Relationship between Different Dimensions of Brand Knowledge**

As noted earlier by Professor Kevin Keller, the definition of brand equity consist of three important concepts:

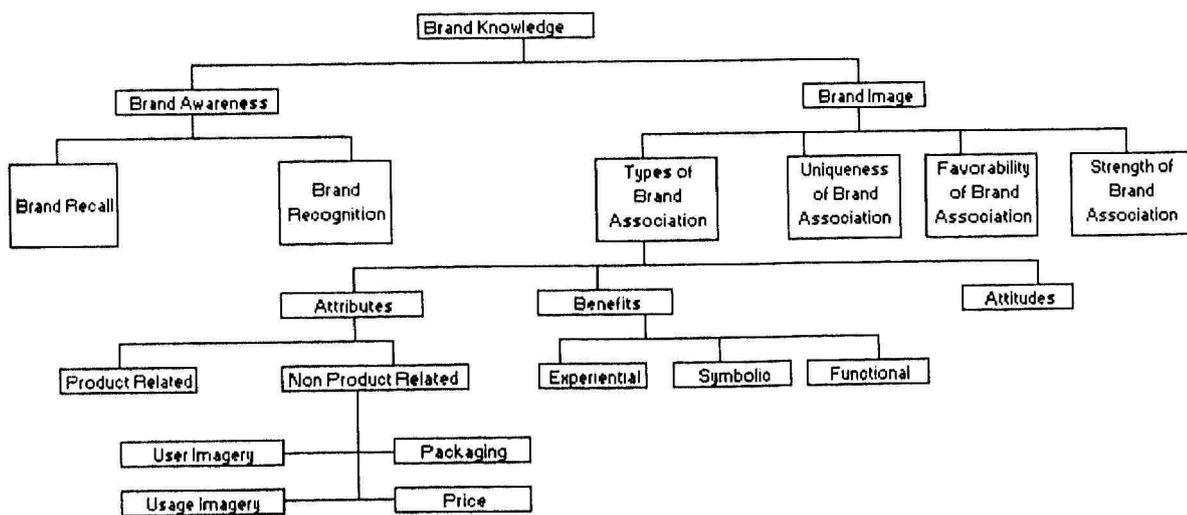
1. Differential effect
2. Brand knowledge
3. Consumer response to marketing

Differential effect is determined by comparing consumer response to the marketing of a brand with the response to the same marketing of a fictitiously named or unnamed version of the product or service. Brand knowledge is defined previously in terms of brand awareness and brand image, and is conceptualized according to the characteristics and relationships of brand associations. Consumer response to marketing is defined in terms of consumer perceptions, preferences, and behavior arising from marketing mix.

If the brand is seen by consumers to be the same as a prototypical version of the product or service in the category, their response should not differ from their response to a hypothetical product or service. On the other hand, if the product has some salient, unique association, those responses should differ. The actual nature of how the responses differ depends on consumers' evaluations of these associations, as well as the particular marketing mix element under consideration. Thus, establishing brand awareness and a positive brand image in consumer memory can create different types of preference, depending on what marketing mix element is under consideration.

There are many ways for a brand to communicate its benefits. In "Theoretical Studies on the Equity Concepts and Preferential Measurement 1998", Kevin Keller summarizes them well with various dimensions of brand associations of brand knowledge as the drivers of brand equity. Figure 2.2 outlined the dimensions of brand knowledge.

Figure 2.2: Dimensions of Brand Knowledge (Kevin Keller)



Based on Figure 2.2, brand knowledge is conceptualized according to an associative network memory model in terms of two components, brand awareness and brand image. Brand awareness consists of brand recognition and brand recall, while brand image consists of four main brand associations. Brand associations are conceptualized in terms of their characteristics by type (level of abstraction and qualitative nature), favorability, strength, and the uniqueness in terms of their relationship with the other congruence, competitive overlap (identification and uniqueness), and leverage.

Consumer based brand equity occurs when the consumer is aware of the brand and holds some favorable, strong, and unique brand associations in memory. Brand preference can be identified by using calculation of brand equity, where, the most important aspect in brand equity is for facilitating the development of more effective marketing strategies and tactics (brand knowledge). Hence, conceptualizing brand preference will enable a person to consider specific procedures for marketing programs that is needed to improve the positioning.

## **2.7 Marketing Strategy and the Importance of Dimensional Relationship within Brand Knowledge**

Fundamentally, high levels of brand awareness and positive brand image should increase the probability of brand choice, as well as produce greater consumer loyalty and decrease vulnerability to competitive marketing actions (Park 1991). High levels of brand awareness and positive brand image also have specific implications for the pricing, distribution, and promotion activities related to the brand. The most important aspect of the brand image that affects consumer responses to prices is probably overall brand attitude.

Consumer with strong, favorable brand attitude should be more willing to pay premium prices for the brand (Starr and Rubinson 1978). Similarly, a positive image should result in increased consumer search (Simonson, Huber, and Payne 1988) and a willingness to seek out distribution channels for the product or service.

In the book "Building Strong Brands" by Professor David A. Aaker, mentioned that brand knowledge could make the brand more interesting and memorable, and can become a vehicle to express a customer's identity. Thus, a Harley Davidson motorcycle rider "might feel more macho and free of confining job and its attendant lifestyle". A strong symbol can also provide cohesion and structure to brand knowledge, making it more recognizable and easier to recall. He also states, "Individual brand component or associations do not exist in isolation, but, rather, are closely related to each other." Hence, marketing strategists must think in terms of various systems within association dimensions of brand knowledge, rather than simply managing individual component.

Brand knowledge is crucial for marketers as it is the overarching device of retaining and attracting customers. In other words, with brand knowledge, it will not only pull in new customers, but is also perceived to be able to retain the current customers as well (Burke Institute: The Approach to Extending Brand Equity 1997). Where, favorable consumer response and positive consumer based brand preference, will lead to enhanced revenue, lower costs, and greater profits (Duane Knapp, 1994). Brand knowledge is central to this definition.

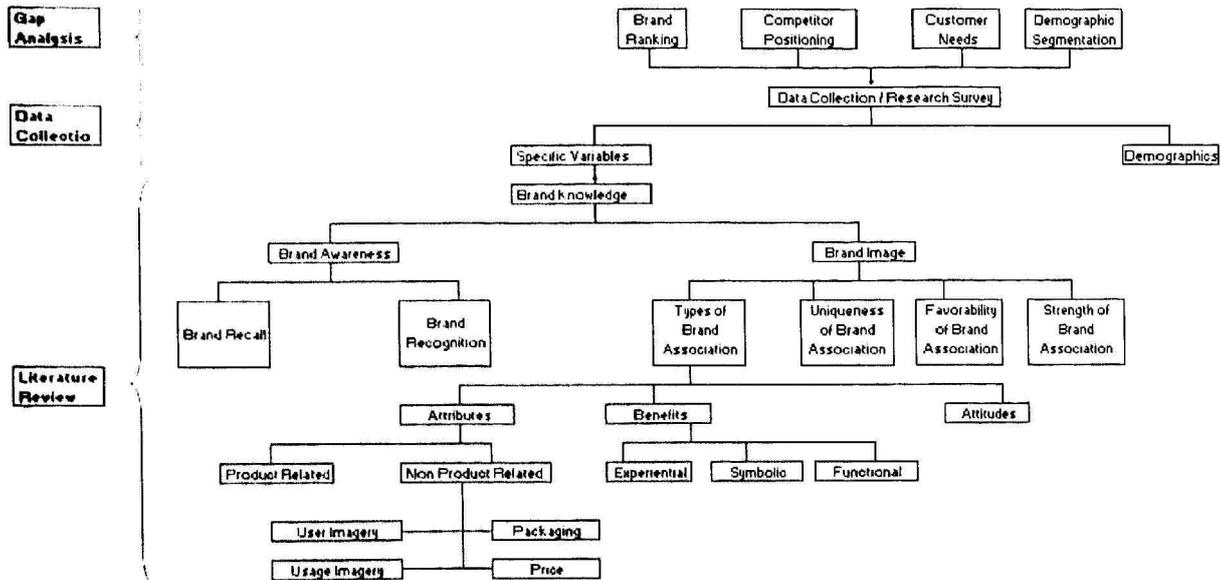
In particular, awareness, imagery, favorability, strength, uniqueness and other brand associations play a critical role in determining the differential response of the consumer toward a particular brand.

All aspects of the brand knowledge are relevant in determining consumer response to marketing activities. This will create a memorable image to the consumer and also better understanding towards the brand. With these issues in mind, it seems that high level of brand awareness and positive brand images can increase marketing communication effectiveness and this in turn will improve the brand selection choices (Clancy and Shulman, 1994).

The perception of brand preference will stem from a position that inhabits inside customers' minds regarding the brand itself (Professor John Roberts). If the position is favorable, then, it will usually manifold to a more preferred level, where:

1. It will become a stronger brand with better customer loyalty
2. It will be less affected by environment and competitors' marketing activities
3. Price in- elasticity
4. Broader brand extension
5. Will usually gain better response from marketing communications

Figure 2.3: Chapters Summary



In summary, this chapter reviews the literature used for the subsequent analysis, or opinion by various experts in brand preference. Figure 2.3 shows the relation of these literatures to the project. Where, from the review, it indicates that, strong brand equity springs from having a large proportion of consumer awareness, and whether the consumer will consider buying the product. This can usually be identified by strong and favorable associations about the product. With better brand equity, the preferential of the brand will improve, and this will ultimately improve the competitive edge of the brand or company in the market.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Sampling Procedure**

### **3.2 Variable List**

### **3.3 Statistical Data Analysis**

#### **3.3.1 Preliminary Data Exploration**

#### **3.3.2 Multivariate Analysis**

##### **3.3.2.1 Discriminant Analysis**

##### **3.3.2.2 Factor Analysis**

### **3.4 Chapter Summary**