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Factors Influencing Brand Equity: A Case Study of Dairy Industry

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Abstract

This paper aims to examine the effect of marketing-mix and corporate image on brand equity in a Dairy company (Kalleh Co.). The independent variables of the research are the elements of marketing-mix and corporate image while the dependent variable is brand equity. The present work is a survey study that applies cross-sectional data to test the research hypotheses. The results show that distribution channel in Kalleh Co. generates loyalty and awareness to the brand with marginal effects on perceived quality. Besides, the most effective factor on brand awareness is the company distribution channel (place), and every improvement based on price, positively affects all three aspects of the brand equity–loyalty, awareness of the brand and perceived quality.

Introduction

Brand as the present and the future identity of an organization, the most important and unique feature of an entrepreneurial company may be found in the integrity of its value offering and brand [1,2]. Customers' perception and recognition of brand are based on brand presence in the market, personal experience of the brand and what they may perceive from contract points including goods, distribution channels, price, advertisement and sale growth [3].

It should be acknowledged that there has been a shortage of research conducted on brand, its importance and aspects in Iranian companies and, to the best of our knowledge, no study has addressed the importance of brand and corporate image in the dairy industry. This work mainly aims to apprise consumers' viewpoint with regards to their motivation to purchase which is the result of awareness about the factors that form consumer behaviors. Also, this work tries to illustrate a better and more comprehensive image embedded in brand and also to raise consumers' awareness about the quality of products.

A model based on previous researchers Aaker [4] is applied to examine the effect of marketing-mix elements and corporate image on brand equity at Kalleh Dairy Company [4-6]. Previous research has examined the impact of brand on consumer behavior. For example, Mudambi found that the kind of brand strategy highly depends on the type of the market segment [7]. Also, Kim and Hyun's study reveals the influence of marketing-mix efforts and corporate image on brand equity based on three dimensions of brand. Kim and Hyun the research context is an ICT market (software) while the context of this study is a market of Dairy Industry [6]. Also, this research produces evidence for the relationship between consumers' demographic information (age, education, number of family members, and income) and brand equity that previous research has not addressed them.

The marketing-mix and corporate image as independent variables and awareness of brand, perceived quality, and loyalty to brand as dependent variables (observed variables of brand equity) were considered in our model. After literature review and research methodology, the results are provided.

Literature Review

Marketing-mix and corporate image

Every purchaser is under the influence of a different set of marketing tools that the firm uses to pursue its marketing objectives in the target market [8]. Therefore, customer' decision depends on the type of the product and its features, pricing and payment policies, delivery facilities and promotional and motivating techniques [9]. The mixture of effective marketing should feature four traits: compatibility with customers' needs, an optimum combination of elements, commensurability with the firm's resources, and creation of competitive advantage. Decisions about marketing-mix to be made based on customers' demand. An accepted taxonomy of marketing mix is product, price, promotion, and place [3].

Product: In general terms, everything is in quality to be brought to a market and to meet customers' need is called product. High quality with first-grade parts is expensive to project a positive image of the product. In other words, the term "product" refers to a combination of "goods and services" provided by a company to the target market.

Elements of products include services attached to the goods, brand, package, and labeling [3].

Price: One of the most challenging decisions to make in the marketing plan is pricing the product or services. There are many other factors such as costs, discounts, transportation, and inflation to be taken into account as well. To put it simply, "price" is the amount of money to be paid for goods or services. A more comprehensive definition (from an economic viewpoint) is "the interest paid by a consumer for using benefits of owning goods or services." With its high effect on the value of the product, the element creates the mental image of the product in mind of the customer [1]. All other marketing elements are costly [3].

Promotion: Usually, potential customers needed to be informed and taught how to find out about and use products through advertisements in publications, radio, and TV. The whole set of the marketing plan of a company is called the combination of progressing factors of a

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company or organization. The idea is to determine a combination of public advertisement, sale promotion ads, public relation, and door-sale. Through sale promotion combination, companies try to create a suitable mental image of their brand for achieving advertising and marketing goals. The four primary tools of promotion include free ads, public relation, and door-sale [3].

Place (distribution channels): These factors provide facilities for consumers; or provide access to the product when needed. There are many issues for consideration in distribution: type of distribution network, number of mediators, and position of network members, to name just a few. A distribution channel is comprised of interdependent institutions, which are in charge of delivering services or goods to industries or end users. The better and faster this mixing element of marketing is realized, the more positive mental image of the products or services. [3].

Corporate image: Likewise, any other elements in marketing, not only is it achievable through a logical, strategic and systematic process, but it is essential to make it happen in this way. Practical thinking is the way to this end. All constitutional elements of the mental image should be studied, and results of such studies need to be taken into account to create an attractive and satisfactory image for consumers. Five elements are most important for forming the image: the image of a brand, image of a product, resembled image, user image, mental image [10].

Personal and public factors were found as the most and the least significant factors respectively in a survey on the role of Marketing-Mix as compared to that of environmental factors in consumers' decision for purchase [11,12]. An experimental analysis on the image of origin country and marketing measures on perceived value equity by retailers showed consumer preference of global brand relative to local ones, even if the latter is clearly of more quality and value [9]. A novel phenomenon of specific commercial value was introduced by another study on the effect of value equity of transaction and value equity of brand on the relation between retailers and national brands producers. The results showed that value of producers' brand amplifies its commercial value on retailers' dependency and undermines its effect on retailers' loyalty [13]. Similarly, an article in the domain of managerial perception explains awareness of brand as a sign of some managers' viewpoint on the effectiveness of brand awareness. Results in this article explain that high awareness of the brand may be considered as a highly valuable asset of an enterprise [14,15].

Brand equity

A product becomes a brand when the target consumer learns about it, and the user also saves the knowledge structure of the brand in their memory to refer to it at the time of next purchasing decision [6,16]. When this knowledge structure is stabilized in the customer memory, it helps the brand to enhance the product value which is known as brand equity [6]. The brand equity has profound effects on consumers' positive behavior with regards to the product. For example, they are more willing to spend more money on the product and more willing to believe the product [17].

Not only lies in the value of symbols, but a value equity of a brand conceptually is the value of exclusive technologies, licenses, commercial marks, and other intangible factors such as knowledge and manufacturing process [18].

Generally speaking, value equity of a brand is defined regarding unique and reliable marketing measures related to a brand [19].

Research has addressed brand awareness, perceived quality, and brand loyalty as three dimensions of brand equity [6].

Brand awareness: Awareness of brand is comprised of recognition and memorization of the brand. By definition, "recognition" refers to the ability of individuals to identify a brand, as they will be able to distinguish the brand from the others after introduction, observing and hearing about the brand. Symbols, mottos, packaging and, in general terms, physical identity help further the recognition [4].

Brand loyalty: Loyalty to brand is the extent of consumer preference for a brand in comparison to close substitutes. Brand loyalty is rooted in consumers' belief that only a specific brand may meet their demands [4].

Perceived quality: A reasonable definition is that perceived quality may be a conventional perception of general quality and merits of goods or services in comparison with other rivals. The perceived quality is valuable for some reasons. In some fields, it is the main reason to adopt a brand [4].

A survey on value equity of brand and its relation with customers' purchase behaviors showed the direct effects of value equity of brand and direct/indirect effects of the various aspects of value equity of brand, awareness of brand, perceived quality, and loyalty to brand on customers' decision [20,21]. Studies on effective factors on consumers' loyalty to a specific brand in food industries (a case study in noodle business) confirmed all the hypotheses, meaning loyalty is rooted in reputation, bearing the standard mark, type of package and taste and level of such loyalty depends on the availability of the brand in the market. The studies ranked the factors using Freidman's Test: 1: availability 2: type of package; 3: taste; 4: standard mark; 5: reputation (Figure 1) [22].

Methodology

According to the statistics of Kalleh Co., about 17000 retailers are active in Tehran city. Our statistical sample is comprised of retailers in 22 districts of Tehran who have used at least two different products of the company in two consecutive months. Given the fact that the consumers are picked from a limited society, and they are known, Morgan's table is used for determining the sample size which suggests 384 cases. Then 384 retailers were randomly picked from the company's record list.

Socio-demographic characteristics of sample

Age: the main portion of the sample group is between 18-24 (166 individuals/43.2%). Participants over 36 accounted for the smallest proportion in the group (3.2%). Education: holders of the high-school diploma are the leading group of participants (41.1%), and most minor groups are holders of a postgraduate degree (1.6). Gender: results showed that 198 of respondents were men (51.6%) and 186 were women (48.4). Marital state: results showed that 233 of respondents were married (60.7%) and 151 were single (39.3%). Job experience: the most considerable portion of the sample group was comprised of people with 1-5 years of job experience (27.9%). Participants with more than 25 years of experience involved the smallest portion (4.7%). Family members: the most significant portion of sample group was comprised of people from families with four members (129 individual 33.6%) and the smallest portion was comprised of those who were living alone (6.3%). Income state: Between 400-600 thousand Iranian Tomon (36.5%) was the highest portion of Income in the sample. And just 9.4% belong to the Income level below one million Iranian Tomon.
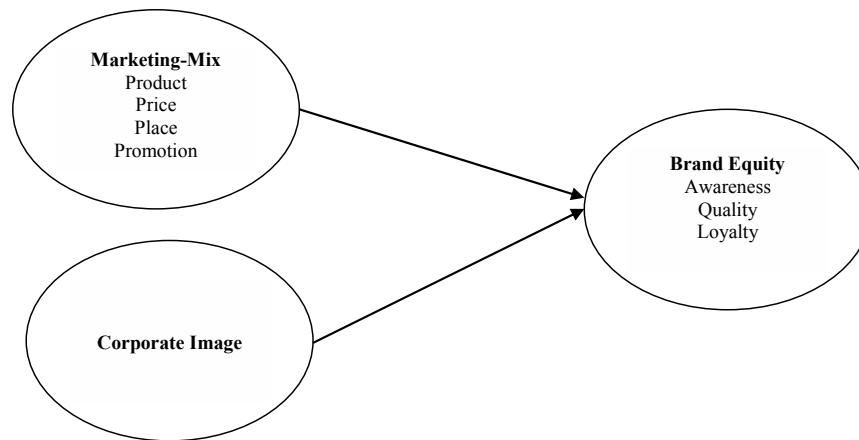
Figure 1: Conceptual model of research.

Research tool

The content of the questionnaire was in two sections. The first part, including eight questions that focus on the demographic characteristics of respondents. Respondents were asked about gender, marital status, education, job experiment, number of family members, average monthly income, and domicile. The second section was comprised of 38 questions all in 5-score Likert scale. They include the effectiveness of marketing-mix factors, corporate image, brand loyalty, quality and awareness of brand. Applying structural equation modeling, the statistical hypotheses of the study were tested.

Results

H1: Distribution channel (place) has positive effects on Brand equity' dimensions

Results of statistical modeling using path analysis method show that the distribution channel has a positive impact on brand loyalty and brand awareness but no significant impact on the perceived quality ($p > 1.96$).

Therefore, type of the distribution channel results in loyalty and awareness of the brand and do not affect perceived quality. Regarding the coefficients, distribution channel variable has the highest impact on the brand awareness.

H2: Price has a positive effect on Brand equity' dimensions

The results show that price has a positive impact on all the dimensions of the brand equity (loyalty 0.43, perceived quality 0.48, and awareness 0.43: $P < 1.96$). Hence, any changes in the prices of Kalleh Co. products may impact loyalty, awareness, and perceived quality of the brand.

H3: Promotion positively affects Brand equity' dimensions

Results show that promotion of sale, as a factor of marketing-mix, is 0.4 effective on loyalty on brand, 0.66 on perceived quality, and only 0.11 on brand awareness. Therefore, sale promotion does not affect brand awareness, though it is significantly and positively affects loyalty to the brand and perceived quality.

H4: Products of the company has positive effects on the Brand equity' dimensions

Results of statistical modeling on path analysis show that products

of the company are 0.61 effective on loyalty to brand, 0.91 on perceived quality and 0.43 on awareness of brand. So, status of products is in power to create loyalty, brand awareness and perception of quality. In other words, any improvement in products is positively and significantly effective on the three aspects of brand equity.

H5: Mental image of consumers has a positive impact on the Brand equity' dimensions

The results show that mental image of the consumers of the company is 0.93 effective on loyalty to brand, 0.55 on perceived quality, and 0.35 of brand awareness. However, the mental image positively related to loyalty and quality but negatively associated with the brand awareness. That is a surprising finding (Figure 2).

Conclusion

First, from the result we infer that the type of distribution channel for Kalle Co. products can help emergence of the loyalty to and awareness of the brand and any improvement in the price-based value of the product is significantly and positively effective on the three aspects of the brand equity. In addition, regarding price coefficients based on value, the most effective factor was loyalty to brand. Sale promotion status results in awareness of brand as one of the variables of value equity. Products promotion status does not result in brand awareness as one variable of value equity. Loyalty and perceived quality, therefore, have positive and significant effects. Among them, perceived quality is mostly affected by products sale considering path coefficients and any improvement in quality of products positively and significantly affects the three aspects of value equity. Based on coefficients, products have the most effect on perceived quality among different aspects of perceived quality. Mental image of customers regarding the company acts as predictors of development on the three aspects of value equity. Moreover, the results show that awareness of brand positively affects value equity of brand for the consumers, as path coefficient is significant and positive. Perceived quality of the products helps the formation of value equity among the users. Loyalty to the brand of the company among the three variables is the main variable in the formation of value equity of the brand, as it has the highest coefficient.

Second, we found that the perceived quality is the most effective factor on purchase decision. In addition, among others, loyalty to brand has the highest effect on value equity of brand. Among the independent factors in the model, corporate image has a negative impact on the brand awareness. This is a critical issue regarding the

Figure 2: SEM model with *t*-values.
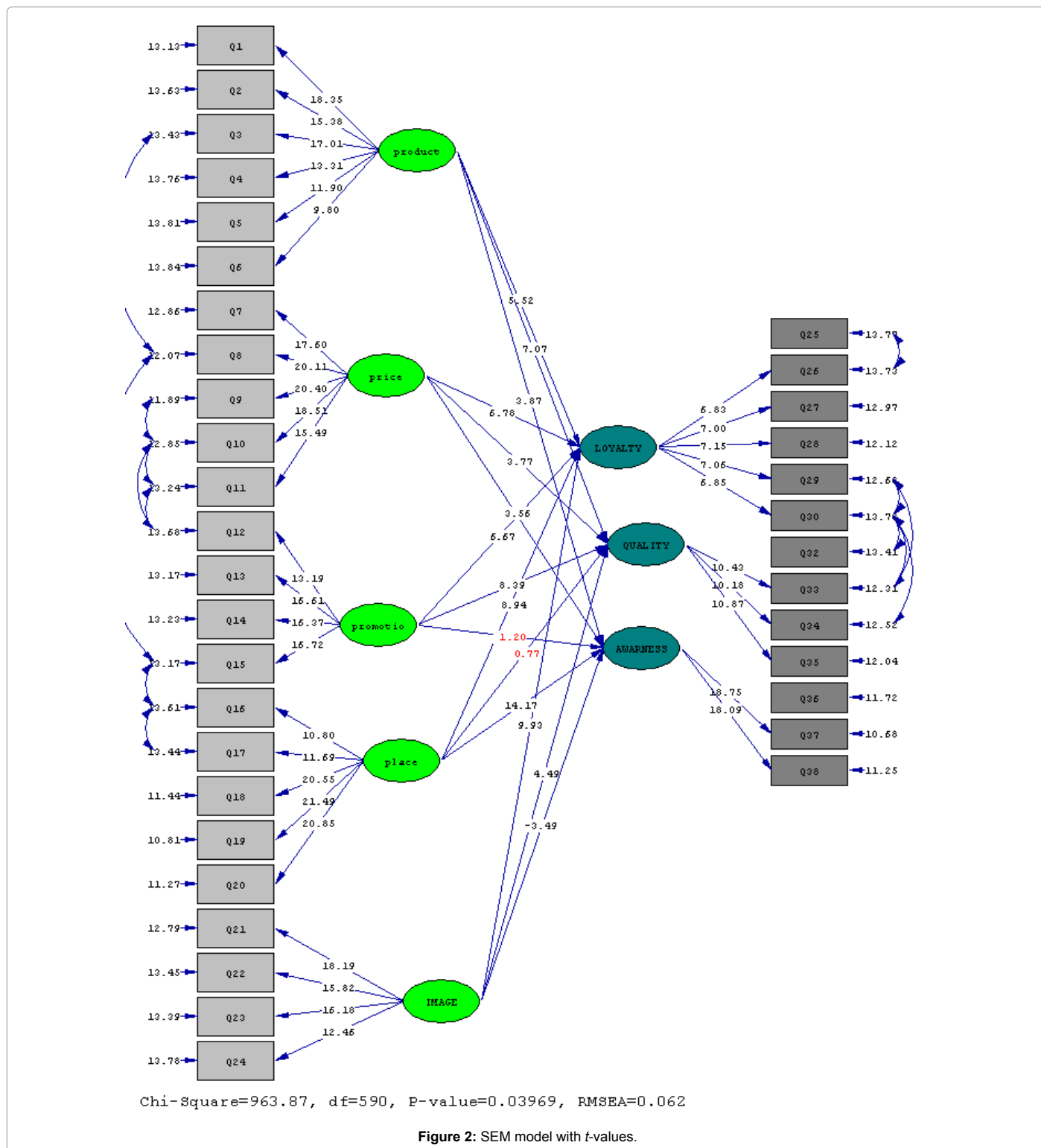
customer awareness of the company's brand. That means that, not only the mental image of the Kalleh Co. does not enhance its brand awareness but results in diminishing it. This may in long term make customers to become indifference regarding the company products.

Finally, regarding the budget assigned to advertisement for brand and other ways to improve awareness and resemblance of the brand (e.g. paying attention to family as a source of value equity), proper and timely product distribution help increase customers satisfaction.

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