The effect of brand image and brand loyalty on brand equity

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ABSTRACT : Brand image and brand loyalty are most important determent on brand equity which effect the consumer perceptions in the market and in the same time effect the brand equity , The Main purpose of this study is to discuss the importance of the effect of the brand image and brand loyalty on brand equity ,the conceptual model illustrates the impact of brand image and brand loyalty on brand equity, which is assessed through effects between brand loyalty, and brand image In order to accomplish the objectives proposed , a model reflecting the effect of brand image and brand loyalty on the brand equity ,the model is tested by structural equations and the sample is 204 students ,the finding show that brand loyalty and brand image have a positive effect on brand equity. The study provides brand managers a holistic model to enhance the equity of a brand .Therefore, the research finding can be used by soft-drink industry in enhancing the brand equity.

KEYWORDS :Brand image Brand loyalty Brand equity

I.   INTRODUCTION

Brand equity is one of the most popular and important marketing concepts which has been discussed by both academicians and practitioners over the past decade. Brands have been considered as the second most important assets for a firm after customers (Doyle, 2001).The concept of brand equity has been discussed in a different ways, literatures divide brand equity into three categories: the customer-based perspective (Aaker, 1991), the financial perspective (Simon and Sullivan, 1993), and the combined perspective (Anderson, 2007).Previous research established a positive effect of brand equity on: consumer preference and purchase intention (Cobb-Walgren et al, 1995); market share (Agarwal and Rao, 1996); consumer perceptions of product quality (Dodds et al, 1991); increase marketing communication effectiveness (Keller, 1993); consumer evaluations of brand extensions (Aaker , 1991); consumer price insensitivity (Erdem et al, 2002); and resilience to product-harm crisis (Dawar and Pillutla, 2000).

II.   PERVIOUS RESEARCHES

2.1. Determinants of brand equity

Since its appearance in the 1980s, brand equity has been one of the main priorities in marketing research. Lassar et al (1995) defines brand equity as "the enhancement in the perceived utility and desirability a brand name confers in a product" on the other hand, Keller (1998) defines it as "the differential effect of brand knowledge on consumer response to the marketing of the brand". Also Chirstodoulides and Chernatony (2010) define the brand equity as "a set of perceptions, attitudes, knowledge, and behaviors on the part of consumer that results in increased utility and allows a brand to earn greater volume or greater margins than it could without the brand". It is apparent that customer based brand equity has multiple dimensions, Keller's (1993) model of brand equity focuses on brand knowledge and its components – brand awareness and brand image. on the other hand Aaker (1991) suggested that brand equity have five dimensions brand loyalty, brand awareness ,brand association ,perceived quality and other brand proprietary assets ,also Rūta and Juozas (2010) focuses on five dimensions brand image ,brand loyalty ,perceived quality , brand awareness and price.

Brand loyalty

Brand loyalty is widely discussed in marketing literature because it plays a more and more important role in the marketing. Brand loyalty is, like brand loyalty, a complex construct in itself, which needs to be disaggregated if it is to be clearly understood? (Atilgan et al, 2005). Researchers have been challenged to define and measure brand loyalty because this dimension is formed by two different components: attitudinal and behavioral (Dick and Basu, 1994). brand loyalty is defined as "a deeply held commitment to re-buy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver, 1997).Brand loyalty has several important strategic benefits to the firms, such as gaining high market share and new customers, supporting brand extensions, reducing marketing costs, and strengthening brand to the competitive threats.

(Atilgan et al, 2005) and even more a loyal customer base represents a barrier to entry, a basis for a price premium, time to respond to competitor innovations and a bulwark against deleterious price competition.Brand loyalty is at the heart of brand equity (Tong and Hawley, 2009) and according to Aaker (1996) brand loyalty is a core dimension of brand equity. Brand loyalty was found to have a dominant effect on brand equity it leads to a high level of brand equity (Yasin et al, 2007) ,thus brand Loyalty should be enhanced for increasing Brand Equity (Mishra and Datta, 2011) . Based on these the following hypothesis is proposed in this study:

Hypothesis 1: brand loyalty has a positive effect on brand equity

Brand image

Brand image has long been recognized as an important concept in marketing (Keller, 1998). According to Mao (2010) Brand image plays an important role in brand building.Aaker (1991) defines brand image as a ''set of brand association that are anything linked in memory to a brand, usually in some meaningful way'' and can be defined as the combination of the consumer's perceptions and beliefs about a brand (Campbell, 1993) .On other hand, Kotler and Armstrong (1996) define brand image as "a set of beliefs held about a particular brand". This set of beliefs plays an important role in the buyer's decision making process when customers evaluate alternative brands.Faircloth et al (2001) proposed that brand equity can be created directly or indirectly through brand image and brand attitude. Brand image was found to have positive effect on brand equity (Juntunen et al, 2011; Chang and Lui, 2009; Mishra and Datta, 2011). Based on these the following hypothesis is proposed in this study:

Hypothesis 2: brand Image has a positive effect on brand equity

III. METHODOLOGY

The model

A research framework was designed to test the above hypothesized relationships, for the purpose, the beverage market in Syria was targeted; the target population of interest was defined as the students of a local university. The model to be tested results from the hypotheses previously (figure 1).
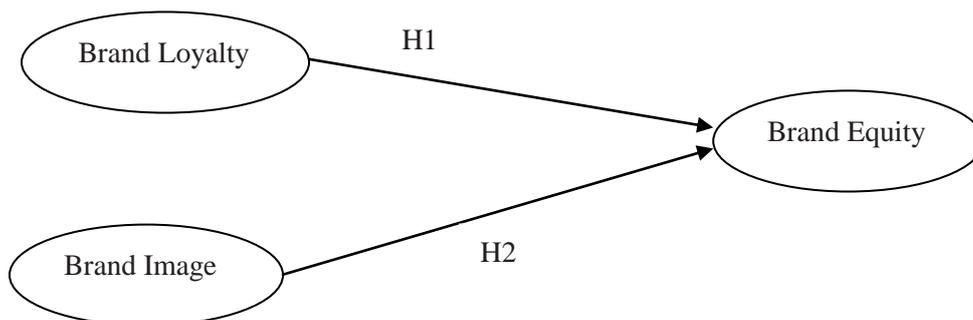

Figure 1.The research model

Sample's definition

In order to test the proposed model we select a sample of university students because they are one of the most important customers of soft drink. A total of 230 business students from the higher institute of business administration (HIBA) participated in the study. Because of missing data, 26 questionnaires had to be excluded from further analysis. The Demographic profile of the sample is given in table (1).

Table 1. Demographic profile of the sample

		N	**%**
Gender	Male	125	61.3
	Female	79	38.7
	Total	**204**	**100**
Income (SP)	None	100	49.0
	<10000	64	31.4
	10000-20000	32	15.7
	>20000	8	3.9

	Total	**204**	**100**
Age	<20	70	34.3
	20 - 25	127	62.3
	>25	7	3.4
	Total	**204**	**100**
Education level	Under graduate	186	91.2
	Post graduate	18	8.8
	Total	**204**	**100**

IV. METHOD OF DATA OBTAINMENT

The questionnaire was designed as a survey instrument including all constructs of the proposed model to investigate the hypotheses of interest. The questions in the questionnaire are based on a review of the literatures and researches. The survey questionnaire consists of four sections. The first section is designed to obtain sample characterization. The second section is designed to measuring the brand image with a four items using five-point Likert-type scale adapted from (Chen and Tseng, 2010). The third section deals with the measurement of brand loyalty with three items using a five-point Likert-type scale following (Yoo et al, 2000). The forth section is designed to measuring brand equity with four items using a five-point Likert-type scale following (Yoo et al, 2000). Respondents are asked to indicate their agreement level of each item of the sections on the five-point Likert scale anchored by ''strongly disagree (=1)'' to ''strongly agree (=5).''.

Analysis of result

In this section we will evaluate the measurements scales used in the research and then we will use the regression analysis to proceed an estimation of the structural model. Figure 2 shows the estimation model with the standardized regression weights.
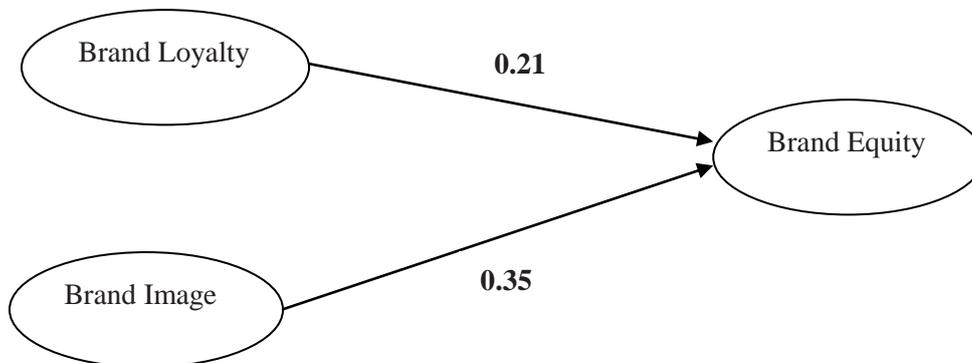

Figure 2. Final model

We applied Cronbach's alpha statistic to measure the consistence of each item under the same construct (supplied by the SPSS).Table II reveals the composed reliability of independent and dependent variables. We can notice that all constructs have greater than the suggested value of 0.6 recommended by (Malhotra, 2004).

Table II. Construct reliability

Construct	Item number	Reliability
Brand loyalty	3	0.737
Brand image	4	0.822
Brand equity	4	0.871

Table III presents the result of the regression analysis. From the analysis of the determination coefficients of the structural equations show in table III, it was found that brand loyalty has a positive effect on brand equity ($R^2=0.21$, t>1.96) ,also brand image has a positive on brand equity ($R^2=0.35$, t>1.96) .

Table III. Result of the structural model

Structural equations	R2	T	Sig	Result
Brand loyalty ————▶brand equity	0.21	7.333	0.000	Supported
Brand image ————▶brand equity	0.35	11.312	0.000	Supported

V.   CONCLUSIONS AND IMPLICATIONS

The research results indicate that brand loyalty has significant positive effect on brand equity also brand image has significant positive effect on brand equity. The finding in this study consists with results of previous researches. Furthermore, the increasing in both would generate higher levels of brand equity at the same time, the model indicates that brand image has the bigger impact on brand equity when compared with brand loyalty, on other world brand equity will increases or decreases in a ratio of 0.35 if the brand image rises or reduces by a unit.Marketing and brand managers can create brand equity by focusing on the creation of brand loyalty and brand image, This implies that a soft-drink industry eager to increase its brand equity should focus on efforts to build brand image by focusing on the brand image resource like perceived quality , brand awareness ,brand association and brand attitude because of the role which its play to enhance and build brand image and on other hand they should focus on efforts to build brand loyalty by first, pay more attention on customer care. Second, give the customer more than they expect. Finally, build long-term relationships with customer by creating loyalty programs.

To sum up, the study goals were reached and the study provides a model to enhance the brand equity and gives several important implications for strategic brand management.

VI.   RESEARCH LIMITATION AND FUTURE RESEARCH

There are some limitations of the study. First, other variable needs to be studied, such as brand trust, brand association, brand awareness and perceived quality. Second, we should investigate this study in service industries. Third, the subject of this study is student. It is suggested that future research can expand its participants to general consumers. Finally we should try to replacing this study with more product categories.

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