The effect of Brand Equity on Consumer Buying Behavior in term of FMCG in Iran

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Abstract

This quantitative research targets consumer behaviors in purchasing fast moving consumers goods (FMCG) in term of Brand of products. For this purpose four elements as brand equity’s components were identified that has potential affect purchasing FMCG, and they are Brand Awareness, Brand Association, perceived Quality, and Brand Loyalty. At the end, results showed the highest impact on consumer purchasing behavior refers to Brand Loyalty.

Keywords: Consumer Buying Behavior, Brand Association, Brand awareness, Perceived Quality, Brand Loyalty, FMCG.

1. Introduction

In this era, globalization is increasingly important. Most of the industries are thinking of expanding their market worldwide. However, before they can do so, they need to study their respective market and identify the factors that will steer them to success. Thus, the same concept applies here where the factors which influence consumer purchasing behavior should be identified in order to success in the FMCG industry for a manufacturer. Without the purchasing stage, the consumer decision-making process in considered not complete or not success since there will be no action taken after the evaluation stage.
Many scholars have highlighted different concepts such as Brand Equity (Aakar, 1992), Customer Equity (Rust et al., 2000, Mahmoud et al 2011 (a)) which these concepts carry consumer buying behavior. Furthermore some researchers have investigated the impact of other factors on customer buying behaviors for example; the impact of consumer perception on green purchasing product. (Mahmoud et. al 2011(b))

Fast moving consumer goods (FMCG) or Consumer Packaged Goods (CPG) are products that are sold quickly and at relatively low cost. Examples include non-durable goods such as soft drinks, toiletries, and grocery items (RamanujMajumdar, 2004), Sean Brierley, 2002).

Though the absolute profit made on FMCG products is relatively small, they generally sell in large quantities, so the cumulative profit on such products can be substantial.

The term FMCG refers to those retail goods that are generally replaced or fully used up over a short period of days, weeks, or months, and within one year. This contrasts with durable goods or major appliances such as kitchen appliances, which are generally replaced over a period of several years.

2. Literature Review

2.1. Consumer Buying Behavior

Blackwell et al (2001), define Consumer behavior as the activities in which people possess and as well, consume and finally dispose products and services (Blackwell et al., 2001). In fact there are a lot of wide spreads researches going on consuming buying behavior this has to do with increasing growth in trading and acceptance among the consumers due to new brand and variety of product put in place. It is important to note that most of the studies in this endeavor focus on cross countries study with little studies on a single country basis.
In line to our previous discussions literatures have provided a model of analytical frameworks and plat forms of discussion, even though much of these literatures focus much on presentation of the modeling of consumer behaviors but there is significant differences between them but one common thing they share in common such as attaching important to stage applications, pre-purchase, and post purchase strategies for more detail discussion in the literature you can see for example (Hoyer and Maclnnis, 2001; Rayport and Jaworski, 2003).

2.2. Brand Equity

Literatures here focus much attention on the definitions and specificity of the concepts brand equity. Some of the famous work in the literature try to define the term ‘brand equity’ as a set of assets and liabilities associated with a brand, including its name and symbol, which could impose beneficial or detrimental effects on the values arising from the products or services (Aaker,1991; Yasin et al., 2007).

Added to this, Keller (1998) points out that brand equity signifies the unique marketing effects imposed on the brand. Thus concerning the positive side of brand equity, it happens when consumers are willing to pay more for the same level of quality just because of the attractiveness of the name attached to the product 9 Bello and Holbrook, 1995). However, brand equity could be ruined if it is not properly managed. Forinstance, poor product quality and customer services could adversely affect the brand image, giving rise to a reduction in sales volume.

Murphy (1998) discussed one of the quintessential examples regarding brand as a kind of equity and the imposition of laws to protect intellectual property, his study provide more elaborate argument that In countries with well-established legal system, the values of brands have been recognized to both the consumers and producers. In order to combat piracy, many countries have set up laws to protect trademarks, patents, designs as well as copyright. In addition, brand is also a tradable product with measurable financial value.

Murphy (1988) in separate study noted that It is not uncommon to find some familiar brands listed on the stock markets in which they could be bought or sold. Brands like HSBC, Marks and Spencer, Vodafone, Sainsbury and Tesco are all listed on the FTSE 100 index (London
It is found that the volatility of stock market could affect consumers’ purchasing mood, not to mention the growth or declines of retail sales. While Blackwell, (2002) supported this argument by the fact that brand equity depends on the number of people with regular purchasing. The intensive discussion in the literature so far has shed light on the values of brand equity for both consumers and the firm. For the consumers, brand equity could provide them within formation about the brand which influences their confidence during the purchasing process. And it be observed from such studies that there is a high propensity for consumers with good perceptions to buy from the same shop again than those with poor perceptions. Past purchasing experiences and familiarity with the brand could be attributable to the perceptions generated from the consumers this was echoed in work of (Aaker, 1991).

2.2.1 Brand Awareness

This is another area of considerable debate, because it is one of the major determinants of brand that attract a lot of attention is equity. Which authors differs in opinion to some It refers to the ability of a potential consumer to recall and recognize the brand, linking the brand with its corresponding product class (Aaker, 1991). The level of brand awareness lies in a continuum, with brand recognition being the lowest level and the first named brand with unaided recall being the highest level.

It is important for the potential consumers to be aware of a product so that it can become one of the purchasing choices. This is due to the fact that the product needs to enter the awareness set before it comes to the consideration set (see e.g Blackwell et al., 2001) and an increase in brand awareness is conducive to a higher chance of entering the later set (see e.g Nedungadi, 1990). In this way, brands with higher level of awareness would be more likely to be purchased (Yasin et al., 2007). This could probably explain why consumers tend to buy a recognizable brand rather than an unfamiliar one (Hoyer, 1990; Macdonald and Sharp, 2000). Several factors can alter the level of brand awareness. In case of China, its geographical location and politics could affect the consumer brand awareness level seriously research conducted by Delong et al. (2004), owing to geographical differences, Chinese consumers does not distinguish US apparel brand names from the European ones. In addition, brands from Taiwan and Hong Kong are sometimes confused, due to their political separations. For long time, Taiwan would like to become politically independent from China owing to their
different political standpoint whereas Hong Kong, being a special administrative region since 1997, has once been a colony of the UK.

In a study by Keller (1998), brand awareness can be enhanced through repeat exposure to the brand. In order to achieve brand awareness, two tasks are to be accomplished, namely increasing brand name identity and associating it with the product class. Advertising and celebrity endorsement could be some useful tools for raising brand awareness.

In interesting studies, it is found that advertisement attitude is attributable to the influence (Mackenzie et al., 1986; Tsai et al., 2007).

In recent studies it was found that in recent decades there is an increasing number of advertising campaigns around the world. Consumers are hence well-equipped with comparative elements to judge which product or service to purchase (AlvarezandCasielles, 2005).

2.2.2 Perceived Quality

Large volume of literature has discussed perceived quality in different categorization, much attention was paid to an important attributes such as perceived quality. It is defined as the customer’s perception of the overall quality or superiority of a product or service (Aaker, 1991; Keller, 1998; Yasin, 2007).

A lot of studies try to perceive it from the intangible, and argued from the overall feeling towards a brand, and it subjective in nature and went to the conclusions that product specifications could have little correlation with the perceived quality. Perceived quality of a brand could help generate values by providing a pivotal reason-to-buy the product and help in differentiating the position of a brand, charging premium price, motivating channel members to perform well and also introducing extensions into new brand categories (Aaker, 1991).

In addition, it is found that perceived quality is of utmost importance indetermining brand loyalty as well as repeat purchase (see e.g Delong et al., 2004).

2.2.3 Brand Loyalty

Another important area of considerable analysis in the extent literature is the concepts of brand loyalty, because it constitutes the heart of brand equality.

According to study carried out by Atilgan et al (2005), he asserted that brand loyalty affect both positive and negative the brand quality of a products and he also explained how it has a direct and indirect influence on the brand loyalty.
Under the influence of brand loyalty, considerable literatures has indicated that consumers continue to buy the brand, regardless of the superior features, prices and convenience owned by its competitors see the work of (Aaker, 1991).

2.2.4 Brand Association

The concept of brand association has parked a lot of studies that came up with a varieties on the important role of brand associations. Even though there are some area of consensus on the definition especially on the linkage between the memory and the brand (see e.g. Aaker, 1991, Keller, 1998 and Yasin et al. 2007), these group of studies confirm that further equity of a brand is largely supported by consumers’ associations towards the brand, which contribute to a specific brand image.

But both studies argued that brand association is such a complicated concept that connects to one another, consisting of multiple ideas, episodes, examples, and facts that create a brand knowledge network on that note see the work of Yoo et al., (2000). In addition to the tangible products, the intangible qualities, for instances innovativeness and distinctiveness are also taken into account as brand associations.

3. Method and Analysis

The main method for this study was multiple regression analysis for testing following framework (Figure 1). As a matter of fact, four developed hypotheses were tested, and they were as follow:

H1: Consumer Buying Behavior is affected by Brand Awareness significantly and positively.
H2: Consumer Buying Behavior is affected by Brand loyalty significantly and positively.
H3: Consumer Buying Behavior is affected by Perceived Quality significantly and positively.
H4: Consumer Buying Behavior is affected by Brand Association significantly and positively.
The population for this study was all consumers who live in different locations of Tehran, Shiraz, and Isfahan (Iran). The sample which is selected for this survey is randomly sampling method and consists of 200 of consumers who live in Iran. 200 questionnaires were distributed and 150 questionnaires were returned out of them because 50 of them were unclear. After gathering data results was as follow:

Table1: Demographic Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>80</td>
<td>53.34%</td>
</tr>
<tr>
<td>Female</td>
<td>70</td>
<td>46.64%</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100%</td>
</tr>
<tr>
<td>2.Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 20</td>
<td>30</td>
<td>20%</td>
</tr>
<tr>
<td>21-30</td>
<td>25</td>
<td>16%</td>
</tr>
<tr>
<td>31-40</td>
<td>44</td>
<td>29.3%</td>
</tr>
<tr>
<td>41-50</td>
<td>45</td>
<td>30%</td>
</tr>
<tr>
<td>More than 50</td>
<td>6</td>
<td>4.7%</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100%</td>
</tr>
<tr>
<td>3.Educational Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school &amp; below</td>
<td>49</td>
<td>32.67%</td>
</tr>
<tr>
<td>Diploma</td>
<td>56</td>
<td>37.33%</td>
</tr>
<tr>
<td>Bachelor</td>
<td>30</td>
<td>20%</td>
</tr>
<tr>
<td>Master or higher</td>
<td>15</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100%</td>
</tr>
<tr>
<td>4. Marital status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>83</td>
<td>55.3%</td>
</tr>
<tr>
<td>No</td>
<td>67</td>
<td>44.7%</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100%</td>
</tr>
<tr>
<td>Model</td>
<td>Unstandardized Coefficients</td>
<td>Standardized Coefficients</td>
</tr>
<tr>
<td>-------</td>
<td>----------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-.110</td>
<td>.181</td>
</tr>
<tr>
<td>PQ</td>
<td>.221</td>
<td>.076</td>
</tr>
<tr>
<td>BL</td>
<td>.357</td>
<td>.077</td>
</tr>
<tr>
<td>BA</td>
<td>.191</td>
<td>.068</td>
</tr>
<tr>
<td>BAS</td>
<td>.342</td>
<td>.065</td>
</tr>
</tbody>
</table>

ANOVA’s P-value=0 (F-Stat) indicated the independent variable can be used for variation of Consumer buying Behavior. R square is 0.714 that shows 71.4% of customer value is affected by four identified independent variables (Steel and Torrie, 1960, pp. 187-287).

The p-value of Brand Awareness (BA) shows that significant impact of BA on CBB because it is less than 0.05 (0.005). Furthermore, the value of B in unstandardized coefficient (0.191) indicates that for every unit increase in BA, CBB will go up 0.191 units. Besides, P-value of Brand Loyalty (BL) is 0.00 that shows significant impact of BL on CBB. From coefficient table shows, p-value of Perceived Quality (PQ) is 0.004 (less than 0.05), so we are 95% confident the impact of PQ on Consumer Buying Behavior is Significant. Moreover, the value of B in unstandardized coefficient (0.221) indicates that for every unit increase in PQ, CBB will go up 0.221 units.

Furthermore, the p-value of Brand Association equals 0.00 that is less than 0.05. Therefore we are 95% confident the impact of BAS on CBB is significant. Moreover, the value of B in unstandardized coefficient (0.342) indicates that for every unit increase in PQ, CBB will go up 0.342 units.

However, followed by above discussion and acceptance of all four hypotheses the highest impact refers to Brand Loyalty, and the regression equation can be written as follow:

\[ CBB = -0.110 + 0.191 \times (BA) + 0.357 \times (BL) + 0.221 \times (PQ) + 0.342 \times (BAS) \]
4. Conclusions

The main purpose of conducting this research was to investigate the relationship between Brand Equity’s components and consumer buying behavior in Iran in term of FMCG. Based on previous research by famous scholars, there are four elements in Brand Equity, and they are Brand Association, Brand Awareness, Brand Loyalty, and perceived Quality. After measuring the impacts of brand equity elements, the highest impact refers to Brand Loyalty.

Recommendation and future researches
After studying the relationship among different components of Brand Equity on consumer Buying Behavior, this study suggests testing same framework in other countries and also other industries. As a matter of fact, lack of enough research about relationship between Consumer Buying Behavior and Customer Equity motivates to investigate this relationship based on following framework:

Besides, Kristensen et al.(1999) have investigated the relationship between Consumer Buying Behavior and Customer satisfaction. In this regard, Consumer Buying Behaviors can bridge between Brand Equity and Customer Satisfaction. Thus, this study suggests investigating the impact of Brand Equity on Customer Satisfaction (via Consumer Buying Behavior).
References


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