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An analytical study on customer-based brand equity for frequently purchased consumer goods

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Abstract

This study evaluates global and Indian brands in the frequently purchased consumer goods sector by using Customer-Based Brand Equity Model (Keller, 2001). Six brand building blocks, as referred by Keller (2001), were considered in the study—Brand Salience, Brand Imagery, Brand Performance, Brand Judgment, Brand Feelings and Brand Resonance. The findings reveal that global brand's brand strength is much higher than the Indian brand's. The Indian brand has scored significantly less in 'Brand Preference' and consequently its 'Brand Strength' has been much lesser than that of the global brand. Two other hypotheses were also tested regarding the existence of positive relationship between brand trust and brand affect and attitudinal loyalty and purchase loyalty. The need to test these hypotheses arise because of the importance of the last brand building block, 'Brand Resonance', to marketing managers, as high brand resonance implies high loyalty. The empirical findings show that there exists a positive relationship between brand trust and brand affect and attitudinal and purchase loyalty for both global and Indian brand.

Keywords: Brand equity, Customer-based brand equity model, fast moving consumer goods market

Introduction

The study of brand equity has gained popularity since the 1980s as marketers and researchers got convinced that brands are the most valuable assets of a firm. Keller (1993)^[7], and many others started defining brand equity from various perspectives. These gave rise to two schools of thoughts, namely, (1) financial performance increases for brands possessing high brand equity; and (2) positive customers' perceptions creating brand equity. However, it is Keller's (1993)^[7] Customer-Based Brand Equity model, which has provided a framework of how customers' responses help in building brand equity. Keller (1993)^[7] has defined Customer-Based Brand Equity as 'the differential effect of the brand knowledge on the customer response to the marketing of the brand'. Customer-based brand equity occurs when the customer has a high level of awareness and familiarity with the brand and holds some strong, favorable and unique brand associations in memory.

Building a powerful brand is desired by all marketers. Compared to the big multinationals originating from USA, Japan, Korea, etc., the branding expertise among Indian firms is considered to be low. A typical Indian firm has to compete with powerful global brands as well as its own Indian competitors. Puts forward that the Indian customer is very choosy in selecting the brands and the market is obsessed with international brands. Brands that customers find under the same name in multiple countries with generally similar and centrally coordinated marketing strategies are referred to as global brands and after reviewing the Indian fast-moving consumer goods market, it becomes obvious that many of these global brands are leading in terms of market shares.

Fast moving consumer goods market: An Overview

The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US\$ 20.1 billion. It has a strong MNC presence and is characterized by a well-established distribution network, intense competition between the organized and unorganized segments and low operational cost. Availability of key raw materials, cheaper labor costs and presence across the entire value chain gives India a competitive advantage. Also, increase in the urban population, along with increase in income levels and the availability of new categories, would help the urban areas maintain their position in terms of consumption.

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At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, and hot beverages.

Against this backdrop, this paper wants to evaluate how Indian customers perceive global and Indian brands.

Literature Review

Since the emergence of the term 'brand equity', a large number of studies during the 1990s concentrated mainly on the conceptualization aspects of brand equity. During the period 1991 to 2011, many studies were undertaken to examine the relationship existing among various constructs of brand equity.

Defined brand equity as a set of five categories of brand assets and liabilities linked to a brand that add value to or subtract from the value provided by a product or service. The brand assets considered are brand loyalty, brand awareness, perceived quality, brand associations and other proprietary assets.

Keller (1993) ^[7] conceptualized the customer-based brand equity model, the basic premise of which is that the power of a brand lies in what customers have learned, felt, seen and heard about the brand over time. The model provides four steps for building six brand building blocks which can be used as measuring yardstick of a brand by the marketers. Carol and Mary (1993) ^[3] investigated a firm's brand equity based on the financial market value of the firm, where brand equity is defined as the incremental cash flows which accrue to branded products over unbranded products.

According to brand equity can be measured with the following basic types: price/demand measures, behavioral measures of loyalty, attitudinal measures of loyalty and awareness/salience measures. conducted a study to find the relationship between brand trust, brand affect and brand performance outcomes (market share and relative price) with purchase loyalty and attitudinal loyalty, and it was found that brand trust and brand affect are both directly related to attitudinal loyalty and purchase loyalty. Keller (2003) ^[7] analyzed the key issues, i.e., synthesizing the multidimensionality of branding elements to measure brand knowledge. This study presented a representation of brand knowledge based largely on cognitive psychology.

Analyzed the strategies of effective brand building and managing the same with reference to acquiring optimum customer value for long run competitive gains. The study discusses brand equity, brand personality, media impact on brands and brand knowledge. proposed a model to discuss the importance of the effect of the brand assets treated as antecedents like brand name, awareness, personality and consequences like brand preference and purchase intention on customer-based brand equity. Jayakumar *et al.* (2012) ^[6] conducted a study to evaluate the customer-based brand equity for the two-wheeler segment in India for the brand Hero Honda, applying Aaker's model of brand equity by the attributes—brand awareness, brand loyalty, perceived quality and brand association.

However, all these studies were carried out mostly in the developed countries like USA, Europe, Korea and China, with only a handful of studies done on the Indian market. This study wants to fill the gap by evaluating the global and Indian brand equity among Indian customers, so as to enrich the existing literature on brand equity regarding Indian market.

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Objectives

- To evaluate the different brand building blocks for global and Indian brands by applying customer-based brand equity model for frequently purchased goods (especially Soaps and Toothpastes), as proposed by.
- To analyze the comparative strength of different branding elements of global brand against Indian brand.

Formulation of Hypothesis

According to establishing proper brand identity, creating brand meaning through strong favorable and unique brand association, eliciting positive brand responses and creating brand relationship with customers that characterizes intense loyalty finally lead to the development of six brand building blocks, namely, brand salience, brand preference, brand imagery, brand judgment, brand feelings and brand resonance. The last building block, brand resonance, is considered to be the most important by brand managers as it has been experienced that high resonance leads to high loyalty.

Beatty and Kahle (1988) ^[2] and Assael (1998) have worked on brand loyalty stating that brand loyalty includes some degree of predisposition commitment towards a brand. Again several authors have tried to prove the relationship between brand loyalty and other factors like trust and affect. separated loyalty into two types, namely, purchase loyalty and attitudinal loyalty. If customers purchase a brand repeatedly without attachment, it is then called behavioral loyalty. When a customer purchases repeatedly and with

attachment, then the customer is both behaviorally and attitudinally loyal. According to Keller (1993) [7], ‘repeat buying is a necessary condition, but not sufficient condition for being a brand loyal buyer in an attitudinal sense’. In other words, someone can repeat-buy but not be brand loyal in a literal sense. Under these circumstances, it is important to prove the following hypotheses:

H₁: Brand trust is positively related to both (a) purchase loyalty; and (b) attitudinal loyalty.

In the context of maintaining brand relationships, the emotional determinants of brand loyalty or commitment need to be considered separately. Gundlach *et al.* (1995) suggested that commitment is associated with positive affect and that though this may prevent the exploration of other alternatives in the short run, steady customer benefits are likely to accrue from such affective bonding in the long run. In particular, these authors viewed such a relationship or ‘affective attachment’ (p. 79) to be the most beneficial in uncertain environments. Choudhuri and Holbrook (2001) [5] stated that a positive relationship between brand affect and brand commitment or loyalty is further predicated on the ties between positive emotional feelings and close interpersonal relationships (Berscheid, 1983, cited by Choudhuri and Holbrook, 2001) [5]. In this connection, Berscheid (1983) isolated two critical aspects of a close emotional relationship, namely, the magnitude of the affect (intensity) and its hedonic sign (positive/negative). Choudhuri and Holbrook (2001) [5] suggested that the close relationship of a brand with its customers (i.e., commitment) also tends to reflect the level of positive affect generated by that brand. Earlier hypotheses have been proved showing that strong and positive affective responses are associated with high levels of brand commitment. Similarly, Dick and Basu (1994) found that brand loyalty is greater under conditions of more positive emotional mood or affect. Brands that customers associate as ‘happy’ or ‘joyful’ or ‘affectionate’ are accepted to create greater purchase and attitudinal loyalty. Due to many non-product factors, customers may not always purchase the brands they ‘love’. In general, however, brands that are higher in brand affect should be purchased more often and should encourage greater attitudinal commitment. Under these circumstances, it is very important to establish the following hypothesis for the Indian customer durable market.

H₂: Brand affect is positively related to both (a) purchase loyalty, and (b) attitudinal loyalty.

Methodology

This study was undertaken in Coimbatore, which happens to be the most important place of South India. Here, almost all global and Indian brands are competing with each other to increase their market share and also to be included in the

customers’ selected list. This study employs descriptive research approach and has adopted survey method for data collection.

The sample size was determined both by qualitative and quantitative approach. By taking an error level of 10% and standard error at 0.66 (based on Likert scale range of 1 to 5), quantitatively the sample size at 95% confidence level happens to be 170. As the study wants to unearth much information and also intends to use sophisticated multivariate techniques, a large sample size was decided and accordingly the sample size was taken as 250. Consumer goods selected for this study include HUL Soaps and Toothpastes and Patanjali Soaps and Toothpastes.

This study applies customer-based brand equity model to evaluate the brand strength for global and Indian brands for fast-moving consumer goods (especially soaps and toothpastes).

Results and Discussion

Evaluation of Customer-Based Brand Equity Model for Global Brand (Hindustan Unilever) and Indian Brand (Patanjali)

Table 1: Customer Evaluation of Brand-building elements

Attributes	HUL	Patanjali
Salience	61.06	52.46
Performance	99.10	95.14
Imagery	96.84	92.54
Judgment	72.32	72.36
Feelings	73.88	72.94
Resonance	63.04	62.10

Brand Salience

Defined brand salience as the ability of customers to identify brands. Achieving the right brand identity involves creating brand salience. Customers may respond to different brands differently based on their knowledge about the brand. In this study, brand salience was measured mainly on customer awareness and recognition of the brand.

1. Brand Awareness: According to brand awareness involves relating brand name, logo and symbol to certain associations in customer’s memory.
2. Brand Recognition: Brand recognition is the extent to which customers recognize a brand and their attitude towards the particular brand.

Brand Awareness for Soaps: The first step to measure brand awareness is to identify the breadth and depth of brands. Depth of brand awareness means how easily a customer can recall or recognize brand. In case of soaps, it has been found that, 44.8% could recall the global brand HUL and only 22.4% could recall the Indian brand Patanjali, whereas substantial 32.8% also could recall other brands like P&G, Godrej, and Karnataka Soaps etc. (Table 2).

Table 2: Awareness for Soaps (Aided and Unaided Recall)

Brands (WM)	Frequency (Unaided)	Percent	Frequency (Aided)	Percent
HUL	112	44.8	250	100
Patanjali	56	22.4	248	99.2

Aided recognition is done with the help of identification of brand name and logo identification. In case of aided recognition (for brand name), it has been found that almost

all customers can identify the brand HUL. 100% recognition was there for HUL, 99% recognition for Patanjali.

Awareness for Toothpastes: It has been found that in case of toothpastes, 40.4% could recall the global brand HUL and 38% could recall Indian brand Patanjali, whereas

substantial 21.6% could recall other brands like Dabur, Himalayas, Vicco etc. (Table 3).

Table 3: Awareness for Toothpastes (Aided and Unaided Recall)

Brands (Toothpastes)	Frequency (Unaided)	Percentage	Frequency (Aided)	Percent
HUL	101	40.4	250	100
Patanjali	95	38.0	248	99.2

Logo Recognition: Aided recall was also done with the help of identification of logo. The logo shown to the customers were the blurred picture of the actual logo. It was

found that 98% identify the global brand HUL, 97 % identify Indian brand Patanjali (Table 4).

Table 4: Logo Identification for Global Brand (HUL) and Indian Brand (Patanjali)

Brands (Soaps and Toothpastes)	Frequency	Percent
HUL	245	98
Patanjali	243	97.2

Brand Performance and Imagery

A brand has to express its meaning through certain associations formed directly from a customer’s own experiences and contact with the brand or indirectly through the depiction of the brand in advertising or by other means of communication. In this study, brand meaning was examined mainly by performance and imagery. According to brand performance refers to the intrinsic properties of the

brand in terms of inherent product or service characteristics which define the functional performance of the product as expected by all customers. In this study, different tangible and intangible product attributes for both refrigerators and washing machines are used to identify different performance dimensions for both the global and Indian brand using a seven-point rating scale—1 stands for lowest and 7 for highest (Table 5).

Table 5: Brand Performance for FMCG

Intrinsic Attributes	HUL (Mean Score)	Patanjali (Mean Score)
Convenient to use	5.196	5.028
Freshness lasts longer	5.08	5.188
Aroma	5.296	4.876
Consumes less	4.824	4.64
Availability	4.672	4.656
Offer	4.66	4.152

Brand imagery deals with the extrinsic properties of the product or service including the ways, in which the brand attempts to meet customers’ psychological or social needs. Brand imagery is how people think about the brand abstractly rather than what they think the brand actually does. These attributes help in satisfying more the latent needs of the customers as add-ons to the basic product. This

study concentrates on six attributes to measure the brand imagery. It is apparent from Table 6 that global brand HUL scores more in all the attributes than the Indian brand Patanjali. The difference is maximum in the case of ‘Convenience’ and minimum for ‘Good logo and slogan’. The attribute, brand imagery is also measured on a seven-point rating scale (1 stands for lowest, and 7 for highest).

Table 6: Brand Imagery

Extrinsic Attributes	HUL (Mean Score)	Patanjali (Mean Score)
Convenience	5.212	5.016
Attractive advertisement	5.18	4.892
Offers	5.04	4.8
Availability	4.456	4.344
Good Logo&Slogan	4.408	4.1
Good packaging	4.764	4.608

Brand Judgment

Brand judgment is customer’s opinion about the quality, likeability and how they perceive them as unique from the other brands. According to brand judgments are customers’ personal opinions and evaluations with respect to the brand. Keller defined four types of brand judgment, namely, brand

quality, brand credibility (trustworthiness and likeability), brand considerations and brand superiority. This study measures all the four types of attributes, namely, quality, credibility, considerations and superiority by using a seven-point rating scale (1 stands for lowest, and 7 for highest), as shown in Table 7.

Table 7: Brand Judgment

Attributes	HUL (Mean Score)	Patanjali (Mean Score)
Quality	3.704	3.692
Credibility	3.82	3.8
Consideration	3.56	3.516
Superiority	3.38	3.464

Brand Feelings

Brand feelings measure the customer’s emotional responses and reactions with respect to the specific brand. Brand feelings are customer’s inner state of mind which can be either positive or negative. defined six types of brand feelings, namely, warmth, firm, excitement, security, social approach and self respect. This study only measures three types of attributes, namely, warmth, excitement and security by using seven-point rating scale (1 stands for lowest, and 7 for highest), as shown in Table 8.

- Warmth appeal makes the customer feel calm and peaceful, reflecting affection and sentiments.

- Excitement feelings are used to explain the mood of customers when they are experiencing something very special.
- Security means reassurance and safety from the customer’s point of view.

Table 8: Brand Feelings

Attributes	HUL (Mean Score)	Patanjali(Mean Score)
Warmth	3.87	3.868
Excitement	3.648	3.528
Security	3.564	3.544

Brand Resonance

Brand resonance is characterized in terms of intensity or the depth of the psychological bond that customers have with the brand as well as the level of activity that reflects loyalty. In this study, an attempt has been made to measure brand resonance in terms of behavioral loyalty by using a five-point Likert scale (Table 9).

Table 9: Brand Resonance

Attributes	HUL (Mean Score)	Patanjali(Mean Score)
Next buy	3.420	3.328
Intend to purchase	3.356	3.268
Committed	3.120	3.096
Willing to pay high price	2.712	2.728

Evaluation of Branding Elements

Each rung displays the individual strength of the different branding elements of the global and Indian brand (Figure 4). The numerical value of each rung in the pyramid represents customer profiles (as percentage of total sample) and was extracted using data mining techniques/K mean clustering technique. It is clear from Figure 4 that the height of pyramid belonging to the global brand (HUL) is higher than that of the Indian brand (Patanjali). It is apparent from the two pyramids that HUL has scored more than Patanjali in all the branding elements. The Indian brand Patanjali has scored significantly less in ‘brand preference’ and consequently its ‘brand strength’ has been much lesser than that of HUL (see Table 10). The global brand needs to improve upon its uniqueness as there is not been much difference between the two brands regarding ‘brand uniqueness’. Adoption of new technology by the Indian brand has in fact negated the points-of-difference of HUL and brought them to points-of-parity.

Table 10: Rung Analysis to Evaluate Brand Strength

Branding Element	Patanjali	HUL
Unawareness	0.8	0
Brand Awareness	99.2	100
Brand Recognition	97.2	97.6
Brand Uniqueness	67	68.48
Brand Image	92.4	96.84
Brand Preference	32.8	67.2
Brand Loyalty	62.1	63.04
Brand Strength	64.52	70.45

Testing of Hypotheses

Implied that one of the underlying principles of brand loyalty is customer’s consistency of choice. According to them, if a positive attitude indicates commitment and loyalty, then positive beliefs must also be stable over time, and if not, due to behavioral habits they turn to be split

loyal. It is found in an earlier research (Castleberry *et al.*, 1994) [4], that when the average repeat level of attitudinal responses is 50%, it is taken that attitude leads to brand loyalty.

To test our first hypothesis, i.e., *H₁: Brand trust is positively related to both (a) purchase loyalty; and (b) attitudinal loyalty*, customer responses regarding HUL and Patanjali for the following four statements were averaged on a brand trust scale:

- I trust this brand
- I rely on this brand
- This is an honest brand
- This brand is safe

The ratings were based on a five-point rating of agreement, (1 = strongly disagree, 5 = strongly agree).

Conclusion

This paper gives an insight into formation of brand equity as perceived by customers. HUL over the last ten years has emerged as the market leader in the fast moving consumer goods sector, edging out many traditional multinational companies and Indian competitors. On the other hand, an Indian company like Patanjali has to battle on all fronts with the HUL to get a market share in its own country. The findings of this paper emphasizes that the global brand (HUL) seems to have created more positive brand equity in customers’ mind than the Indian brand (Patanjali). The Indian brand Patanjali has scored significantly less in ‘brand preference’, and consequently its ‘brand strength’ has been much lesser than that of HUL. The global brand needs to improve upon its uniqueness as not much difference is found by customers between the two brands regarding ‘brand uniqueness’. Further, the study finds that brand trust and brand affect have significant relationship with attitudinal loyalty and purchase loyalty. Attitudinal loyalty has shown greater influence than purchase loyalty for the global brand HUL for both brand trust and brand affect.

Designing and implementing a marketing program to create a strong, favorable brand requires years of consistent endeavors. The Indian marketers need to shed their limitations to achieve higher brand equity than their global counterparts in their own country.

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