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The impact of brand equity on price premium, brand extension, brand preference and purchase intention

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Abstract
One of the most valuable assets of each firm is the brand of that firm. Whatever the brand equity is more in the consumers, mind, the firm can gain more benefits from the consumers in its shadow. The continuous controlling of this concept is as a necessary step in its effective management. In recent decades, studying and searching about the brand has allocated a special position in different domains such as university and business market to itself. Most of the researchers and managers of companies have concluded that the most valuable asset of a firm for improvement of marketing is the knowledge of branding which is accomplished by investing in marketing plans and creates the brand picture in the consumer's mind. With regard to this important, studying the effective factors on the brand equity and its effects on the customer responses with a comprehensive look which includes both dimensions is needed. In this research we intend to design an optimal model for Samsung company to study that which variables can have the most effect and also they can have what effect on the customer behavior and response. The purpose of doing this research is to introduce the conceptual model about the effect of the Marketing Mix elements on the brand equity and its relation with the customer responses. This research has been a descriptive-survey kind and the field information was collected by the questionnaire tool. The statistical population of this research includes the consumers of the audio-video products of Samsung company. The sample size was assessed according to the Coachran formula in the unlimited population including 384 samples and data analysis was done with modeling the structural equations by statistical software named SPSS and LISREL. The research results have indicated the existence of positive relation between the research variables and fitting the conceptual model of the research.

Key Words: *the brand equity based on consumer, consumer response, Marketing Mix*

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1.Introduction

One of the most valuable assets of each firm is the brand of that firm. Whatever the brand equity is more in the consumers, mind, the firm can gain more benefits from consumers in its shadow. The continuous controlling of this concept is as a necessary step in its effective management. In recent decades, studying about brand has allocated special position in different domains such as university and business market to itself. Most of the researchers and managers of the companies have concluded that the most valuable asset of a firm for improvement of marketing is the knowledge of branding which is accomplished with investing in marketing plans and creates the brand picture in the consumer's mind. This question is proposed that how the brands should be managed in a global perspective. Even though the importance and management of the brands especially from internal marketing view has been proposed in literature, there are limited researches for studying the brands from international view (Wong and Merrilees, 2007). Especially, brand hasn't been proposed in international marketing (Pappu et al 2006; Whitelock and Fastoso, 2007; Broyles et al, 2010).

In global markets, assessment of the brand equity is a complicated activity (Hsieh, 2004). Surprisingly, in psychological paradigm literature, there are few studies about the brand equity on consumer and this issue exists in different countries too. However, in order to guarantee the strategy success in making a strong global brand, an understanding of the brand equity in different markets is necessary (Yoo and Donthu, 2002). This will help to the companies to keep and promote this valuable capital.

The brand equity is a significant concept in marketing. Although wide researches have been done about the brand equity, the literature of this issue has been portioned widely and it is without certainty. A lot of definitions about the brand equity have been presented and suggested. Most of them from the consumer's view are based on this assumption that the power of brands is hidden in the consumers, mind (Leone et al, 2006). Others from financial view consider the brand equity as a financial and monetary value of the firm brand (Simon and Sullivan, 1993).

Therefore with increasing of competition and proposing the phenomena like global markets of internal industries, each country should increase its competitive advantages that can remain in this arena. The brand equity is one of the strategic tools which lead to the consumption commitment and repetition, increasing of economic value for shareholders and development of economic activities domain to the beyond of the geographical borders. Therefore with regard to the importance of the brand equity for the companies, this necessity is felt that the manner of creating the value for Marketing Mix elements of brand should be studied. For this purpose, the relation between the marketing Mix elements including: product, price, promotion and distribution and the brand equity are studied.

In this field, different models have been presented which have identified the effective factors and results which have been sometimes different and they have mentioned different variables; often or only the effective factors on the brand equity or the effect of the brand equity on the customer responds have been considered. With regard to this important, studying the effective factors on the brand equity and its effects on the customer responds with a comprehensive look which includes both dimensions is needed. In this research, we intend to design an optimal model for the Sumsong company to study that which variables can have the most effects and also they will have what effect on the customer behavior and respond.

The purpose of doing this research is to introduce the conceptual model about the effect of Marketing Mix elements on the brand equity and its relation with the customer responses.

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The importance of the research

Even though significant researches have been accomplished to study the effect of marketing Mix elements on the brand equity (Keller and Lehman, 2006), these researchers usually don't study all dimensions of the brand equity and few studies have been accomplished about the assessment of the brand equity based on consumers at the time of analysis of the Marketing mix efficiency (i.e, mindset measures). Another issue for improvement of understanding the brand equity based on consumer is the interaction between the dimensions of the brand equity. Generally the researchers believe to the existence of associable and multilateral relations between the dimensions of the brand equity. Making a strong brand with positive equity through the effect on consumers responses to the brand is effective on the firm performance positively. In this study, four consumer responses are selected and studied that are: the tendency of consumers to pay more price, the consumers, attitude to the development of the brand, the brand preference and purchase intent.

With regard to the much importance that the concept of the brand equity has, in the researches set related to that, it seems necessary that Marketing Mix elements on the brand equity to be studied. With studies accomplished in this field with regard to the importance of the issue, the researcher intends to study the role of the elements related to the brand equity in creating the brand equity and wants to study the customer responses through this way. Generally it is hoped this research can open a window to the main issues of the brand equity and Marketing Mix elements through studying the relations of variables proposed.

3-Theoretical frame and the research hypotheses

-The relation between the dimensions of the brand equity and the brand equity in general

According to other studies (for example Bravoo et al, 2007; Yasin et al, 2007; Jung and Sung, 2008) and also following the Yoo et al frame (2000), in this study we have mentioned the parameter of general brand equity between the dimensions of the brand equity and the effects on the consumers response. In line with other definitions of the brand equity, the general brand equity has been designed in order to assess the incremental value of focal brand which has been obtained from the brand name (Yoo et al, 2000). This unique structure helps us to understand that how the dimensions of the brand equity can lead to create the brand equity. It can be created with strengthening the dimensions of the brand equity. Desired understanding of the brand equity requires the exploitation of all domain of the brand equity including awareness, perceived quality, loyalty and associations (Aaker, 1991).

Perceived quality. The general brand equity will depend on the perceived quality because it is necessary for nourishment of positive assessment of brand in the customers, mind (Farkouhar, 1989). In addition to this, the perceived quality can lead to more distinction and preference of the brand. Therefore perceived quality of the brand has been suggested for more probability of more brand equity (Yoo et al, 2000; Kim Hune, 2011).

Zitmal (1988) defines the perceived quality in this form: "the customers judgement (internal and individual) about general preference and advantage of a product" (page, 3). The personal product experience, individual needs and the consumption amount of situations can influence on internal and individual judgement of customers about quality. high perceived quality means that during the long-term experience of the brand, the customers recognize the brand distinction and preference. Zitmal identifies the perceived quality as a component of the brand equity; therefore high perceived quality propels the customer toward selecting the brand compared with other competitor brands. Therefore the brand equity will be increased as much as the qual-

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ity perceived by the customers. With regard to the issues mentioned, the following hypothesis can be stated:

Hypothesis 1: perceived quality of brand is effective on the brand equity

Loyalty to the brand.

Oliver (1997) defines the loyalty to the brand entitled :"keeping deep commitment to repurchase or stable returning to a product or preferred service in future, while the status effects and marketing attempts have the potential power of changing the behavior" (page 392). Loyal customers show more desired responses to the brand than non-loyal ones (Gerour, Serinvasan, 1992). Loyalty to the brand propels the customers to the routine purchase of brand and prevents from their tendency change toward other brands. Therefore the brand equity will be increased as much as the loyalty of the customers to the brand. Therefore, loyalty to the brand will help to the growth of equity. This issue leads to the following hypothesis:

Hypothesis 2: loyalty to the brand is effective on the brand equity.

The brand awareness/association. Awareness of the brand with strong associations create a special brand picture. Aaker (1991) defines the brand association as "what connects the customer's mind to the brand" and he defines the brand picture as "a set of associations (brand) usually with meaningful method" (page, 109). The brand association has been complicated and correlated with other things including different ideas, subsidiary stories, examples, realities that finally create a strong and integrated network of the brand recognition. When association is based on numerous experiences or presenting more communications, it will be stronger (Aaker, 1991; Alba and Houtchinson, 1987). The brand association which leads to more awareness of the brand is correlated with the brand equity, because they can be the sign of quality and commitment and also help the purchasers to think about the brand in the purchase point that this issue propels them toward desired behavior for the brand. Through the brand associations, the companies can make their products different and find a position for it and create a desired belief and attitude to their brand (Din, 2004). This issue, in its turn, can lead to a higher brand equity (Yoo et al,2000; Chen, 2001). Awareness of the brand correlates the brand to different associations in the memory (Keler, 2003). Therefore the consumers at first should be aware of the brand and then they should have a set of brand association (Aaker, 1991). Therefore the following hypothesis can be mentioned:

Hypothesis 3: the brand awareness/association is effective on the brand equity.

-The relation of the brand equity with the customer responses

Making a strong brand with positive brand equity through influencing on the consumers responses to the brand is effective on the firm performance. In this study, four consumer responses are selected and studied which are: the consumers tendency to pay more price, the consumers attitude to the brand development, the brand preference and purchase intent.

The consumers tendency to pay more price: the consumers tendency to pay more price is an amount that a customer tends to pay for a brand compared with other brands which suggest similar benefits. The related literature shows that the brand equity has a significant effect on the consumers tendency to pay more price (Liser et al, 1995; Notmir et al, 2004). The brand equity causes to reduce the customer sensitiveness to the increasing of price (Hafler and Keler, 2003; Keler and Lemen, 2003) and it causes them to have more tendency for paying higher price because they obtain a unique value in this brand and understand that no other replacement can present that value (Chadhouri, 1995; Sitz et al, 2010). Therefore the following hypothesis is evident:

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Hypothesis 4: the brand equity is effective on the customers tendency to pay higher price.

-The brand development: the companies with higher brand equity can also develop their brand successfully (Rangasavami et al, 1993). One of the main reasons is that presenting a new product with the name of a famous brand causes the fondness and trust feeling in the customers and even if the customers don't have a special knowledge about that product, it will also influence on their attitude about the brand development positively (Milberg and Sin, 2008). The main role that the brand equity has in assessment of consumers of the brand development is justified by two factors including strong support for transferring the knowledge and being influenced by the mother brand evidently (Zelar, 2003). Therefore, it is expected that brand with higher equity can create more positive response of consumers about potential development. Therefore according to the issues mentioned, this hypothesis is evident:

Hypothesis 5: the brand equity is effective on the attitude to the brand development.

-The brand preference and purchase intent: the brand equity has also positive effect on the brand preference by consumer. The literature of the issue refers to this important that strong brand creates preferential assessments and as a result equally causes more general preference (Hafler and Keler, 2003). Similarly, the customers who have perceived higher brand equity more likely to buy it (Aaker, 1991). The researchers have perceived that the brand equity is effective on the brand preference and purchase intent bu customer. For example, Cab-Valgrin et al (1995) between two groups, hotel and household cleaners have perceived the brands that have higher equity create more brand preference and purchase intent. The similar results have been reported by Toulba and Hausan (2009). According to the previous arguments, the following hypotheses can be combined:

Hypothesis 6: the brand equity is effective on this brand preference by customers.

Hypothesis 7: the brand equity is effective on the purchase intent of this brand.

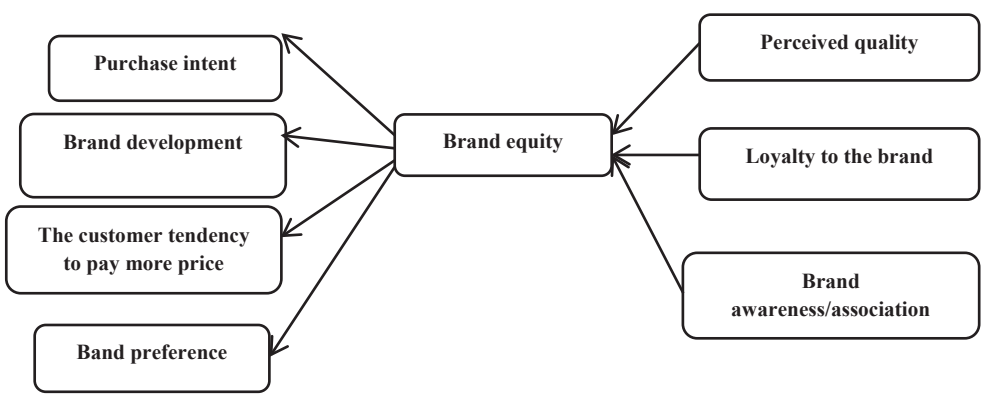
The mentioned model has been gained from combining the studies of Yoo et al (2000) and Izabel et al (2013) that the first part is related to create the brand equity and the second part is related to the relation of the brand equity with the customer responses.

4-Methodology

This research in terms of purpose is applicable and in terms of method is descriptive-survey kind. The statistical population includes the consumers of digital products 9audio-video) of Sumsong company in Tehran city. The sampling method in this research was simple random. The sample size was es-

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The conceptual model of the research:



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Variable	1	2	3	4	5	6	7	8
Perceived quality	1	-	-	-	-	-	-	-
Loyalty to the brand	0.348**	1	-	-	-	-	-	-
Brand association with awareness of the brand	0.214**	0.123*	1	-	-	-	-	-
Brand equity	0.336**	0.260**	0.195**	1	-	-	-	-
The customer tendency to pay more price	0.276**	0.195**	0.119**	0.393**	1	-	-	-
Brand development	0.385**	0.227**	0.138**	0.410**	0.475**	1	-	-
Brand preference	0.381**	0.209**	0.146**	0.344**	0.389**	0.610**	1	-
Purchase intent	0.462**	0.253**	0.114*	0.351**	0.365**	0.538**	0.597**	1
P<.01** n=384								

Table1. the results of Pearson test

timated according to Coachran formula in unlimited population including 344 samples. The spatial realm of the research has been Tehran city and the chronological realm of the research for collecting the field information has been autumn, 2014. Before distributing the questionnaire and analyzing the data, the validity and reliability of the questionnaire were tested. At first through the experts test and Lueshe coefficient, the content validity of the questionnaire components was confirmed in the level of 95% and then the face validity of the questions was also studied and reformed among the contact people of the research. The reliability of the questionnaire questions was also confirmed by Cronbach's alpha (0.803) among 36 persons of responders. In order to analyze the data collected, descriptive and inferential statistical methods have been used. In order to study the features of the statistical population in terms of frequency and data distribution and also for defining the variables and drawing the related graphs and tables and etcetera, the descriptive statistic has been used and also for testing the hypotheses, drawing the model and the other required tests, inferential statistic with helping of statistical analysis software such as SPSS and LISREL, pls have been used and a software for factorial analysis and a software for drawing the model and fitting of it have been applied.

5-Data analysis

Correlation test: before studying the research hypotheses and determining the existence or lack of the variables effect on each other, at first it should be determined that whether there is relation between the research variables or not. In order to study about the existence of correlation between the research variables, Pearson test has been used. The results of Pearson test have been presented in table number (1).

As it is clear in table (1), there is correlation between all variables of the research. Therefore the research hypotheses can be assessed. The research hypotheses are tested by using of the structural equations modeling. It is necessary to be said that the hypotheses are tested according to the route coefficient amounts, T-statistic and meaningfulness level. In all hypotheses, H0 hypothesis is lack of effect between the variables and H1 hypothesis is confirmation of meaningful effect and relation between the variables.

The research hypotheses test

The research hypotheses are tested by using of the structural equations modeling. It is necessary to be said that the hypotheses are tested according to the route coefficient

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Hypothesis number	Rout coefficient	T-statistic	Meaningfulness level	Test result
1	0.003	0.035	P > 0.05	Rejection of hypothesis
2	0.607	5.261	P < 0.001	Confirmation of hypothesis
3	0.151	1.974	P < 0.05	Confirmation of hypothesis
4	0.116	1.980	P < 0.001	Confirmation of hypothesis
5	0.759	4.830	P < 0.001	Confirmation of hypothesis
6	0.934	4.891	P < 0.001	Confirmation of hypothesis
7	0.880	5.937	P < 0.001	Confirmation of hypothesis

Table3. the hypotheses test results

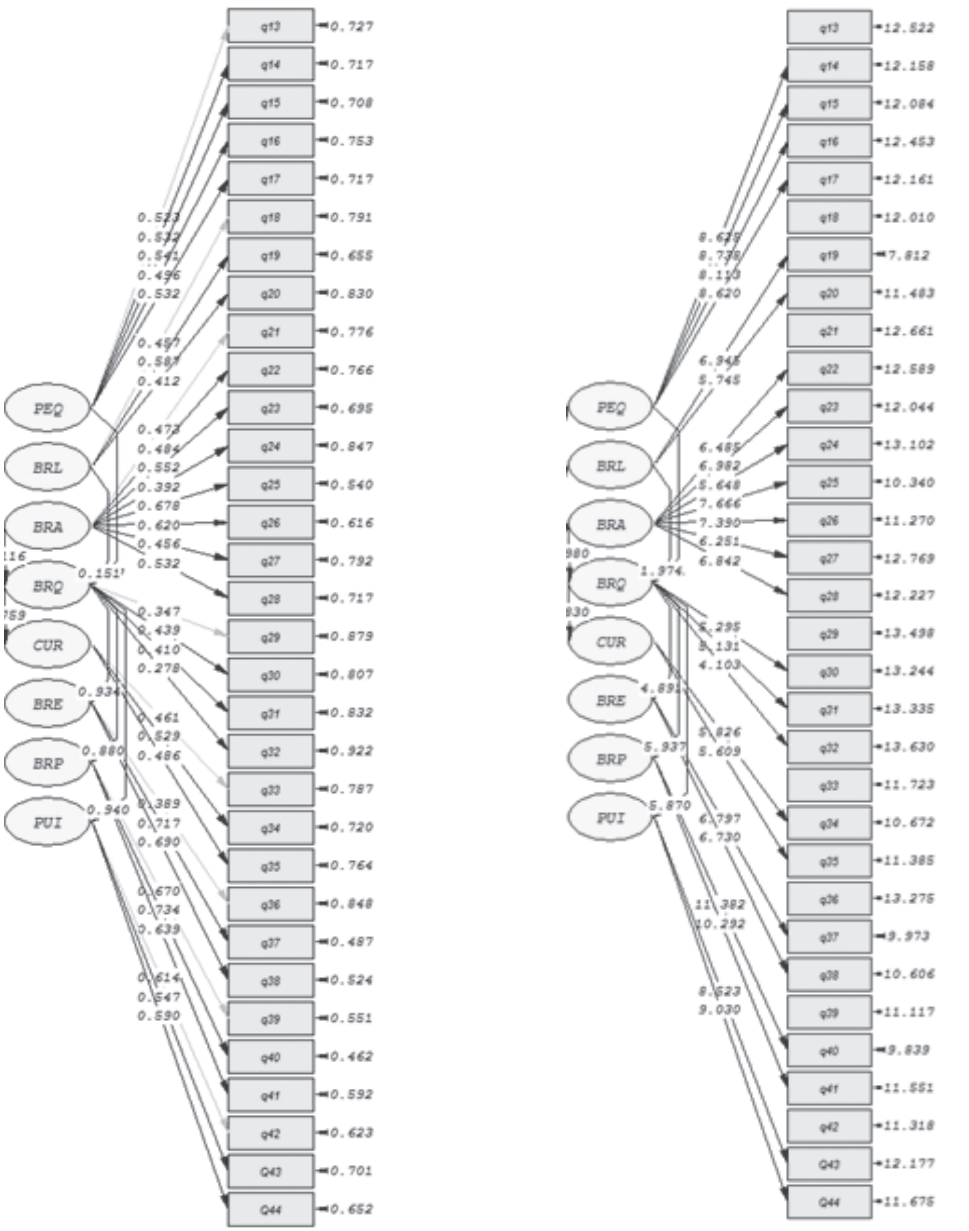


Fig3. the route estimation model and meaningfulness numbers

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Index		
GFI	0.925	0.9>
AGFI	0.904	0.9>
NFI	0.834	0.8>
NNFI	0.903	0.8>
CFI	0.910	0.8>
IFI	0.822	0.8>
RFI3	0.911	0.8>
Standardized RMR	0.062	0.05<

Table 4. assessment indexes of the general model fitting

amounts, T-statistic and meaningfulness level. In all hypotheses, H0 hypothesis is the lack of effect between the variables and H1 hypothesis is the confirmation of effect between the variables.

The structural model fitting (route analysis)

The model fitting indexes indicate that the model in terms of fitting indexes is in a good situation; because the amount of $\chi 2/df$ is equal to 2.020 which is less than the permitted amount of 3 and also the RMSEA amount is equal to .052 which is less than permitted amount of 0.08. Therefore it doesn't need many reforms.

Also other criteria of the model fitting have been presented in table (4).

1)GFI and AGFI are known as the absolute fitting indexes. These indexes don't depend on the sample size and prepare suitable information about this issue that the fitted models to what extent are close to the complete fitness. The Goodness of Fit Index (GFI) and Adjusted Goodness of Fit Index (AGFI) should be more than 0.9. In the model, the amount of both indexes is a little less than 0.9, since the amount obtained has little difference with acceptable amount, therefore the GFI and AAGFI results indicate the relatively proper fitting of the model.

2)Relative fitting indexes include NFI, NNFI, CFI, RFI and IFI. These indexes are sensitive to the model size. The amount of these indexes should be more than 0.8. In the model studied, the amount of the most indexes above mentioned is more than 0.8 which indicates the model fitting.

3)Standardized RMR: it is the component of the absolute fitting indexes. Whatever the amount of standardized RMR is less, it will be better, because this index is a criterion for the difference mean between data observed and model data. In this model, the standardized RMR=0.062, since the amount obtained has little difference with acceptable amount; therefore the standardized RMR result indicates the relatively proper fitting of the model.

6-Discussion and conclusion

Analysis and suggestions according to the variables relations

A: analysis of relation between the brand equity and the pervasive brand equity

The brand equity dimensions studied in this research include perceived quality, loyalty to the brand, brand awareness/association. According to the results obtained from this research, the relation between the brand equity and pervasive brand equity has been confirmed positively and directly. According to this, it can be expressed that with strengthening the brand equity, it can be created. Basically desired understanding of the brand equity phenomenon needs to exploit of all domain of the brand equity including awareness, perceived quality, loyalty and associations.

Therefore, it is suggested to improve the customers understanding and association by increasing the services quality so that loyalty to the brand to be created. With improvement of the brand equity, it can be expected that the position of pervasive brand equity to be improved.

B: analysis of relation between the brand equity and the customer responses

In this study, four consumer responses are selected and studied which are: the consumers tendency to pay more price, the consumers attitude to the brand development, brand preference and purchase intent. According to

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this research results and the researches background, the relation of the brand equity with the customer responses was assessed positively and directly. The brand equity factor has significant effect on the consumers tendency to pay more price, brand equity causes to reduce the customer sensitiveness to the increasing of the price. The firms with higher brand equity can also develop their brand successfully. Therefore, it is expected that brand with higher equity can create more positive response from consumers about potential development. The brand equity also has positive effect on the brand preference by consumer. The literature of the issue refers to this important that strong brand creates preferential assessments and as the result equally it causes more general preference. Brand equity is effective on the brand preference and purchase intent by customer. The brand equity is effective on the brand preference and purchase intent by customer.

Finally it should be said that making a strong brand with positive equity through influencing on the consumers response is effective on the firm performance positively. According to the results and issues presented, it is suggested that the pervasive brand equity to be used as a leverage and competitive advantage for improvement of the consumers tendency to pay more price, the consumers attitude to the brand development, brand preference and purchase intent and with special regard to the position of the pervasive brand equity, the potential benefits of this factor should be actually used.

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