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### Role of Word of Mouth in building CBBE

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#### ABSTRACT

This paper investigate the relationship between word of mouth dimensions volume, valance and source type with customer based brand equity dimensions brand awareness, brand image, perceived quality and brand loyalty. Study is conducted in Islamabad Pakistan on Five GSM companies working in Pakistan. Structural questioning model was used in methodology. Our study revealed that volume and valance has significant impact on CBBE while source type relation is not significant.

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#### Introduction

##### Investigating Role of Word of Mouth in Creating Customer Based Brand Equity

Every business must have two things, first, product mean what company is offering and second, brand what special a company is offering, we are living in era where whole world is like a village. Anything can be communicated due to social media, TV radio and using many other mediums. So we can say now a days brand is more important than a product (Kumar, 2006). Companies are spending in billions through advertising and promotion in order to create strong brand equity. Customer purchasing behaviors are functions of brand equity Organization should develop such kind of strategies which promote customer buying behavior (Ronal & Philip, 2005).

Marketing mix has been considered as one of more important factors for creating brand equity by many researchers (Built, 2011 Kim; Hayan, 2011; Yoo&Donothu, 2001). For creating strong brand equity, marketing mix element promotions is used to create positive word of mouth and it has a significant goal on sales which is ultimate purpose of any business (Buttle, 1998). Word of mouth is considered more reliable as compared to other sources of awareness advertising and promotions (Built, 2011). Word of mouth regarding any brand can be positive and sometime not in favor of brand but it is main factor for creating customer based brand equity (Papu, 2005; Lee & Back, 2010).

Customer based brand equity is differentiation in minds of customer regarding a brand they know compared to a brand they do not know (Aaker, 1991; Keller, 2003). Numerous model for measuring brand equity are developed form 1991 till 2001(Aaker, 1991; Lessar& Mittal, 1996 ; Kapafer , 1997). But several authors are agree that brand equity consist of four variables brand awareness, brand image, brand loyalty and perceived quality. A multidimensional model developed by Yoo and Donthu for measuring customer based brand equity across the globe (Lee, 2010, Krishnan, 2009). Why people purchase a brand? What attract them to purchase it again and again? And why a brand fails or succeeds? These are fascinating questions can only be answered by brand equity (Aaker, 1996).

GSM brands are Pakistan's largest brands; these companies are adapting all strategies and putting all their efforts to create

strong brand equity to grab more and more customers in order to create positive word of mouth. In this article we will be investigating the role of word of mouth in creating customer brand equity. As this topic is not already researched in Pakistani context, this will be useful for both academicians and researchers.

#### Literature Review& Theoretical Frame Work

Consumer familiarity has fascinated marketing scholar's attention for a decade due to special influence of awareness and customer decision making process(Bettman& Park, 1980). Familiarity is direct or unforeseen knowledge which customers have about some product or service(Alba & Hutchinson, 1987). For familiarity consumption is not mandatory, Customer get aware through advertising and word of mouth (Gursoy, 2001).Advertising is the non-personal communication of information generally paid for and usually convincing in nature about goods, services or thoughts by recognized sponsors through the numerousmass media (Bovee, 1992). Word of mouth is oral, person to person communication in which one person is receiver and other is communicator, whom the receiver perceives as non-commercial (Arndt, 1967; Bayus, 1985; Brit, 1966;; Bolfig, 1989).From above definitions we can easily differentiate the difference between word of mouth and advertising. Next paragraphs are on word of mouth, factors which combined create word of mouth & how word of mouth creates brand equity. Brand equity and its dimensions are also discussed In order to develop a model demonstrating relationship between customers based brand equity and word of mouth this section is net shell to support hypothesis.

#### Word of Mouth

Word of mouth is usually more credible and trust worthy as compared to other sources of communication like advertising, promotions, publicity etc. Social set-ups usually consent word of mouth readily (Banerjee, 1993; Brown and Reinge, 2006; Liu, 1987).There are number of authors who worked on word of mouth'Volume, valance and source type are identified as factor which combined create word of mouth (Buttle, 1998; Davis and Khazanchi, 2008; Liu, 2006). Following subsection discusses these elements briefly.

## Volume

Total amount of word of mouth interactions are called volume (Liu, 2006). Word of mouth can be positive (In favor of brand) and negative (not in favor of brand) but it always exist about some brand which is known by customers (Alvariz, 2007). There are number of studies proving that increase or decrease in word of mouth is affecting brands performance and impacting consumer decision making process (Amblee and Bui 2007, Anderson and Salisbury 2003, Bowman and Narayandas 2001, Liu 2006).

## Valance

Word of mouth about some brand can be negative or positive, this perception of customers about brand is called valance (Buttle, 2009). Valance is about dealing with nature of message (Liu, 1998). There is contradiction in researcher already conducted to check the impact of positive and negative word of mouth. According to Anderson (1998) the relation between positive word of mouth and increase in sales is not clear. Liu (2006) Proved the increase in positive word of mouth increased the sales, while negative word of mouth decreased sales. These two opposite results are identifying the gap to research this topic and importance of valance in word of mouth.

## Source Type

Discussed earlier that word of mouth is more reliable (in customer perception) and readily acceptable in all social networks. Sheth (1971) concluded that word of mouth is more reliable than advertising for awaring customer about some brand. Day (1971) suggested that it happens due to source reliability, the more reliable resource, more powerful it will be in customer decision making process.

## Customer Based Brand Equity

Consumer based brand equity is the value consumers associate with a brand. It is reflected in the dimensions of brand awareness, brand association, perceived quality, brand loyalty and other proprietary brand assets act as signal or cue regarding the nature of product and service quality and reliability and status (Aaker, 1991). Ahonen (2008) after reviewing all studies done on consumer based brand equity find that almost all researchers are agreeing that brand equity consists of brand awareness, brand image, perceived quality and brand loyalty given by Aaker & Keller (1992). Kim, (2010) did research on brand equity theory in order to identify the relationship between consumer based brand equity and firms performance and used Aaker & Keller (1992) defined dimensions. Jaleel (2008) supported Aaker & Keller (1992) model for measuring Consumer based brand equity.

## Brand Awareness

Customer purchase a product or services when they are familiar with that product or service. This is brand awareness (Aaker, 2000). Brand familiarity decreases purchase risk of customers. If brand awareness of some product is high that increases the chance of product or service selection (Laurent & Kapferer, 1995). Brand awareness can be measured by spontaneous response (Unaided recall) or by aided recall. Brand recalled without any aid is called top of mind awareness brand (Kim W. G., 2004). Among all brands in Pakistan customers are aware with almost all brands of GSM companies (khan, 2011). According to Kim (2010) brand awareness is most important in brand equity. Higher brand awareness increases company performance. Performance of KFC was good due to higher brand awareness as compared to its competitors (Jalell, 2005). Through advertising and promotions brand awareness can be increased and it is usually created through promotions (Barwise, 1993).

## Brand Image

Once customers get aware about some brand they develop some set of beliefs about that specific brand, called brand image (Ghos&Zafer, 2011). According to Aaker (1991) customer set brand image due to three reasons, first long history of brand, second differentiated from other brands, third customer familiarity with brand. Handling properly, maintaining quality long history helps organizations in creating strong brands if not handled properly it can create bad image in minds of customers (Barwise, 1993). Brand differentiation is usually based on their quality, price, effective supply chain and strong distribution system. It is very important for those brands differentiating them due to technology e.g. GSM Companies (Khurana, 2010). Customers not only just buy a brand but also the association which they have with brand. Brand image is simply perception which customer has in their minds. Companies try to create that perception good. It is created by brand logo, symbols and slogans e.g. Warid "We care", Mobilink "Reshaping lives" and Ufone "It's all about U" (khan, 2011). The idea about customer is buying some brand or not is based on brand image. Brand image should be positive. It is overall assessment of customers about some brand. It is not created brand image is automatically developed due to product appeal, ease of use and functionality (Aaker, 1991). Brand image is positively associated with brand satisfaction, brand trust, brand equity (Uzma&Azhar, 2010). Information covey by a brand does not contain any value unless it is credible thus credibility is key element. Brand image play central role in brand equity (Liao, 2000).

## Perceived Quality

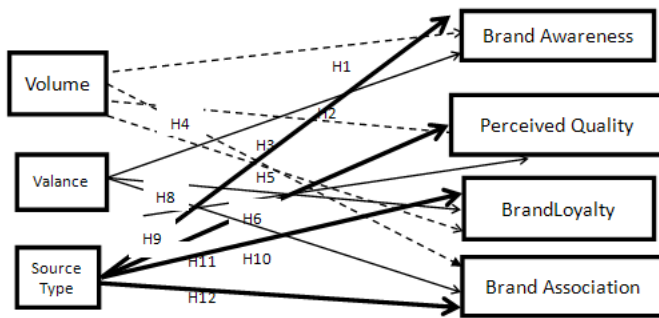
Customer good brand image or bad brand image depends on their perceptions of quality which a brand is delivering called perceived quality. It is customer's opinion of a brands ability to fulfill his or her expectations (Marketing Power, 2000). According to Aaker (1992) perceived quality is all about three items first Actual quality; it is the extent to which the product or service delivers superior service. Second is the nature and quantity of ingredients, features, or services included. And third is manufacturing quality. In perceived quality zero defect goal is more important. Zero defect goal is absolute quality management it is usually used in supply chain management (Cesario, 2009). According to Kim (2004) perceived quality is most important in all brand equity dimensions. Perceived quality is more important than brand image and brand loyalty because these aspects are dependent on perceived quality (Jalell, 2005).

## Brand Loyalty

Consumer based brand equity occurs when consumer is familiar with brand and holds some favorable unique and strong associations (Kamakura, et al., 1993; Iassar et al., 1995). Consumer based brand equity creates associations and beliefs on the part of the brands consumers. This association gets stronger with the passage of time and turn into brand loyalty (Walgren & Mohr, 1998). The pursuit of the customer's loyalty is continuous and it is more of a journey than a destination (Duffy, 1998). Consumers attitudes towards the brand in general or attitudes towards the suggestions of switching brands, consumer's tendency to buy the brand over others and consumer's tendency to be prepared to pay more for the brand is brand loyalty (Aaker & Keller, 1992). Aaker (1996) states that focus on loyalty segmentation prove strategic and tactical insights that will assist in building strong brands.

## Research Hypothesis

Figure 1 shows the Theoretical model of this research. The relationship between customers based brand equity and word of mouth



**Figure 1. Conceptual Model**

There are number of researching proving that no other variables have such impact on customer behavior like word of mouth impact on customer behavior. All other mediums even websites are in control of companies. WOM is only variable which can be positive and negative depending on customer perceptions. But there are factors which identify what is important in word of mouth. Through above show model we will be investigating its role in developing customer based brand equity. To do so we proposed following hypothesis

H1. The volume of Word of Mouth (Volume) has a positive influence on: a) brand awareness b) perceived quality c) brand loyalty d) brand association.

H2. Valence has a positive influence on: a) brand awareness b) perceived quality c) brand loyalty d) brand association.

H3. Source type has a positive influence on: a) brand awareness b) perceived quality c) brand loyalty d) brand association.

#### Methodology

Data was collected from customer of GSM companies (Mobilink, Telenor, Ufone, Zong&Warid) in Islamabad. Similar studies were conducted by researcher Buils, (2011), Yoo et al (2001) and Rezvani (2012) by using students as their interviews. Previous scholars used many goods and services to explore the relationship between word of mouth and customer based brand equity, which made this relationship unclear. We will narrowed it to only one industry; GSM cellular companies' word of mouth and customer based brand equity will be measured. All everyone is familiar with these brands in Pakistan.

We used five questionnaires for each brand; all questionnaires were same except brand name. For sake of eligibility every respondent was asked question that he is aware about the brand or not. 500 questionnaires were distributed to students of different universities in Islamabad

#### Measurement

We measured seven variables in this study, Volume, source type and valence measured for WOM and four variables were measured for customer based brand equity which is brand awareness, brand image, brand loyalty and perceived quality. Questionnaire was in English. 500 Questionnaires were circulated on five major cell-phone shopping centers in Islamabad and 454 of them were returned and 334 of returned one were considered valid. The distribution of questionnaires was almost even among male and female respondents, 54.3% male and 46.7% female. 21.9%. People joined the study were below 20 years old, 32.9% were between 20 and 30, 30.8% were between 30 and 40, and 13.43% of them were above 40. Previously developed questionnaires were used to measure word of mouth and CBBE. Word of mouth was measured by dimensions defined by Rizvi (2011) while Customer based brand equity was measured Yoo & Dothan (2001) given dimensions.

## Results

### Measurement Model

Data was unruffled from questionnaires. We divided them in four levels. By main records, which confined only one response for all the queries (e.g. the responses for all questions were 4), were removed. Then Cronbach's alpha for each concept calculated. In the second step one "y" a little further and calculated the Average variance taken out of each category; two items that measured the Brand awareness were eliminated because of low mean of the construct. Then the preceding step was inspecting the T-value of each dimension item. The results are shown in table 1.

### Structure Model

To check either our hypothesis are valid or not we used Lisrel 8.54. The goodness of fit showed that our built model was valid. It is mentioned in table 2.

### Concepts and Measurement

Concepts and Measurement	Alpha	Average	T-Score Range
Volume			
V1	0.81	0.72	16.2-19.5
V2			
Source type			
ST1	0.77	0.92	5.87-7.89
ST3			
Valance			
V1	0.83	0.76	8.83-10.10
V2			
Perceived quality			
Qua1	0.71	0.54	13.53-16.87
Qua2			
Qua3			
Qua4			
Qua5			
Brand Awareness			
BA1	0.9	0.65	14.1-19.58
BA2			
Brand Image			
BI1	0.91	0.78	10.89-20.29
BI2			
B3			
Brand Loyalty			
BL1	0.82	0.65	10.89-20.29
BL2			
BL3			
-2ln(L) for the saturated model = 17682.11 -2ln(L) for the fitted model = 19229.184 Degrees of Freedom = 162 Full Information ML Chi-Square = 437.072 (P = 0.0) Root Mean Square Error of Approximation (RMSEA) = 0.0604			

**Table 2: Structural Model**

Table 2: Structural Model Hypotheses		Lisrel Estimate (M.L)	T-Value
H1a	Volume →Brand Awareness	0.793	15.29
H1b	Volume →Perceived Quality	0.782	17.25
H1c	Volume →Loyalty	0.918	14.91
H1d	Volume →Brand Association	0.122	3.88
H2a	Valence →Brand Awareness	- 0.112	-2.24
H2b	Valence →Perceived Quality	-0.067	-1.43
H2c	Valence →Loyalty	-0.093	-1.89
H2d	Valence →Brand Association	-0.126	2.21
H3a	Source Type→Brand Awareness	-0.057	- 1.64
H3b	Source Type →Perceived Quality	-0.052	- 1.35
H3c	Source Type →Loyalty	-0.039	-1.04
H3d	Source Type →Brand Association	-0.043	-0.91
Goodness of Fit			
-2ln(L) for the saturated model = 16247.872 -2ln(L) for the fitted model =16540.688			
Degrees of Freedom = 137 Full Information ML Chi-Square = 292.816 (P = 0.00)			
Root Mean Square Error of Approximation (RMSEA) = 0.0583			

### Findings

Volume has a prodigious effect on all four aspects of Customer based brand equity. Hypothesizes H1a-H1d is reinforced with regards to the model. So we can conclude that volume plays a considerable optimistic role on creating CBBE.

The other constraint of WOM, valence affects both brand awareness and brand Image. Findings did not support H2b and H2c so the effect of valence on perceived quality and loyalty was not established. The result suggested that valence influences brand awareness in a negative way and it also has a positive impact on brand association.

The calculations on data revealed that there is no significant effect from source type on either factors of brand equity, so the hypotheses H3a-H3d were rejected.1

### Conclusions

Brand equity elements stated by Keller (2005) that word of mouth plays an important role.Visibility is also important in creating brand (Keller, 2005, Aaker, 1997, Russail, 1998). Researches have put extra devotion on the volume as an influential element in WOM (eg. Buttle, 1998; Liu, 2006). Our findings revealed that the volume affects all four constraints of CBBE. Since the results of this study brand awareness, perceived quality, brand loyalty, and brand association is due to trust bond between Pakistani people and their circle of influence.

Valence, the other parameter of WOM, has two roles on creating brand equity. It has a positive effect on brand association and simultaneously negative impact the brand awareness. Investigating the Role of World of Mouth on Consumer Based Brand Source type, however, has no significant effect on any parameters of Telecom brands. As Aaker (1991) mentioned, one successful strategy to differentiate a product form competing brands is creating brand equity. This research tried to introduce a way to create brand equity. Unlike advertising, that now a day costs tons of dollars, WOM is free and distributed through people quickly. If a firm harnesses the power of WOM, it will benefit the firm in creating CBBE.

Future studies should focus on ways and methods to control the word of mouth. Furthermore they should use cross-cultural samples, so they can generalize the finding, the thing that we could not achieve. The other issue that is useful to consider for

future studies is that researchers should expand the product categories; this would again help the generalization process

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