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# Consumer based Brand Equity: A verification approach in telecom sector of Pakistan

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### ABSTRACT

The purpose of the study is to explore the more fields of customer based brand equity in Pakistan telecom sector. Moreover, an effort has made to view the existence of relationship between the brand equity factors. The questionnaire was distributed among the respondents by following the simple random sampling technique. Questionnaires were distributed among 315 respondents. Out of which only 207 were capable for properly filled. Data was analysed through SPSS and relationships between proposed variables was checked through Structural Equation Modelling (SEM). The findings of this study show a significant positive relationship among the four factors of brand equity. The relationships among perceived quality, brand awareness and brand associations are found to be quite strong while the relationship between these three variables and brand loyalty was relatively weaker. This research study highlights the area where companies should focus to gain a sustainable competitive advantage. Further research can be done to find out the root causes of the factors that weaken the relationship of brand loyalty with other variables.

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### 1. Introduction

One of the most popular and most important marketing concepts is brand equity, which has been briefly and extensively discussed by the researchers as well as academicians over the past couple of decades. There are a number of reasons for its popularity but its strategic role in the gaining competitive advantage is one of the most important researches. An appropriate metric, for the evaluation of long run impact of the marketing decisions, can be acquired by measuring brand equity correctly and objectively (Siman & Sullivan, 1993). Positive customer based brand equity has many advantages like long term greater revenues, customers' willingness to seek out, for themselves, new channels of distribution, the ability of firms to command higher prices and the effectiveness of marketing communications (Keller, 2003).

Telecom sector is most lucrative Foreign Direct Investment in Pakistan. During last 5 years more than 6.3 Billion US\$ have been invested in telecom sector, which is an encouraging response by investors in telecomm industry (Anonymous, 2010). Increasing competition in GSM service provider, offers comparatively less rates and more attractive packages. Which some times makes the customers to change their decision about GSM service provider. The cell phone density with the increase of 2.18 reached at 60.40% (Anonymous, 2010).

To be successful, a firm should retain its current customers and make them loyal to their brands (Dekimpe *et al.*, 1997, p. 405). More buying, paying premium prices and providing new referrals through positive word of mouth; loyal customers build businesses (Ganesh *et al.*, 2000, p. 65). According to Information economy report (2009), published by the United Nation Conference on Trade and Development (UNCTAD)

"Pakistan is among five economies of developed Asia in terms of increased mobile Penetration."

This study is conducted to verify the consumer-based brand equity model and to find out the existence and nature of the relationships among the factors that contribute to the brand equity of a company. These factors are brand awareness, brand associations, brand loyalty and perceived quality. Another purpose is to identify the fields, which are not great contributors to the brand equity and still are not focused, where the company can gain a competitive advantage through working out in these fields and ultimately gain a sustainable market leadership. In this study consumer based model of brand equity is tested in the telecommunication sector of Pakistan. This empirical study will not only elaborate the working of model but will also make it visible to the company that which parts are still not covered by their marketing strategies and where they need to focus to gain sustainable competitive advantage.

### 2. Literature Review

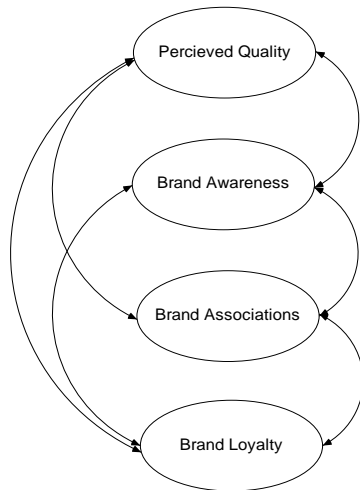
#### 2.1. The Brand Equity Construct

There are many definitions and forms of brand equity, such as, favourable impressions, attitudinal dispositions and behavioural linking preferences (Rangaswamy *et al.*, 1993). Knowledge about the brand such as brand associations and brand awareness (Keller, 1993) brand image and loyalty (Shocker and Weitz, 1988); brand awareness, brand associations, perceived quality and brand loyalty (Aaker, 1991); endowment of the added value by the brand name (Farquhar *et al.*, 1991). The difference between multi-attributed preference, based on objectively measured attribute levels and overall brand preference (Park and Sirivansan 1994), overall quality, and choice intention (Agarwal and Rao 1996). The most important point of consensus among all these definitions is that the

incremental value of a product due to the brand name is brand equity (Sirivastava and Shocker, 1991).

Collectively there are four dimensions of brand equity: brand awareness, brand association, perceived quality and brand loyalty. Aaker (1991, 1996) and Keller (1993) proposed these dimensions. Marketing and consumer behaviour research findings in relation to brand equity can be explored by the use of these dimensions (Barwise, 1993); so a brand equity measure is developed that capitalizes on these dimensions.

Brand equity as defined by Aaker (1991, p. 39) is “the attachment that a customer has with a brand”. In this study, the term “Brand Loyalty” refers to the trend to be loyal to a brand in focus, which is demonstrated by the purchaser, who intends to buy that brand as primary choice (Oliver, 1997). The term “Brand Awareness”, here, means the ability of a purchaser to recall and recognize that the focal brand is the member of a certain product category (Aaker, 1991, p. 61). Thus both the recognition and recall is the part of brand awareness (Rossiter and Percy, 1987; Keller, 1993). Perceived Quality is the judgement of the consumer about the overall superiority and excellence of a product or service (Zeithmal, 1988). Therefore, perceived quality is based on subjective evaluations of the quality of product or service. Brand Associations, as defined by Aaker (1991) is “anything linked in memory to a brand”. The level of association has strength (Aaker, 1991, Aaker and Keller, 1990; Keller, 1993), and a link in memory to a brand will be far stronger when it is based on many experiences than if it is based on few (Aaker, 1991).



**Fig-1: The above figure 1 shows an image of conceptual framework.**

## 2.2. Brand Equity Measurements

Two distinct categories can group the studies regarding measurement of brand equity. Some authors have studied the financial aspects of brand equity, while many others have considered the customer-based measurement issues in their research studies. The main focus of this study is the measurement of consumer-based brand equity. The relationship between financial/market and customer based brand equity measurements was explored by Silverman et al. (1999). Ample quantity of empirical evidence based on customer-based research suggests that measures of customer-based brand perceptions accurately reflect the performance of a brand in marketplace. In this respect customer-based brand equity is the main driving force for incremental financial gains to the firms (Lassar et al., 1995).

## 2.3. Conceptual framework for measuring customer-based brand equity

Brand equity is mostly considered a multidimensional concept and a complex phenomenon; some of the dimensions of this phenomenon have been empirically tested in the literature. Several models of brand equity have been discussed in the previous literature, but Aaker’s model (1991) has been chosen. The most commonly sighted which is shown in figure 1. This model has been empirically tested in many researches (Eagle and Kitchen, 2000; Yoo et al. 2000; Faircloth et al. 2001; Washburn and Plank, 2002). The most important and critical part of these research investigations involve the verification of dimensions of brand equity. As shown in figure 1, Aaker’s model of brand equity is based on four dimensions and each of these dimensions is briefly reviewed below:

### 2.3.1. Brand Loyalty

The most challenging part of conducting a brand loyalty research is to define the brand loyalty construct and its measurement. Javalgi and Moberg (1997) gave three perspectives of brand loyalty namely; behavioural, attitudinal and choice perspective. The amount of purchases of a particular brand is the basis for behavioural perspective, while consumer dispositions and preferences towards that particular brand provide basis for attitudinal perspective. Factors that can/may influence choices or the reasons for purchases are considered the vital focus regarding the choice perspective. Empirical researches were carried out on these definitions of brand loyalty under three different domains (Runndle-Thiele Bennett, 2001). These domains are as follows:

- Behavioural domain
- Multi domain
- Attitudinal domain

Brand loyalty has also been defined by Aaker (1991) as the likelihood of a customer to switch over to another brand, especially when the other brand is different in product features or price. Keller (2003), however, scrutinizes brand loyalty as the relationship between the customer and the brand. The above definitions tend to point out a relationship among brand equity and brand loyalty. This satisfaction further leads towards the trust in enhancing loyalty of the customers (haq, Ijaz, & Mehmood, 2011). Aaker (1991) identified this relationship as the core dimension of brand equity.

### 2.3.2. Brand Awareness

In marketplace, brands possess different amount of value and power. At one extreme, there are brands which are unknown to most of the customers. While on the other entrance, there are certain brands which are well known among the customers. “Brand Awareness as defined by Aaker (1991) is the ability of potential user to recall and recognize that a certain brand is a member of certain product category.” Keller (2003) argues that brand awareness plays a vital role in the process of purchase intention and decision making by the help of three advantages; there are choice of advantages, consideration advantages and learning advantages. High level of brand awareness causes customer-based brand equity when the consumer holds strong and favourably unique brand associations in his/her memory.

### 2.3.3. Brand Associations

According to Aaker (1991, p.101) “anything which is linked in memory to a brand” is known as brand associations. Brand associations can be seen in many forms and it reflects product characteristics that are independent of product itself (Chen,

2001). Rio et al. (2001) emphasizes the importance of brand associations for example in gaining competitive advantage.

Brand associations lay down the basis for purchase intentions that eventually effects brand loyalty. This creates values for both firms and the customers. These benefits have been listed by Aaker (1991) as follows; brand differentiation, purchase intentions generation, creation of positive attitudes, helping to relative information and provides a support for further extension. Therefore, it is now prudent to say that strong positive brand associations with a brand enhance its brand equity.

**2.3.4. Perceived Service Quality**

Zeithmal (1988) defines perceived service quality as “the perception of a customer about the overall quality of a service or product with respect to its intended purpose, relative to its alternatives.” To stay competitive, many companies have turned to customer-driven quality and they are using this strategy as a potent strategic weapon. These companies are satisfying customers consistently and profitability by fulfilling customer needs and wants as well as preferences of quality. The intimate connect among services and product quality, customer satisfaction and profitability of company become the main focus after it was identified by Kotler (2000).

An associative relationship is proposed among the four consumer-based brand equity dimensions of brand loyalty, brand awareness, perceived quality and brand associations.

It can now be imagined that brand loyalty will be, somehow, associated with the perceived quality in consumer’s mind. The better the perception of quality is, the more loyal customer will be and vice versa. Similarly, the more loyal customer is, the more favourable associations he/she is likely to have towards a brand and vice versa. In the same manner, if the consumers hold favourable associations towards a brand is likely to develop favourable perceptions of quality and vice versa. Brand awareness in the present research study is defined as the ability of a consumer to recall that a brand is the member of a certain product/service category. Consumers are likely to be more aware of a brand when their perception of quality of that brand is high and when they have strong associations with that very brand and vice versa. A consumer is likely to be more loyal if he/she is well aware of that brand and vice versa.

**3. Methodology**

The method adapted in this research to test the above hypothesized statements is very simple. The questionnaire containing 16 items was circulated among the GSM connection users on the basis of simple random sampling. This questionnaire was adapted from the study of Yoo & Dontgu (1997) except for the items measuring perceived quality were adapted from the research study of Bloomer et al. (1998). Seven items were used to measure perceived quality, three for brand awareness, three for brand associations and three for measurement of brand loyalty on a seven point Likert-scale. Out of 315 questionnaire 207 were received back which would suffice for the analysis of the data.

On the survey instrument respondents were asked to rate the services of their GSM service provider ranging from strongly disagree (1) to strongly agree (7). The respondents were not selected on any pre-set criteria instead anyone who was using a GSM connection was a possible respondent. These respondents included users from almost every field including job holders, business men, students etc. which makes the results more reliable and generic.

Different Statistical softwares have been used in this study for different tests. Statistical package for social sciences (SPSS) was used to ensure normality and reliability of the data. Proposed model has been tested through structural equation modeling technique.

**3.1. Reliability**

Internal of consistency of each variable is measured for further steps in analysis. Values of reliability are all in the range of the perfection suggested by the practitioners.

**Table-1: Reliability if variables**

Variable	No. of items	Cronbach’s alpha
Perceived Quality	7	.873
Brand Awareness	3	.820
Brand Association	3	.743
Brand Loyalty	3	.715

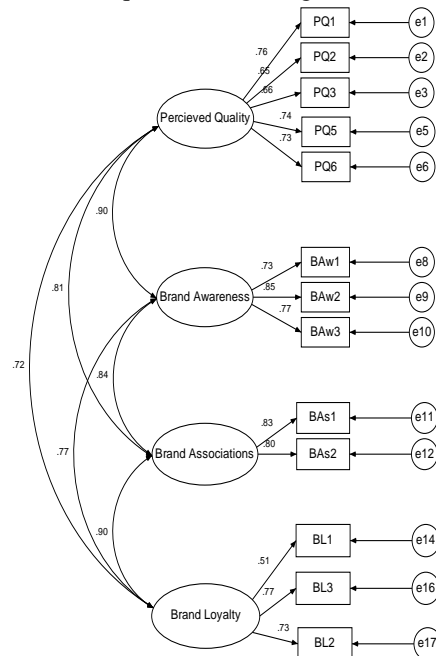
Values of internal consistency between the range of 0.7 to 0.9 considered as good values and data can be further processed for analysis.

**3.2. Normality**

Normality of data was measured through skewness and kurtosis method. Skewness and kurtosis values of this data are under acceptable range (See appendix-A).

**4. Results**

**Fig. 2 Structural Equation Modelling**



**Table-2: Hypotheses Standardized Estimates**

Hypotheses	Path	Estimates
H <sub>1</sub>	Perceived Quality ↔ Brand Loyalty	.72
H <sub>2</sub>	Brand Awareness ↔ Brand Loyalty	.77
H <sub>3</sub>	Brand Associations ↔ Brand Loyalty	.90
H <sub>4</sub>	Brand Awareness ↔ Brand Associations	.84
H <sub>5</sub>	Perceived Quality ↔ Brand Associations	.81
H <sub>6</sub>	Perceived Quality ↔ Brand Awareness	.90

**4.1. Hypothesis Interpretation**

The estimated value of first hypothesis is .72, which shows the relationship between perceived quality and brand loyalty. Estimated value shows positive and strong relationship between

these variables. If perceived quality increases, the brand loyalty will also increase in same direction. P-value is less than 0.05 so this hypothesis is accepted. Relationship between brand awareness and brand loyalty is also accepted because its p-value also less than the threshold level. Estimated value of this relationship is .77. This value shows the positive and strong relationship between the variables. Estimated value of relationship brand association and brand loyalty is .90, which portrays positive and strong relationship between variables. Acceptance of hypothesis has proved from the P-value, which is less than 0.05. Fourth and fifth hypotheses have also accepted. Reason being p-values of both relationships are less than 0.05. Estimated value these two relationships are .84 and .81, respectively. Estimated value of both relationships is significant and positive. Sixth hypothesis, relationship between brand awareness and perceived quality has estimated value .90. It means both variables have strong, significant and positive relationship. Moreover, both variables will move in same direction. P-value of this relation is less than threshold level, so it also accepted.

**Table – 3: Model Fit Values**

df	GFI	AGFI	CFI	NFI	RMSEA	CMIN/DF
59	.888	.828	.920	.884	.093	2.89

Table-3 shows the model fit values. Absolute values of goodness fit index is 0.888 and adjusted goodness fit index value is 0.828. Relative values of comparative fit index and Normed fit index are 0.920 and 0.884 respectively. All these mentioned values are above 0.80 threshold level and are considered as acceptable values. Moreover, root mean square error if approximation value, which is 0.093, proved that our model is fit.

## 5. Discussions

The results concluded above show that a strong positive relation exists between perceived quality, brand awareness and brand associations. This shows that the companies in telecom sector of Pakistan have done a marvellous job in consistently improving the quality of their services and have put a great effort in advertising as well, because the customer is well aware of the services provided by the company. The companies have not only put their effort in the above two fields because the results show that the customer has also developed quite a lot of associations with his/her GSM service provider as their services are strongly linked to the memory in the customer's mind.

On the other hand all the relations connected with brand loyalty are weak which shows that the customers of any GSM service provider are not loyal to one company. The possible reason of these weaknesses of relationships can be the availability of alternatives as if a service costs a little more than the service of another company then the customer is most likely to switch over to that company. The results of this research study elaborate for companies a way to achieve competitive advantage through working out on strategies that might help them enhance the loyalty of customers.

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### Appendix-A

Skewness and kurtosis

Q1	P	-	-
		1.09	0.33
Q2	P	-	-
		0.78	0.56
Q3	P	-	-
		0.76	0.83
Q4	P	-	0
		0.90	.14
Q5	P	-	-
		0.68	1.01
Q6	P	-	0
		1.23	.52
Q7	P	-	1
		1.15	.01
Aw1	B	-	-
		0.43	1.14
Aw2	B	-	-
		0.82	0.21
Aw3	B	-	0
		1.08	.37
As1	B	-	0
		1.04	.10
As2	B	-	1
		1.35	.69
As3	B	-	0
		0.76	.48
L1	B	-	1
		1.32	.21
L2	B	-	2
		1.42	.22
L3	B	-	1
		1.25	.49

