UNIVERSITY OF KWAZULU-NATAL

Building Hisense Brand Equity through Selected Marketing Programmes - A Study on the Relationship among Brand Equity, Marketing Mix Elements and Consumer Response

by

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DECLARATION

This research has not been previously accepted for my degree and is not being currently submitted in candidature for any degree.

Signed: Zhixiang Li

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ABSTRACT

The structural research framework of the effects of marketing mix elements on brand equity and customer response is defined with the existing theoretical findings. Research hypotheses are defined according to the identified structural research framework. A householder appliance brand, Hisense, is taken as a demonstrative brand. In order to test the defined structural research framework and research hypotheses empirical research was conducted on the sample of Hisense consumers in Johannesburg, South Africa. The Structural Equation Modelling (SEM) and the multiple regression statistical method with the Statistical Package for Social Science (SPSS 11.0) are used to analyze the data.

Research results indicate that the structural research framework has an acceptable level of fit to the empirical data.

Finally, implications of the research results for the theory and practice of brand management are analyzed and discussed.

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CHAPTER 1

INTRODUCTION

1.1 Research Background and Research Motivation

The concept of brand equity has received significant attention from both scientists and marketing practice, which resulted in a large number of articles and books on the subject (e.g. Aaker, 1991 and 1996; Aaker and Keller, 1990; Farquhar1990; Aaker and Biel, 1993; Keller, 1993; Agarwal and Rao, 1996; Yoo *et al.*, 2000; Morgan, 2000; Rio, *et al.*, 2001; Datta, 2003, Moore *et al.*, 2002; Keller, 2003). The importance of brand equity consists of numerous benefits for companies that own brands. One of the benefits provided by high brand equity is the possibility of brand extension to other product categories. Generally, brand extension is defined as the use of an existing brand name for entry into a new product category (Aaker and Keller, 1990). When compared to new brand names, brand extensions have lower advertising costs and higher sales (Smith and Park, 1992). Successful brand extensions contribute to higher brand equity of the original brand (Dacin and Smith, 1994; Keller and Aaker, 1992); However, unsuccessful extensions may reduce the brand equity of the parent brand (Aaker, 1993; Loken and John, 1993). Aaker and Keller (1990) developed a model for consumer evaluation of brand extensions and a number of authors worked on generalization of this model (Barrett *et al.*, 1999; Bottomley and Doyle, 1996; Sunde and Brodie, 1993).

In addition, brand equity increases (1) willingness of consumers to pay premium prices, (2) possibility of brand licensing, (3) efficiency of marketing communication, (4) willingness of stores to collaborate and provide support, (5) elasticity of consumers to price reductions, and (6) inelasticity of consumers to prices increases, and reduces the company's vulnerability to marketing activities of the competition and their vulnerability to crises (Barwise, 1993; Farquhar *et al*., 1991; Keller, 1993; Pitta and Katsanis, 1995; Simon and Sullivan, 1993; Smith and Park, 1992; Yoo *et al*., 2000).

As a famous Chinese producer of household appliances, Hisense South Africa has found itself in an unusual predicament. Some Chinese critics oppugned that Hisense has lost substantial capital in the South African market. In the South African household appliance market, the competitive cost is continuously increasing, product differentiation is also increasing decreasing, the firms solely depending on their products may fail, most consumers pay attention not only to the product's practical function, but also to its brand name as a measure of selecting a product. As a result, building brand equity is really one of the key points to struggling for existence and growth, brand equity has become a very important asset to a company, many companies expect to enhance their brand equity to make more profit.

Despite the fact that brand equity attracts the attention of marketing scientists and marketing practitioners, the way in which, and how intensively individual marketing mix elements affect the creation of brand equity has remained unstudied; with the exception of a paper by Yoo *et al*. (2000). Given the importance that brand equity has for companies operating under contemporary conditions, it seems fully justified to explore how and with what intensity individual marketing mix elements impact brand equity, including how and with what intensity individual marketing mix elements impact consumer response with individual brand equity dimensions used as mediator variables. Such findings may provide some guidance to Hisense managers in the South African market as to how they can build and maintain the brand equity of Hisense brand names, and certainly represent a scientific contribution to a better understanding of the mechanisms, ways and intensity of influence of individual marketing mix elements on brand equity and consumer response.

1.2 Research Objectives

The objectives of this study are as follows:

1. To examine the relationship between marketing mix (price, store image, price promotion, and marketing activities) with perceived quality of the product.
2. To examine the relationship between marketing mix (price, store image, price promotion, and marketing activities) with consumer response.
3. To examine the relationship between marketing mix (marketing activities) with perceived quality, brand association, brand awareness, and brand loyalty.
4. To examine the relationship between marketing mix (price promotion) with brand association.
5. To examine the relationship between perceived quality, brand association, brand awareness, and brand loyalty with consumer response
6. To identify the most influential factor among the marketing mix elements factors on customer response.
7. To identify the most influential factor among the brand equity factors on customer response.

1.3 Research Procedure

The procedures of this study are shown in Figure 1.1 below:

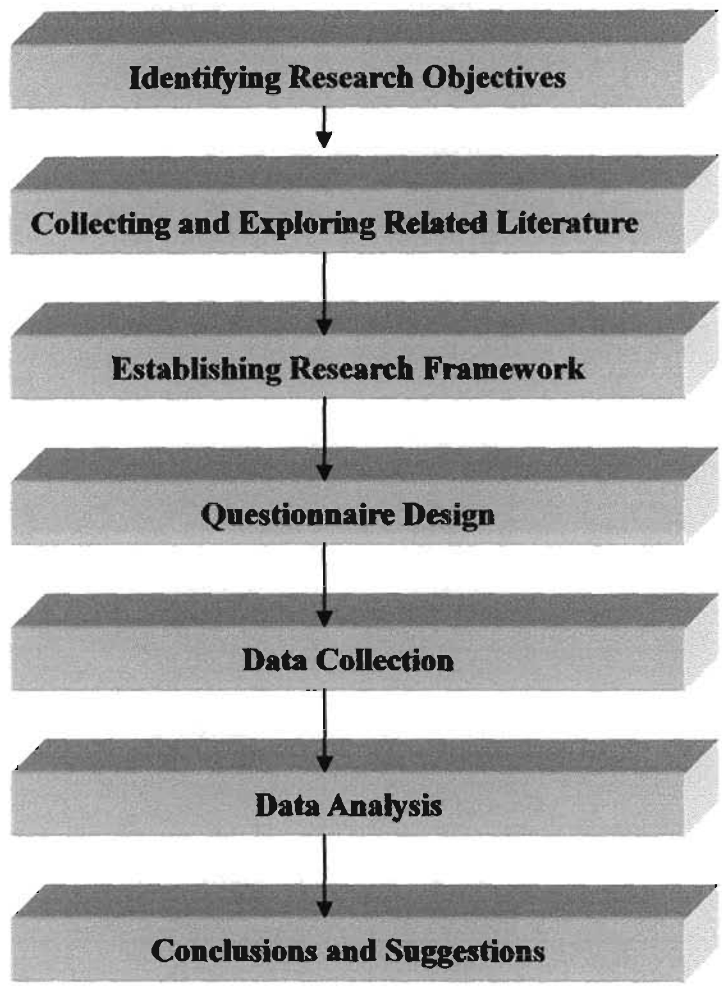


Figure 1.1 Research Procedures

Source: This study

1.4 Structural Design

This study includes 5 chapters:

Chapter 1 **Introduction:** This chapter expatiate the research background and research motivation, research objectives, research procedure and dissertation structural design.

Chapter 2 **Literature Review:** The chapter commences the investigation using an academic approach by researching the theories of respected specialists in marketing. In order to effectively dissect the theories and relate them to the research objective, the structure of the literature review is broken into three sections. The chapter identifies the three sections as brand equity, marketing mix elements and customer response.

For the purpose of conducting an effective and reliable study, the researcher tries to build up a conceptual framework for this study based on the research motives and objectives described in Chapter 1 and the literature review given in Chapter 2. Hence, Chapter 3 will describe the **Research Methodology**, including the research framework, research hypotheses and the definitions of the terms variable, questionnaire design, sample collection and data analysis method.

Chapter 4 **Data Analysis:** A description of the data analysis according to the valid questionnaires is provided. Firstly, the reliability of used measurement scales was tested using Cronbach's alpha coefficient and Levene's Test for Homogeneity of Variances analysis method. Secondly, this chapter will describe demographic data using descriptive statistics analysis according to the valid questionnaires. Then the test will be carried out to ascertain the relationship among the marketing mix elements, brand equity and consumer response using structural equation modelling. The results of hypotheses will be presented as well. Next, the author will use the multiple regression statistical method using the Statistical Package for Social Science (SPSS 11.0) to find out the most influential factor among the marketing mix elements on brand equity, the brand equity on customer response and marketing mix elements on customer response.

Chapter 5 **Conclusions and Suggestions:** The chapter presents the results of the statistical data analysis. The study presents research findings, summarizes several conclusions, gives some suggestions to business and points out the limitations.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The literature review commences the investigation using an academic approach by researching the theories of respected specialists in marketing. In order to effectively dissect the theories and relate them to the research objective the structure of the literature review is broken into three sections. The chapter identifies the three sections as brand equity, marketing mix elements and customer response.

2.2 Definition of Brand Equity

Aaker (1991) mentioned brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol, which add to or subtract from the value provided by a product or service to a firm and to that firm's customers. Brand equity is a multidimensional concept. It consists of brand loyalty, brand awareness, perceived quality, brand associations and other proprietary brand assets. Farquhar (1990) contends that brand equity to a consumer follows from a positive evaluation of, or attitude toward, the branded products. Keller (1993) hypothesizes that consumer-based brand equity arises from a more favourable differential response to the firm's marketing efforts. Brand equity can also be viewed as the result of consumer behaviour: it is the consumer's biased behaviour toward the brand with certain positive brand associations. The differential response referred to by Keller is said to result from the consumer's brand knowledge memory structure, which consists of brand image and brand awareness. Keller views brand image as the perceptual beliefs about a brand's attributes, benefits, and attitude associations, which are frequently seen as the basis for an overall evaluation of, or attitude toward the brand.

Yoo, Donthu and Lee (2000) recognized that perceived quality, brand loyalty, brand awareness and brand associations are the common dimensions of brand equity. They further indicated that store image, advertising spending and price deals would all affect brand awareness and brand associations with a positive relationship.

This study use Aaker's (1991) brand equity dimension of brand loyalty, brand awareness, perceived quality and brand associations.

2.2.1 Brand loyalty

Aaker (1991) cited brand loyalty as the favourability or strength of a brand created by the customer's satisfied experience of use and purchase. A direct way to determine loyalty, especially habitual behaviour, is to consider actual purchase patterns. Among the measures that can be used are: repurchase rates, percent of purchase and number of brands purchased. The brand loyalty of existing customers represents a strategic asset that, if properly managed and exploited, has the potential to provide value in several ways: reduce marketing costs, leverage trade, and attract new customers - brand awareness created and reassurance to new customers - time to respond to competitive treats. Aaker, 1991) Oliver defines brand loyalty as "a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviours" (Oliver, 1997). Similarly, Kamins, Assael and Graham defined brand loyalty as the experience that consumers used products of the same brand satisfies so that it results in repeat purchasing behaviour. (Kamins, Assael and Graham 1990) Dyson, Farr and Lollis thought that consumers' brand loyalty should contain behavioural and attitudinal loyalty. (1996) Day also identified two distinct types of brand loyalty - true brand loyalty and spurious brand loyalty - by using behavioural and attitudinal indicators. The true brand loyalty is based on brand commitment but spurious brand loyalty is based on inertia. A true brand loyalty consumer insists on buying the same brand next time when he needs to buy the same product again. A spurious brand loyal consumer does not commit to his brand and might buy the same brand next time or might also buy a different brand easily. The spurious loyal buyers lack any attachment to brand attributes and they can be immediately captured by another brand that offers a better deal, a coupon, or enhanced point of purchase visibility through displays or other devices. For this consumer, the reason for buying the same brand again might be the comfort of not being forced to make a new choice, the time saved when buying the same brand again, the feeling of indifference with the choice, the familiarity with the brand, or the reduction of perceived risk. (Day, 1996)

Aaker also offered the loyalty pyramid, which contains several levels of loyalty, as depicted in Figure 2.1. Each level represents a different marketing challenge and a different type of asset to manage and exploit. All may not be represented in a specific product class or market.

Figure 2.1 the Loyalty Pyramid

Source: Aaker, D., Managing Brand Equity (New York: The Free Press 1991), 40.

The bottom loyalty level is the nonloyal buyer who is completely indifferent to the brand- each brand is perceived to be adequate and the brand name plays little role in the purchase decision. Whatever is on sale or provides convenience is preferred. This buyer might be termed a switcher or price buyer.

The second level includes buyers who are satisfied with the product or at least not dissatisfied. Basically, there is no dimension of dissatisfaction that is sufficient to stimulate a change especially if that change involves effort. These buyers might be termed a habitual buyer. Such segments can be vulnerable to competitors who can create a visible benefit to switching. However, they can be difficult to reach since there is no reason for them to be on the lookout for alternatives.

The third level consists of those who are also satisfied and, in addition, have switching cost - costs in time, money or performance risk associated with a brand. Or perhaps there is a risk that another brand may not function as well in a particular use context. To attract these buyers, competitors need to overcome the switching enough to compensate. This group might be called switching-cost loyal.

On the fourth level we find those that truly like the brand. Their preference may be based upon an association such as a symbol, a set of use experiences, or a perceived high quality. However, liking is often a general feeling that cannot be closely traced to anything specific - it has a life of its own. People cannot always identify why they like something or someone. Sometimes just the fact that there is a long-term relationship can create a powerful affect, even in the absence of a friendly symbol or other identifiable contributor to linking. Segments at fourth level might be termed friends of the brand because there is an emotional/feeling attachment.

The top level is committed customers. They have pride in discovering and/or being users of a brand. The brand is very important to them either functionally or as an expression of who they are. Their confidence is such that they will recommend the brand to others. The value of the committed customer is not so much the business he or she generates but, rather, the impact upon others and upon the market itself.

Baldinger and Rubinson (1996) categorized brand loyalty into 3 types, namely real loyal, vulnerable, and prime prospect to competitive brand. Real loyal means that a customer is really loyal to one brand, but a vulnerable point is someone who would choose from two or more brands or not be loyal. Prime prospect to competitive brand refers to a customer preferred to purchase competitive brand in making decision.

2.2.2 Perceived Quality

Most companies are greatly challenged in the same market segmentation to gain more market share or become a market leader because of many factors, such as quality, service and so on. Thus, product quality is the crucial topic that the marketer has to receive considerable attention in the marketing literature.

Zeithamal (1988) defines perceived quality as "the consumer's judgment about a product's overall excellence or superiority". It is different from objective or actual quality, a higher-level abstraction rather than a specific attribute of a product, a global assessment that in some cases resembles attitude and a judgment usually made within a consumer's evoked set. Personal product experiences, unique needs and consumption situation may influence the consumer's subjective judgment of quality. High perceived quality means that, through the long-term experience related to the brand, consumers recognize the differentiation and superiority of the brand. Zeithamal (1988) identifies perceived quality as a component of brand value; therefore, high-perceived quality would drive a consumer to choose the brand rather than other competing brands. Therefore, to the degree that brand quality is perceived by consumers, brand equity will increase.

Prior research has identified the following general dimensions of product quality (Garvin 1985):

- Performance: levels at which the primary characteristics of the product operate (e.g. low, medium, high, or very high)
- Features: secondary elements of a product that complement the primary characteristics.
- Conformance quality: degree to which the product meets specifications and is absent of defects.
- Reliability: consistency of performance over time and from purchase to purchase
- Durability: expected economic life of the product
- Serviceability: ease of servicing the product
- Style and design: appearance or feel of quality

Also, Olshavsky (1985) and Parasuraman, Valarie and Leonardl (1985) viewed quality as a form of overall evaluation of a product with similarity in many ways to attitude.

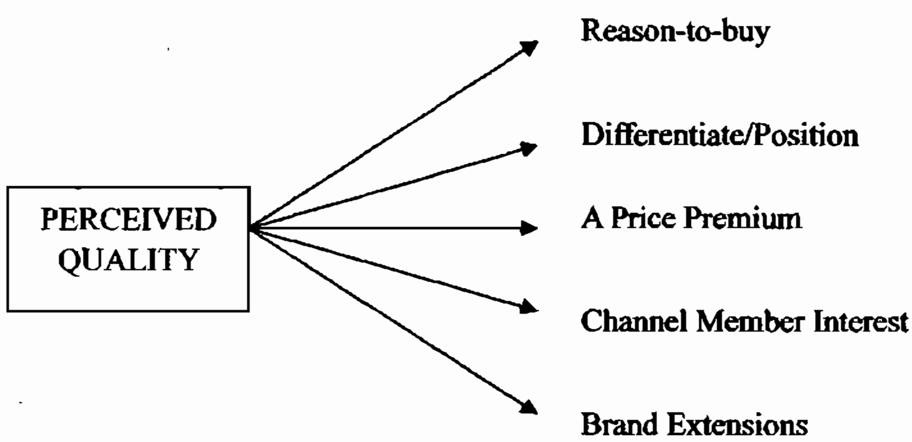
Aaker (1991) identified perceived quality as, first, a perception by customers. It thus differs from several related concepts, such as:

- Actual or objective quality – the extent to which the product or service delivers superior service.
- Product-based quality - the nature and quantity of ingredients, features or services included.
- Manufacturing quality - conformance to specification, the “zero defects” goal.

Perceived quality cannot necessarily be objectively determined, in part because it is a perception and also because judgments about what is important to customers are involved. Perceived quality is defined relative to an intended purpose and a set of alternatives. Perceived quality differs from satisfaction. Perceived quality is an intangible, overall feeling about a brand.

Aaker (1991) also points out the importance of perceived quality, shown in Figure 2.2

Figure 2.2 The Value of Perceived Quality



Source: Aaker, David A. (1991), Managing Brand Equality. New York: Free Press. 86.

Reason-to-Buy

In many contexts, perceived quality of a brand provides a pivotal reason-to-buy, influencing which brands are included and excluded from consideration, and the brand that is to be selected.

A customer often lacks the motivation to obtain and sort out the information that might lead to an objective determination of quality in a given application. Or the information may simply be unavailable. Or the customer may not have the ability or resources to obtain or process it. In any case, perceived quality becomes central.

Because the perceived quality is linked to a purchase decision, it can make all elements of the marketing program more effective. If the perceived quality is high, the job of advertising and promotion is more likely to be effective.

Differentiate/Position

A principal positioning characteristic of a brand is its position on the perceived quality dimension. Perceived quality can provide an important basis for differentiation. In some product classes the various brands are not distinguishable by most consumers. Differentiation can play a critical role in separating one brand from another.

Differentiation can be a key competitive advantage. If a brand is well positioned (with respect to competitors) upon a key attribute in the product class, competitors will find it hard to attack. If a frontal assault is attempted by claiming superiority upon that dimension, there will be a credibility issue. For instance, it would be difficult for a competing firm to make credible a claim that it has surpassed, or even matched. A competitor, for all practical purposes, may have to find an application other than athletic competition. Thus, differentiation can be a formidable barrier to competitors.

A Price Premium

A perceived quality advantage provides the option of charging a premium price. The price premium can increase profits, and/or provide resources with which to reinvest in the brand. These resources can be used in such brand-building activities as enhancing awareness or associations, or in R&D activities to improve the product. A price premium not only provides resources, but can also reinforce the perceived quality. The "you get what you pay for" belief is especially important in the case of goods and services for which objective information is not readily available.

Instead of a price premium, the customer may be offered a superior value at a competitive price. This added value should result in a large customer base, higher brand loyalty, and more effective and efficient marketing programs.

Channel Member Interest

Perceived quality can also be meaningful to retailers, distributors and other channel members, and thus aid in gaining distribution. We know that the image of a channel member is affected by the products or services included in it line- stocking "quality products" can matter. In addition, a retailer or other channel member can offer a high-perceived quality product at an attractive price to draw traffic. In any case, the channel members are well-regarded that customers want.

Brand Extensions

In addition, the perceived quality can be exploited by introducing brand extensions and using the brand name to enter new product categories. A strong brand with respect to perceived quality will be able to extend further and will find a higher success probability than a weaker brand.

2.2.3 Brand Awareness

Aaker (1991, 1996) suggested that brand equity is a multidimensional concept, which is inclusive of brand loyalty, brand associations, brand awareness, perceived quality and other proprietary brand assets. Brand awareness, including recognition, recall, top-of-mind, brand dominance, brand knowledge and brand opinion can all influence brand attitude.

Keller (2003) defined brand awareness as how well a customer identifies the brand under different conditions. The depth (the ease of recall and brand recognition) and breadth (number of purchase and consumption situations) of recall is crucial in brand awareness. Keller further argues that positive brand image and brand awareness would have significant influences on marketing activates related to the brand of product.

Pitta and Katsamis (1995) also pointed out that there are several dimensions of brand awareness with brand associations. People can generate more information of products by recalling their brands because they are unable to get a full picture of these brands. They further indicated that brand associations of the product can be stored in consumers' minds after brand awareness of the product is already in their memory.

2.2.4 Brand Association

Aaker (1991) defines brand associations as "anything linked in memory to a brand", and brand image as "a set of brand associations, usually in some meaningful way." Aaker categorized brand associations into 11 types: product attributes intangibles, customer benefits, relative price, use/application, user/customer, celebrity/person, life style/personality, product class, competitors and country/geographic area.

Keller (1993) presents a conceptual model of brand associations, which consists of brand attributes, brand benefits and brand attitudes. Attributes are those descriptive features that characterize a product or service - what a consumer thinks the product or service is or has and what is involved with its purchase or consumption. Attributes can be categorized in a variety of ways, which distinguish according to how directly they relate to product or service performance. Product-related attributes are defined as the ingredients necessary for performing the product or service function sought by consumers. They relate to a product's physical composition or a service's requirements. Non-product-related attributes are defined as external aspects of the product or service that relate to its purchase or consumption. The main types of non-product-related attributes are price information, packaging or product appearance information, user imagery (what type of person uses the product or service), and usage imagery (where and in what types of situations the product or service is used).

Benefits are the personal value consumers attached to the product or service attributes – that is, what consumers think the product or service can do for them. Benefits can be further distinguished into three categories according to the underlying motivations to which they relate, i.e.: (1) functional benefits, (2) experiential benefits, and (3) symbolic benefits. (Park, Jaworski, and MacInnis, 1986) Functional benefits are the more intrinsic advantages of product or service consumption and usually correspond to the product-related attributes. These benefits are often linked to fairly basic motivations, such as physiological and safety needs and involve a desire for problem removal or avoidance. Experiential benefits relate to what it feels like to use the product or service and usually also correspond to the product-related attributes. These benefits satisfy experiential needs such as sensory pleasure, variety and cognitive stimulation. Symbolic benefits are the more extrinsic advantages of product or service consumption. They usually correspond to nonproduct-related attributes and relate to underlying needs for social approval or personal expression and outer-directed self-esteem. Hence, consumers may value the prestige, exclusivity, or fashionability of a brand because of how it relates to their self-concept. Symbolic benefits should be especially relevant for socially visible, "badge" products.

Brand attitudes are defined as a consumer's overall evaluations of a brand. Brand attitudes are important because they often form the basis for consumer behaviour (e.g. brand choice). Though different models of brand attitudes have been proposed, one widely accepted approach is based on a multi-attribute formulation in which brand attitudes are a function of the associated attributes and benefits that are salient for the brand. (Maslow, 1970). Fishbein and Ajzen (1975) proposed what has probably been the most influential multi-attribute model of marketing. This expectancy-value model views attitudes as a multiplicative function of (1) the salient beliefs a consumer has about the product or service (i.e. the extent to which consumers think the brand has certain attributes or benefits) and (2) the evaluative judgment of those beliefs (i.e. how good or bad it is that the brand has those attributes or benefits).

Brand associations, which result in high brand awareness, are positively related to brand equity because they help a buyer consider the brand at the point of purchase, which leads to favourable behaviour for the brand. Krishnan argued that associations could be used as a general term to represent a link between any two nodes, which suggest an association in the consumer's mind. Associations come in all forms and may reflect characteristics of the product or aspects independent of the product itself. There are a variety of ways brand association can provide value. Among the ways in which associations create value to the firm and its customers are helping to process/retrieve information, differentiating the brand, generating a reason to buy, creating positive attitudes/feelings and providing a basis for extension. (Krishnan, 1996)

Rio, Vazquez and Iglesia (2001) proposed measuring brand functions through the dimensions of guarantee, personal identification, social identification and status. The guarantee function, understood as the promise or guarantee of quality, is based on the appraisal that the brand is reliable, efficiently carries out its performance qualities and meets the generated expectations (Ambler, 1997)

The personal identification function is related to the fact that consumers can identify themselves with some brands and develop feelings of affinity towards them. In the literature on brand influence, a basic theory refers to the congruence between the consumer's behaviour, his self-image and the product image. This theory is based on the idea that individuals can enrich their self-image through the images of the brands they buy and use. In this way, the theory upholds that the greater the consistency between the brand image and the consumer's self-image, the better the consumer's evaluation of a brand and the greater his intention to buy it. (Hogg, Cox and Keeling, 2000)

The social identification function is based on the brand's ability to act as a communication instrument allowing the consumer manifesting the desire to be integrated or, on the contrary, to dissociate himself from the groups of individuals that make up his closest social environment (those people with whom he currently interacts or aspires to do so). Consumers interested in this function will positively value those brands that enjoy a good reputation among the groups to which they belong or aspire to form part of. (Long and Schiffman, 2000)

The status function expresses the feelings of admiration and prestige that the consumer may experience upon using the brand. (Solomon, 1999) According to Vigneron and Johnson (1999), this function is based on five characteristics of the brand: (1) symbol of the individual's power and social status; (2) reflection of social approval; (3) exclusivity or limitation of the offer to a small number of people; (4) contribution of emotional experiences; and (5) technical superiority.

This way, the status function, just like the social identification function, is revealed to the need of individuals to communicate certain impressions to people in their social environment. However, the difference between the two functions lies in the fact that the social identification function is related to the desire to be accepted by and feel like members of certain groups. On the other hand, the status function corresponds to the individual's desire to achieve prestige and recognition from others, without this necessarily meaning that the brand is representative of their social group. Therefore, the status could even impede the individual's identification with certain social groups. This is in line with Maslow's hierarchy of needs: the status and social identification functions are respectively related to the needs of ego and social. (Maslow, 1990)

2.3 Marketing Mix Elements

While focusing on a few marketing mix elements, this study investigates consumers' perceptions of five selected marketing elements: price, store image, distribution intensity, advertising spending and price promotion from the traditional "4 P's" marketing activities (price, place, promotion, and product) as a representative set of marketing actions. (Yoo, Donthu and Lee, 2000) The selected elements do not contain all types of marketing efforts but are representative enough to illustrate the relationship between marketing efforts and brand equity.

Smith and Park stated that "price" is subjectively perceived in the consumer's mind. Price can be defined as "What is given up or sacrificed to obtain a product." The perceived price is a combination of monetary price and non-monetary price, including other factors such as time, research costs and convenience. (Smith and Park, 1992) Store image refers to the "quality" of the store, which is subjectively perceived in the consumer's mind. (Dodds and Grewal, 1991) Distribution intensity is measured by how many retail stores carry the product in the consumer's perception. Such availability is an index of distribution intensity perceived by consumers. (Smith, 1992) Advertising spending is measured as the consumer's subjective perception of advertising spending for the focal brand. (Kirmani and Wright, 1989) Price promotion means short-term price reduction such as special sales. It is measured as the perceived relative frequency of the price deals presented for the product. (Kirmani and Wright, 1989)

2.4 Marketing Mix Elements and Brand Equity

2.4.1 Price

Consumers use price as an important extrinsic cue and indicator of product quality. Scitovsky was the first one to suggest that buyers not only use price as an index of sacrifice, but also as an index of product quality. The relationships between price and product quality received a substantial amount of attention by marketing researches, particularly since the mid-1980s. (Scitovsky, 1945)

High-priced brands are often perceived to be of higher quality and less vulnerable to competitive price cuts than low-priced brands. (Blattberg and Winniewski, 1989) Therefore, price is positively related to perceived quality. Rao and Monroe (1989) show that a positive relationship between price and perceived quality has been supported through previous researches. By increasing perceived quality, price is related positively to brand equity. This study does not find any significant relationship between price and the other brand equity dimensions. Although price implies high quality, it does not create loyalty to the brand per se. Neither loyal nor nonloyal consumers use price as an evaluative criterion of the product and they are not influenced by price considerations. (Helsen and Schmittlein, 1994) Brand-loyal consumers are willing to pay the full price for their favourite brand because they are less price sensitive than brand-nonloyal consumers are. Thus, changing the price level alone does not affect brand loyalty. This study also finds no directional relationship between price and brand associations, because both low and high prices can be equally strongly linked to the brand in terms of the benefits that each brings to consumers. A low-priced product would give transaction utility (i.e., paying less than the consumer's internal reference price), whereas a high-priced product would give high-quality image or acquisition utility, leading to reduced consumer risk. (Thaler, 1985) Either a low or high-price strategy would help consumers be equally aware of a product.

2.4.2 Store Image

Srivastava and Shocker (1989) indicated that the importance of channel design and management as a marketing tool for increasing brand equity is growing. In a distribution channel, retailers encounter a firm's ultimate consumers. Selecting and managing retailers is therefore a firm's major marketing task in satisfying consumers' needs. In particular, distributing through good image stores signals a brand has good quality. Dodds and Grewal (1991) find significant positive effects of the store image on perceived quality. The quality of a given brand is perceived differently, depending on which retailer offers it. Customer traffic will be greater in a store with a good image than in one with a bad image. Good-image stores attract more attention, contacts and visits from potential customers. Besides, those good-image stores provide greater consumer satisfaction and stimulate active and positive word-of-mouth communications among consumers. (Rao and Monroe, 1989)

Because store image has an important impact on consumers' behaviour and can affect consumers' perceptions under various ambient conditions including the background characteristics of the environment such as temperature, lighting, noise, music and scent, store environment has been studied extensively. Some scholars indicate that various environmental elements, such as music (Milliman, 1982), scent (Spangenberg, Crowley and Henderson, 1996), store atmosphere (Donovan and Rossiter, 1982) and crowding (Eroglu and Machleit, 1990) affects the customers' responses. For example, in studies of restaurant and supermarkets, music tempo has been illustrated to affect the pace of shopping, length of stay and amount of money spent (Milliman, 1982).

The store image appears to have no relationship to loyalty to a specific brand. Consumers perceive a good store image when their self-concept is congruent with the store image. (Sirgy and Coskun San-li, 1985) Thus, if the store image does not match the perceived image of the product, consumers would not be impressed enough to show loyalty to the product. In other words, only when there is consistency between product and store image will consumers are loyal to the product available in the store.

Empirical evidence supports the idea that information customers gather from environmental cues influence consumers' perceptions of the service providers. An important determinant of consumers' responses to price (Nagle, 1987) and service quality (Bitner, 1992) is their perception of the entire purchase situation, which includes store environment. Also, the design of a retail store environment can serve as an important basis for consumers' evaluations of merchandise quality (Kotler, 1973). Not only does the physical environment affect customers' perceptions of service providers, store employee cues (e.g. salesperson) will also affect the customer's mood and satisfaction (Grewal and Sharma, 1991) as well as their interpersonal service quality perceptions (Bitner, 1992).

2.4.3 Distribution Intensity

Distribution is regarded as intensive when products are placed in a large number of stresses to cover the market. Consumers will be more satisfied when a product is available in a greater number of stores because they will be offered the product where and when they want it. (Fens, Oliver and Kluyver, 1989) Intensive distribution reduces the time consumers must spend searching the stores and travelling among the stores provides convenience in purchasing and makes it easier to obtain services related to the product. As distribution intensity increases, consumers have more time and place utility and perceive more value for the product. The increased value results mostly from the reduction of the sacrifices the consumer must make to acquire the product. Such increased value leads to greater consumer satisfaction, perceived quality, brand loyalty, and consequently to greater brand equity. Accordingly, positive brand associations will increase along with a consumer's satisfaction with the product (Yoo, Donthu and Lee, 2000).

2.4.4 Advertising Spending

Advertising researchers find advertising is successful in generating brand equity. (Boulding, Lee and Staelin, 1994) Simon and Sullivan (1993) find a positive effect of advertising spending on brand equity. Cobb-Walgren, Beal and Donthu (1995) find that spending on advertising has positive effects on brand equity and its dimensions. Advertising is an important extrinsic cue signalling product quality. (Milgrom and John, 1986) Heavy advertising spending shows that the firm is investing in the brand, which implies superior quality. (Kirmani and Wright, 1989) In addition, Archibald, Haulman and Moody (1983) find that advertising spending levels are good indicators of not only high quality but also good buys. Aaker and Jacobson (1994) also find a positive relationship between advertising and perceived quality. Therefore, advertising spending is positively related to perceived quality, which leads to higher brand equity.

Advertising plays an important role in increasing brand awareness as well as creating strong brand associations. Repetitive advertising schedules increase the probability that a brand will be included in the consideration set, which simplifies the consumer's brand choice, making it a habit to choose the brand. (Hauser and Wernerfeldt, 1990) According to an extended hierarchy of effects model, advertising is positively related to brand loyalty because it reinforces brand-related associations and attitudes toward the brand. (Shimp, 1997) In general, a greater amount of advertising is related positively to brand awareness and associations, which leads to greater brand equity.

2.4.5 Price Promotions

The literature has shown that price promotion can increase the sale in the short term. (Blattberg and Neslin, 1990) Despite the immediate short-term financial gain, price promotions (e.g. short-term price reductions such as special sales, media-distributed coupons, package coupons, cents-off deals, rebates and refunds) are believed to erode brand equity over time. Furthermore, frequent price promotions may jeopardize brands in the long run because they cause consumer confusion based on unanticipated differences between expected and observed prices, which results in an image of bad quality. (Winer, 1986) Also, price promotion campaigns do not last long enough to establish long-term brand associations, which can be achieved by other efforts such as advertising and sales management. (Shimp, 1997) Relying on sales promotion and sacrificing advertising could reduce a brand association, which leads to decreasing the brand equity.

Price promotion is not to be related to brand loyalty. (Gupta, 1988) Promotions often fail to establish a repeat purchase pattern after an initial trial. This is because consumers are momentarily attracted to the brand by the transaction utility that the price promotions provide and when deals end, they lose interest in the brand. Thus, change in brand loyalty after the end of deals may not occur unless the brand is perceived to be superior to and meet consumer needs better than competing products.

2.5 Customer Response

Keller introduced the concept of customer-based brand equity - defined as the differential effect of brand knowledge on consumer response to the marketing of the brand - as including consumer perspectives, favourability, behaviours, brand choice, the reaction to advertising, or the survey of brand extension. A brand is said to have positive (negative) customer-based brand equity if consumers react more or less favourably to an element of the marketing mix for the brand than they do to the same marketing mix element when it is attributed to a fictitiously named or unnamed version of the product or service. (Arjun and Holbrook, 2001)

Chaudhuri suggested that price premiums and market share have been closely associated with the increasingly salient concept of brand equity. Besides, these outcomes will be the affecting function on consumer aspect-consumer response, like brand attitude, purchasing habit and loyalty. Brand attitude has been one of the most widely examined constructs in consumer behaviour. (Faircloth, Capella, and Alford, 2001)

Purchase habit is simply a customer's consistent repurchase of a brand over time. Loyalty showed the customer really preferred the brand more than others. A consumer may buy a particular brand regularly resulted from perceived quality without thinking the factor about price. (Datta , 2003)

A more consumer-orientated marketing perspective might regard brand equity as having more to do with what is in the eye of the beholder, taking the view that only the regard of a well-disposed customer base will support the revenue flow. Taking this perspective, Morgan (2000) indicated that consumers have very clear ideas of what is meant by a strong brand. And he also stressed a brand with strong equity, which brought a lot of competitive advantages to consumer response, might imply: an asset to be managed; the incremental cash-flow resulting from branding and non-branding, enabling; increase market share; premium pricing; reduced promotional expense; increased trade leverage; momentum stability in periods of fluctuating support and competition; immunity to competitive (re) action; and so on.

Lanza (2001) argued that the effect of brand associations on consumer response constitutes a highly important subject when analyzing the value the brand has for the firm. The competitive advantages that result from a positive brand image can be categorized into three general components:

1. Advantage related to current performance and profitability - the brand's ability to command higher margins and/or volume, more inelastic consumer response to price increases, increased marketing communication effectiveness and greater

trade co-operation. (Agarwal and Rao, 1996)

2. Advantages related to longevity of profits-brand loyalty, less vulnerability to competitive marketing actions, less vulnerability to marketing crises. (Hutton, 1997)
3. Advantages related to growth potential, possible licensing opportunities, and generation of positive word-of-mouth and brand's ability to introduce new products as brand extensions. (Yoo, Donthu and Lee, 2000)

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

For the purpose of conducting an effective and reliable study, the researcher tried to build up a conceptual framework for this study based on the research motives and objectives described in Chapter 1 and the literature review given in the former chapter. This chapter will describe the research methodology, including the research framework, research hypotheses and the definitions of variable, questionnaire design, sample collection and data analysis method.

3.2 Research Framework

The structural research framework of the relationship between marketing mix elements on brand equity and consumer response will consist of a set of exogenous variables (those variables whose causes are not represented in the model) and a set of endogenous variables (those variables whose causes are specified in the model). Exogenous variables will include all of the analysed marketing mix variables, i.e.: (1) price level; (2) store image; (3) distribution intensity; (4) advertising spending; and (5) price promotion. It should be pointed out here that distribution intensity and advertising spending will be viewed as one exogenous variable called "*intensity of marketing activities*" and the author supposes both of them to have a positive effect on brand equity.

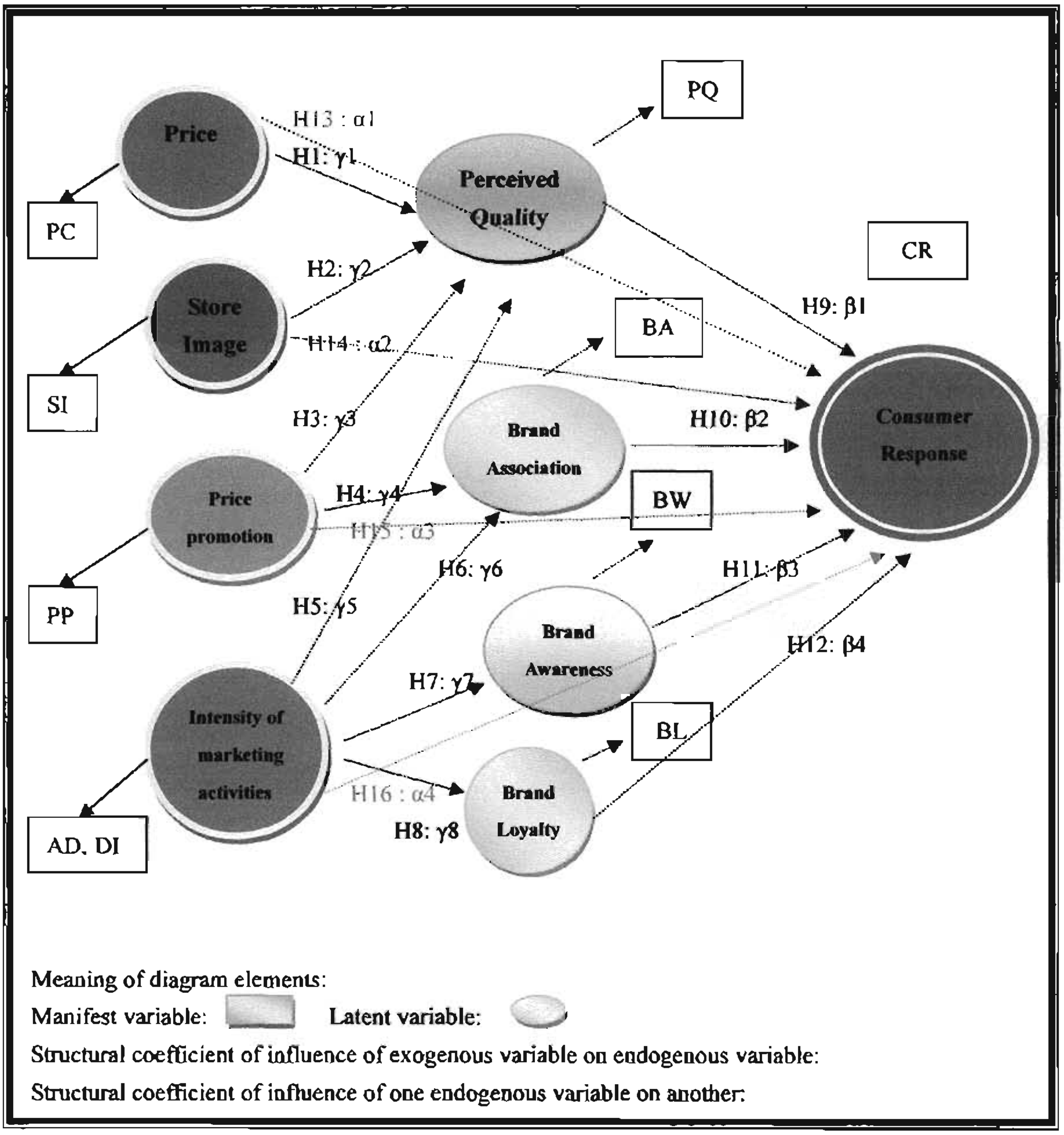
Endogenous variables will be the different brand equity dimensions and consumer response. Variables that will be observed as brand equity dimensions will include: (1) perceived quality of the products and services offered to the prospective consumers; (2) brand association; (3) brand awareness; and (4) brand loyalty. Brand equity dimensions will be viewed as mediator variables in the model. Mediator variables are those endogenous variables that cause some other endogenous variables (in this case consumer response). All variables will be viewed as latent variables, whereas individual items from the measurement scales measuring specific latent variables will be viewed as manifest variables.

According to Buzzell (1998), the understanding of the market growth determinants in the marketing literature remains unresolved in terms of marketers having a different opinions regarding the marketing factors that has to be classified as either exogenous or endogenous variables. For instance, Bharadwaj and Clark (1998) developed a model suggesting that endogenous factors like the government policy could trigger the creation or invention of a new knowledge or product which lead to endogenous market growth or the establishment of brand equity. On the contrary, the authors also mentioned that the market growth or the creation of brand equity in marketing is normally considered as an exogenous variable.

For the purpose of this study, the impact of marketing mix particularly the level of pricing, store image, distribution intensity, advertising spending, and price promotion on brand equity and consumer response are categorized as exogenous variables since these are factors independent from the other factors classified under the endogenous variables. (Engle, Hendry, and Richard, 1983) For instance, selling Rolex watches at a significantly high price could result in developing higher brand equity as compared to other homogenous products that are sold for less. Other external factors not related to product quality such as store image, distribution intensity, advertising spending, and price promotion could also contribute to either a positive or negative impact on brand equity and consumers' response. In the case of endogenous variables in this study, the perceived quality of product and services are highly associated with the creation of brand association, brand awareness, and brand loyalty. (Joon-Wuk Kwun and Oh, 2007; Wilson *et al.*, 2004; Aaker, 1991)

Figure 3.1 shows a diagram of the structural research framework of the impact of marketing mix elements on brand equity and consumer response. This diagram was made using the standard elements applied in the structural equation modelling method (Kline, 1998).

Figure 3.1 Diagram of Structural Research Framework



Source: This study

3.3 Research Hypotheses

Based on the research objectives, variables and literature review given in the former chapter and the illustrated structural framework, the following hypotheses on the relationships between marketing mix elements, brand equity and consumer response can be defined:

H1: the higher the brand price, the more positive the perceived quality. (Parameter $\gamma 1$);
H2: the more positive the store image in which the brand is sold, the more positive the perceived quality. (Parameter $\gamma 2$);
H3: the more frequent the price promotion, the more negative the perceived quality. (Parameter $\gamma 3$);
H4: the more frequent the price promotion, the more negative the brand association. (Parameter $\gamma 4$);
H5: the higher the intensity of marketing activities, the more positive the perceived quality. (Parameter $\gamma 5$);
H6: the higher the intensity of marketing activities, the more positive the brand association. (Parameter $\gamma 6$);
H7: the higher the intensity of marketing activities, the more positive the brand awareness. (Parameter $\gamma 7$);
H8: the higher the intensity of marketing activities, the more positive the brand loyalty. (Parameter $\gamma 8$);

Basically, Hypotheses 1 – 8 which is found between Parameters $\gamma 1 - \gamma 8$ are focused on testing the relationship between the marketing mix (price, store image, price promotion, and the intensity of marketing activities) with the perceived quality of a product, brand association, brand awareness, and brand loyalty which is based primarily on the objectives of the research study. Influenced by the study's objectives, the following hypotheses will be defined regarding the relationships between brand equity dimensions and consumer response:

H9: the higher the perceived quality, the more positive the consumer response. (Parameter $\beta 1$);
H10: the higher the brand association, the more positive the consumer response. (Parameter $\beta 2$);
H11: the higher the brand awareness, the more positive the consumer response. (Parameter $\beta 3$);
H12: the higher the brand loyalty, the more positive the consumer response. (Parameter $\beta 4$);

Lastly, based on defined marketing mix and its relationship with the customer response, the following hypotheses were defined:

H13: the higher the brand price, the more positive the consumer response. (Parameter $\alpha 1$);
H14: the more positive the store image where the brand is sold, the more positive the consumer response. (Parameter $\alpha 2$);
H15: the more frequent the price promotion, the more negative the consumer response. (Parameter $\alpha 3$);
H16: the higher the intensity of marketing activities, the more positive the consumer response. (Parameter $\alpha 4$).

Hypotheses H1 - H12 will be tested by evaluating parameters $\gamma 1$ - $\gamma 8$ and $\beta 1$ - $\beta 4$ whereas H13 – H16 will be tested through the parameters $\alpha 1$ – $\alpha 4$. The author will test hypotheses H13 - H16 by applying the analysis of indirect influence of a given marketing mix element on consumer response. The direction and intensity of influence of each marketing mix element will be calculated on the basis of all causal influences between marketing mix elements and consumer response.

Based on the computation procedure presented by Kline (1998), the author will calculate the influence of the intensity of marketing activities on consumer response (parameter $\alpha 4$) by considering the influence of the 'intensity of marketing activities' on brand 'perceived quality' ($\gamma 5$) multiply by the intensity of influence of brand perceived quality on brand response ($\beta 1$); plus the intensity of influence of the intensity of marketing activities on brand association ($\gamma 6$); multiply by the intensity of influence of brand association on consumer response ($\beta 2$); plus the intensity of influence of the intensity of marketing activities on brand awareness ($\gamma 7$); multiply by the intensity of influence of brand awareness on consumer response ($\beta 3$); plus the intensity of influence of marketing activities on brand loyalty ($\gamma 8$); multiply by the intensity of influence of brand loyalty on consumer response ($\beta 4$). The symbols of each parameter are provided below:

$$\alpha 4 = \gamma 5 \times \beta 1 + \gamma 6 \times \beta 2 + \gamma 7 \times \beta 3 + \gamma 8 \times \beta 4$$

3.4 Operational Definition of Variables and Measurement

An operational definition gives meaning to a conception by specifying necessary activities or operations. Therefore, the operational definition specifies what must be done to measure the concepts under investigation. On the basis of items used in the literature and the definitions established in our research, the author generated sample measures. All items were measured on 5 - point Likert-type scales, with anchors of 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. Operational definitions and questionnaire measurements of this study are listed below.

3.4.1 Marketing Mix Elements (ME)

Yoo, Donthu and Lee's (2000) theory proposed measuring consumers' perceptions of five selected marketing elements in terms of price, store image, distribution intensity, advertising spending and price promotion as a representative of marketing actions.

Smith and Park (1992) stated that "price" is subjectively perceived in the consumer's mind. Price can be defined as "What is given up or sacrificed to obtain a product." The perceived price is a combination of monetary price and non-monetary price, including other factors such as time, research costs, and convenience (Smith and Park, 1992). Store image refers to the "quality" of the store, which is subjectively perceived in the consumer's mind. (Dodds and Grewal, 1991) Distribution intensity is measured by how many retail stores carry the product in the consumer's perception. Such availability is an index of distribution intensity perceived by consumers. (Smith, 1992) Advertising spending is measured as the consumer's subjective perception of advertising spending for the focal brand. Price promotion means short-term price reduction such as special sales. It is measured as the perceived relative frequency of the price deals presented for the product. (Kirmani and Wright, 1989)

According to the theory above, this study developed measurement items as follows:

Table 3.1 Measurement items of Marketing Mix Elements

Variable	Measurement items
Price (P)	The price of Hisense is high. (P1) The price of Hisense is expensive (P2) The price of Hisense is low. (Reversed scoring will be recoded before analysis.) (P3)
Store Image (SI)	The stores where I can buy Hisense brand carry products of high quality. (SI1) The stores where I can buy Hisense brand would be of high quality. (SI2) The stores where I can buy Hisense brand have well-known brands. (SI3)
Distribution Intensity (DI)	More stores sell Hisense brand compared to competitive brands. (DI1) The numbers of the stores that deal with Hisense brand are more than those who deal with competitive brands. (DI2) Hisense brand is distributed through as many stores as possible.(DI3)
Advertising Spending (AS)	Hisense brand is intensively advertised. (AS1) The advertisement campaigns for Hisense brand seem very expensive, compared to campaigns for competitive brands. (AS2) The advertisement campaigns for Hisense brand are seen frequently. (AS)
Price Promotion (PP)	Price deals for Hisense brand are frequently offered. (pp1) Price promotion for Hisense brand is presented too many times.

	(PP2) Price deals for Hisense brand are emphasized more than seems reasonable. (PP3)

Source: This study

3.4.2 Brand Equity (BE)

1. Brand Loyalty (BL)

Aaker (1991) thought of brand loyalty as the favourability or strength of brand created by the customer's satisfied experience of use and purchase. Based on the definition, the researcher used the measurement offered by Judith (2002) and Berry and Parasuraman (1997).

Table 3.2 Measurement items of Brand Loyalty

Scholar	Measurement items
Judith (2002)	I consider myself to be loyal to the Hisense brand. (BL1) The Hisense brand would be my first choice. (BL2) I will not buy other brands if the Hisense brand is available at the store. (Washburn, Richard E. Plank, 2002) (BL3)
Berry and Parasuraman (1997)	I will purchase the Hisense brand again. (BL4)

Source: This study

2. Brand awareness (BW)

Based on Rossiter and Percy's (1987) research, brand awareness is measured as the consumer's subjective perception-level of the focal brand such as the brand's symbols and product-level. Table3.3, the measurement items of brand awareness on page 46 shows that the consumers' perception on Hisense brand awareness can be measured as compared to its competitive brands or the personal awareness of Hisense's consumers.

Table 3.3 Measurement Items of Brand Awareness

Scholar	Measurement Items
Rossiter and Percy (1987)	I can recognize the Hisense brand among other competitive brands. (BW1) I am aware of the Hisense Brand. (BW2)

Source: This Study

3. Brand Associations (BA)

Aaker (1991) used two methods to measure brand associations: direct and indirect. A direct way is multidimensional scaling. Indirect approaches include free association, picture interpretation, and the brand as a person, the brand as an animal or magazine, an in-depth look at the use experience, dissecting the decision process, describing the brand user, how brands are perceived differently and personal value driving choice.

Keller (1993) discussed the favourability or strength of associations measured by ratings of evaluations. Uniqueness of brand associations can be assessed by comparing the characteristics of associations of the focal brand (i.e. their type, favourability and strength) with the characteristics of associations for competing brands.

According to the theory of Rio, Vazquez and Iglesia (2001), the proposed measuring brand functions through the dimensions of guarantee, personal identification, social identification and status. It is shown in table 3.4 on page 47.

Table 3.4 Measurement items of Brand Associations

Variable	Measurement items
Guarantee	The functions of Hisense product are improved continuously. (AS1) The Hisense brand provides excellent quality. (BA2) Hisense brand products are very trustworthy. (BS3) The Hisense brand gives the best value-for-money. (Martin, and Brown, 1990) (AS4)
Personal Identification	You particularly like the Hisense brand. (BA5) It is a brand totally in line with your lifestyle. (Martin, and Brown, 1990) (AS6)
Social identification	The Hisense products are in fashion. (AS7) Most of your friends have Hisense brand products. (AS8) The Hisense brand has a good reputation. (AS9) It is a brand leader. (Lassar, Mittal, and Sharma, 1995) (AS10)
Status	Using the Hisense brand is a social status symbol. (AS11) Hisense brand products are recommended by famous people with whom you identify. (Bhat and Reddy, 1998) (AS12)

Source: This study

4. Perceived Quality (PQ)

Perceived quality refers to the belief in the overall "goodness" of what is revived developed by Dodds, Monroe and Grewal and shown in Table 3.5.

Table 3.5 Measurement items of Perceived Quality

Scholar	Items
Dodds, Monroe and Grewal (1991)	Hisense brand is high quality. (PQ1) Hisense brand appears to be durable. (PQ2) Hisense brand appears to be dependable. (PQ3) Hisense brand appears to be reliable. (PQ4)

Source: This Study

3.4.3 Consumer Response (CR)

This study developed some items based on some scholar's points which have been discussed in detail in Chapter 2 the measurement item is shown in Table 3.6.

Table 3.6 Measurement items of Consumer Response

Variable	Scholar	Measurement item
Price Premium	Keller (2003)	You would be willing to pay a higher price for the Hisense brand product than for other competitive brands. (CR1)
Brand Extension	Lanza (2001)	If the brand decided to sell products other than household appliances, you would still like them. (CR2) If the brand decided to sell products other than household appliances, you would probably buy them. (CR3)
Brand Evangelists (recommendation)	Keller (2003) Lanza (2001)	I really like to talk this brand to others. (CR4) If someone consults me, I would

		advise other people to buy Hisense brand. (CR5)

Source: This study

3.4.4 Demographic variable

Personal basic information (gender and income) was measured as shown in Table 3.7.

Table 3.7 Demographic variable

Your gender	Male Female
Your income	1000-2000 2001-5000 5001-10000 10001+
Age	
Educational Attainment	
Marital Status	Single Married Divorced Separated

Source: This study

3.5 Sampling Design and Data Collection

3.5.1 Population

The research population that has been considered for the study was the Hisense consumers who are very much familiar with Hisense products. The personal experience of Hisense consumers with the Hisense products will enable the researcher to acquire a more reliable and valid responses from the randomly selected survey respondents.

3.5.2 Sampling method

For the purpose of this study, the researcher uses a non-probability sampling called the 'convenience sampling' method. Saunders, Lewis and Thornhill (2003) describe 'convenience sampling' as gathering a sample population that is immediately and readily available or easily accessible to the researcher.

The study was conducted in two Hisense outlets in Johannesburg between the periods of March 2006 to April 2006 and subsequently between the 21st of June to 11th of July 2007. The researcher was able to determine the potential Hisense consumers by conducting an initial one-on-one interview with the prospective participants.

3.5.3 Sampling size

The sample size issue is essential when applying the structural equation modelling method. Structural equation modelling is a large-sample method. As a general rule, those samples are considered large that contain more than 200 sample units. (Kline, 1998)

For the purpose of the study, the researcher has gathered and convinced a total of 232 Hisense customers to participate in the survey research. Out of the 232 Hisense customers who participated in the survey study, a total of 218 valid survey questionnaires were successfully obtained by the researcher.

3.6 Questionnaire design

The questionnaire is designed according to the research purposes and conceptual framework described in the previous chapter. The survey questionnaire is divided into four parts.

Part 1

The first part includes five basic questions on respondents' basic information, i.e. gender, householder monthly income, participants' age, educational attainment, and marital status.

Part 2

The second part includes 15 questions - from questions 6 to 20. These questions measure the marketing activities of Hiscnsc. It focuscs on Hisense price perception, the feeling of Hisense store image, distribution intensity, advising spending and customer's attitude on price promotion.

Part 3

The third part is composed of 22 questions (21 to 43). It measures Hisense's brand equity which includes four dimensions: brand loyalty, brand awareness, brand association and perceived quality.

Part 4

The fourth part includes 5 questions (44 to 48). It measures consumer response of Hisense which includes the three dimensions known as: price premium, brand extension, and brand recommendation.

In the process of the research study, the informants were requested to indicate their agreement or disagreement with the statements provided using five-point Likert scales, where a value of 1 indicates strong disagreement and 5 indicates strong agreement.

3.7 Analysis Method

The Statistical Package for Social Science (SPSS 11.0) was used as the statistical software in this research. First, reliability and validity of the test were examined followed by the use of a descriptive statistic, the structural equation modelling (SEM) and the multiple regressions statistical method were utilized to analyze the data.

The following statement explains these methods used in the research.

3.7.1 Reliability test

A test intended to calculate the Cronbach's Alpha value in an attempt to test the reliability of the items and variables in the questionnaire. In general, Cronbach's Alpha should be greater than 0.7. The higher value of Cronbach's Alpha implies that the questionnaire is of high consistency. (Nunnally, 1978)

3.7.2 Homogeneity of Variance Analysis

Analysis of variance (ANOVA) need to be based on an equal and normal distribution of variables in each hypothesis by conducting homogeneity test on each group sample. Levene's homogeneity of variances test was used to test homoscedasticity of relationships among variables for which a direct causal link is assumed in the structural framework: if Levene's test is non-significant, the hypothesis of homoscedasticity is not rejected.

3.7.3 Descriptive statistics

Frequencies and percentages used to present the demographic variables. Gender and income has been analyzed. Mean analysis is also used in this study to analyze data.

3.7.4 Structural Equation Modelling (SEM)

Structural equation modelling (SEM) is a powerful statistical technique that combines the measurement model (confirmatory factor analysis) and structural model (regression or path analysis) into a simultaneous statistical test. Accordingly, the hypotheses presented earlier were tested within a structural equation modelling (SEM) framework using AMOS. Structural equation analysis has been widely applied in the social sciences and marketing literature. The measurement model considers the adequacy of the various measures used for theoretical constructs employed in the study. The structural model specifies the relationships between the various constructs. The SEM methodology incorporates the measurement model and structural models to ascertain the fit between the variance-covariance matrix observed in the sample data and that implied by the theoretical or research model.

This fit is expressed using measures of Goodness-of-Fit (GFI). At present, there is no consensus on a single or even a set of measures of fit (Maruyana, 1998). Thus, it is standard practice to report several measures. This study outlines below some of the most common measures.

Goodness-of-Fit Index (GFI) is based on an x^2 likelihood test of the hypothesized model with a null model - no relationship among constructs. (Bentler and Bonett, 1980). Typically, GFI $\geqslant$ 0.9 indicates a good fit.

Adjusted Goodness-of-Fit Index (AGFI). The limitation of GFI is that it can be biased by sample size and degrees of freedom in the model. (Bagozzi and Yi, 1988) This is partly overcome by the AGFI since it penalizes the number of parameters specified in the model.

Comparative Fit Index (CFI) compares the research model specified with the null model - no relationships. The CFI is based on the x^2 distribution and ranges from 0 to 1 with values exceeding 0.9 are considered good. (Bentler and Bonett, 1980)

The Root Mean Residual (RMR) Index represents the average size of the residual correlations. A value less than 0.1 is considered a good fit and a value less than 0.05 is considered a very good fit of the data to the research model. (Steiger, 1990)

Root Mean Square Error of Approximation (RMSEA) is computed as the difference between the residuals in the estimated and specified models. A value less than 0.1 is considered a good fit and a value less than 0.05 is considered a very good fit of the data to the research model. (Steiger, 1990)

3.7.5 Regression Analysis

The multiple regression statistical method was employed to determine the most influential factor among the five Marketing Mix element factors on Brand Equity and Customer Response and to find out which is the most influential factor among the four Brand Equity Factors on Customer Response.

The multiple regression correlation coefficients, R^2, is a measure of the proportion of variability explained by, or due to the regression (linear relationship) in a sample of paired data. It is a number between zero and one and a value close to zero suggests a poor model.

CHAPTER 4

DATA ANALYSIS

4.1 Introduction

First, the reliability of used measurement scales was tested using Cronbach's alpha coefficient and Levene's Test for Homogeneity of Variances analysis method. Secondly, this chapter will describe demographic data using descriptive statistic analysis according to the valid questionnaires. Then a test will be carried out to ascertain the relationship among the marketing mix elements, brand equity and consumer response, using structural equation modelling. The results of hypotheses will be presented as well. Next, the author will use the multiple regression statistical method with the Statistical Package for Social Science (SPSS 11.0) to determine the most influential factor among the marketing mix elements on brand equity, the brand equity on customer response and marketing mix elements on customer response.

4.2. Results of Reliability

To test the coefficient or reliability or the consistency of the measurement scales used in the study will be tested using Cronbach's alpha coefficient. (UCLA Academic Technology Services, n.d.) Basically, when the number of items tested in each variable increases, the result of the Cronbach's alpha also increases. On the contrary, when the average inter-variable correlation is low, the result of the alpha will similarly show a low result.

Table 4.1 shows the results of reliability testing of measurement scales used for measuring exogenous and endogenous variables of the defined structural research framework.

Table 4.1 Reliability Analysis using Cronbach's Alpha Coefficient

Variable	Cronbach's Alpha Coefficient
Price	0.86
Store Image	0.78
Distribution Intensity	0.73
Advertising Spending	0.83
Price Promotion	0.83
Perceived Quality	0.85
Brand Association	0.68
Brand Awareness	0.73
Brand Loyalty	0.73
Consumer Response	0.70

Source: This study

A test intended to calculate the Cronbach's Alpha value in an attempt to test the reliability of the items and variables in the questionnaire. In general, Cronbach's Alpha should be greater than 0.7. The higher value of Cronbach's Alpha implies that the questionnaire is of high consistency. (Nunnally, 1978) Based on the test results, brand association has the lowest reliability level with 0.68. Since the figure is close to the benchmark of 0.70, the researcher will still include the said variable as part of the survey questionnaire. On the other hand, the rest of the variables show a significantly acceptable consistency. The highest level of reliability is exhibited by the measurement scale for price level.

4.3 Levene's Test for Homogeneity of Variances

According to Levene (1960), Levene's test is normally used to test whether or not the samples tested have equal variances with another sample being presented in the hypothesis of the study. Based on the hypothesis presented in the research study, the researcher adopted the Levene's test for homoscedasticity of relationships between the variables presented in the study particularly the price and perceived quality; the store image and perceived quality; price promotion and perceived quality; price promotion and brand association; the intensity of marketing activities and the perceived quality; intensity of marketing activities and brand awareness; intensity of marketing activities and brand loyalty; the perceived quality and consumer response; brand association and consumer response; brand awareness and consumer response; and brand loyalty and consumer response.

The individual variables, based on the survey questionnaire's results, were calculated as the mean values of respondents' replies to specific items. If the result of Levene's test is non-significant; the hypothesis of homoscedasticity is not rejected. Table 4.2 shows the significance of Levene's test for specific variable pairs.

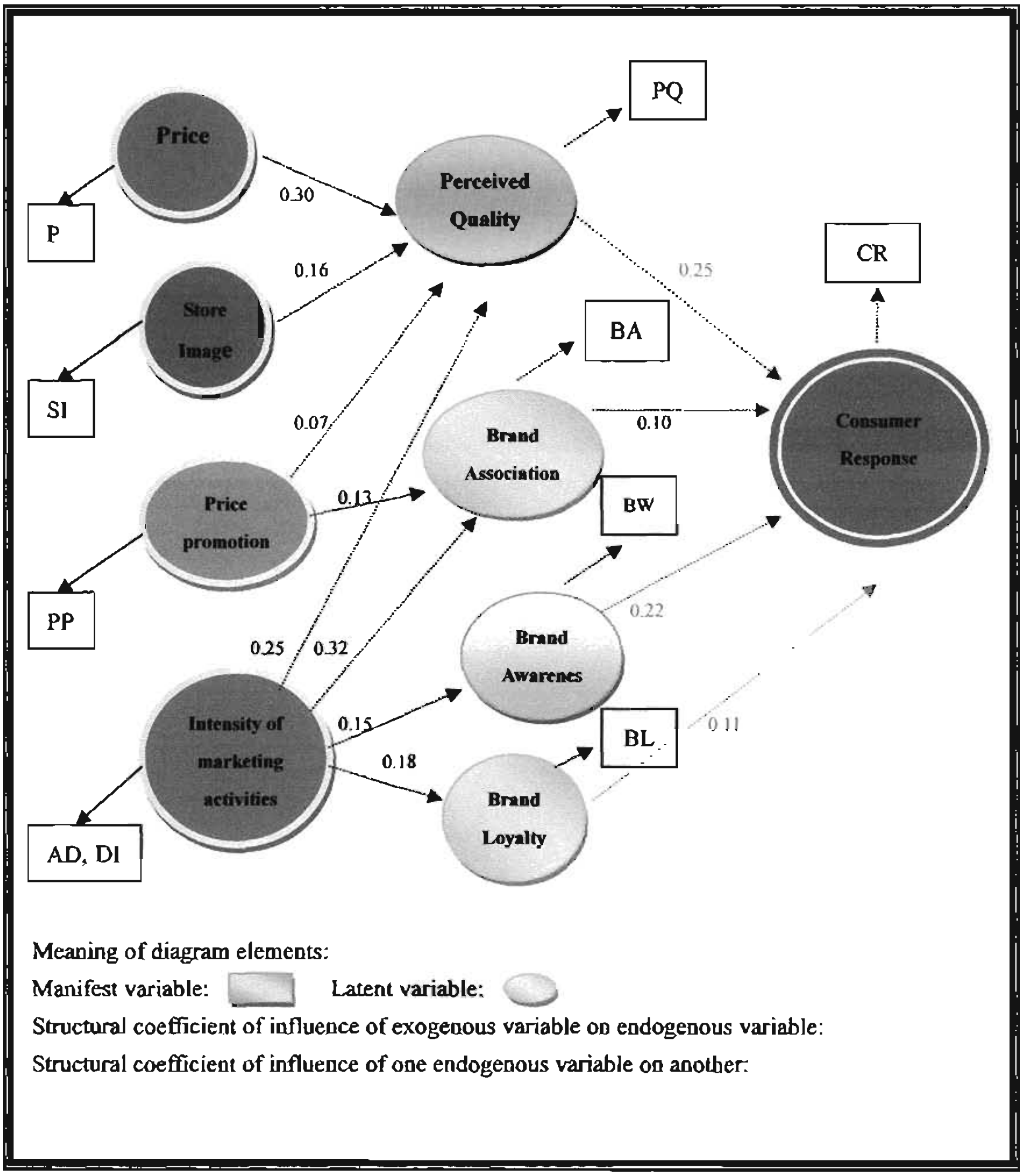
Table 4.2 Significance of Levene's Test for Homogeneity of Variances

Variables Pairs	Significance (p)
Price – perceived quality	0.30
Store image – perceived quality	0.16
Price promotion – perceived quality	0.07
Price promotion – brand association	0.13
Intensity of marketing activities - perceived quality	0.25
Intensity of marketing activities - brand association	0.32
Intensity of marketing activities - brand awareness	0.15
Intensity of marketing activities - brand loyalty	0.18
Perceived quality - consumer response	0.25
Brand association - consumer response	0.10
Brand awareness - consumer response	0.22
Brand loyalty - consumer response	0.11

Source: This study

Considering that result of the paired variables tested did not exceed 1.0, the result of Levene's test in the study is non-significant for all tested variable pairs. (Engineering Statistics Handbook, n.d.) This indicates that the hypothesis on homoscedasticity of specific relationships is not to be rejected. It means that the relationships between each of the tested variables are homoscedastic. The result of homoscedasticity test is again summarized in Figure 4.1.

Figure 4.1 Levene's Test for Homogeneity of Variances



Source: This study

4.4. Frequencies analysis

The demographic variable, gender of the consumer, and income of the household were analyzed using frequencies analysis technique with SPSS 11.0. Frequencies and percentages were used to present the result of demographic variables based on the survey questionnaires used in the study. Gender and income has been analyzed using mean and standard deviation analysis.

Table 4.3 Gender of the Consumers/Respondents:

Gender of Consumer					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	142	65	65	65
	Female	76	35	35	100.0
	Total	218	100.0	100.0	

Source: This study

Table 4.3 shows that 65% of the respondents were male, 35% of the respondents were female. It indicated more male respondents than female respondents.

Table 4.4 Monthly Income of the Household

Income of household					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1000-2000	12	5.5	5.5	5.5
	2001-5000	63	28.9	28.9	34.4
	5001-10000	91	41.7	41.7	76.1
	10001+	52	23.9	23.9	100.0
	Total	218	100.0	100.0	

Source: This study

Table 4.4 shows that: 5.5% of responses earned between R1,000 – R2,000; 28.9 % earned R2,001 - R5,000; 41.7% were earning between R5,001 – R10,000; 23.9% earned over R10,001.

Table 4.5 Age Bracket of Respondents

Age Bracket	Frequency	Percentage (%)
21 – 30	33	15
31 – 40	78	36
41 – 50	68	31
51 – 60	26	12
61 and above	13	6
Total	**218**	**100**

Source: This study

Table 4.5 shows the age bracket of the survey respondents wherein majority of the research participants with 36% belongs to the age bracket of 31 – 40 followed by 31% between the age bracket of 41 – 50. The remaining 15%, 12% and 6% belongs to the age bracket of 21 – 30; 51 – 60; and 61 and above respectively.

Table 4.6 Educational Attainment

Educational Attainment	Frequency	Percentage (%)
High School Student	17	8
High School Graduate	30	14
College Student	73	33
College Graduate	44	20
Masters Degree Student	25	11
Masters Degree Graduate	19	9
Doctorate Degree Student	4	2
Doctorate Degree Graduate	6	3
Total	**218**	**100**

Source: This study

Out of 218 respondents, majority of the participants with 33% are college students followed by 20% college graduates and 14% high school graduates. The remaining 11%, 9%, 8%, 3% and 2% are masters degree students, masters degree graduates, high school students, doctorate degree graduates, and doctorate degree students.

Table 4.7 Marital Status of Respondents

Marital Status	Frequency	Percentage (%)
Single	97	44
Married	71	33
Divorced	36	17
Separated	14	6
Total	**218**	**100**

Source: This study

Table 4.7 shows that out of the 218 respondents, 44%, 33%, 17%, and 6% are single, married, divorced, and separated.

4.5. Mean and Standard Deviations of Variables

The higher the mean value means that the more respondents agree to that the said variables could have a great impact on brand equity. When analyzing the mean and standard deviations of variables, it is important to take note that a significantly large value of standard deviation means that the data being tested is far away from the mean whereas a smaller value means that the tested variable is much closer to the mean.

Table 4.8 shows the mean of price, store image, distribution intensity, advertising spending, price promotion, brand loyalty, price premium, brand extension, brand evangelists /recommendation were all below the level of 3.0. Except for brand loyalty which has a standard deviation of 1.05, the rest of the mentioned variables were below

1.0 standard deviation. It means that the mean result is accurate. The means of perceived quality, brand awareness, brand association over 3.0. However, the standard deviation of brand awareness and brand association is 1.21 and 1.20 respectively. It means that even though the mean values of both variables are high, the data being tested is not close to the mean value.

Table 4.8 Mean and Standard Deviations of Variables

Mean and Standard Deviations of Variables		
Variable Items	**Mean**	**Standard Deviations**
Marketing Mix Elements		
Price	2.58	0.9
Store image	2.63	0.92
Distribution intensity	2.58	0.9
Advertising spending	2.64	0.86
Price promotion	2.22	0.99
Brand Equity		
Brand loyalty	2.26	1.05
Perceived quality	3.38	0.72
Brand awareness	3.49	1.21
Brand association	3.41	1.20
Consumer Response		
Price premium	2.21	0.73
Brand extension	2.74	0.93
Brand evangelists/recommendation	2.84	0.89

Source: This study

4. 9 Structural Equation Modelling (SEM)

In order to test the structural framework of the impact of marketing mix elements on brand equity and consumer response, as defined in a previous chapter of this paper, the collected data were analyzed using the structural equation modelling method.

Structural equation modelling (SEM) analysis allowed us to understand which variables best explained the constructs and to understand the nature of the relationship between constructs. (Mckone, Schroeder and Cua, 2001) The author first sought to determine the level of fit between the defined model and the analysed data. Table 4.9 shows the indices measuring the level of fit.

Table 4.9 Fit Indices

Index	Index Value
Goodness-of-Fit Index (GFI)	0.868
Adjusted Goodness-of-Fit Index (AGFI)	0.806
Comparative Fit Index (CFI)	0.853
Root Mean Square Residual (RMR)	0.028
Root Mean Square Error of Approximation (RMESEA)	0.054

Source: This study

Goodness-of-Fit Index (GFI) is based on an x^2 likelihood test of the hypothesized model with a null model - no relationship among constructs. (Bentler and Bonett, 1980) Typically, GFI $\geqslant$ 0.9 indicates a good fit. The result of the GFI test is not so good since it falls below 0.9 level. However, since 0.868 is close to 0.90, the researcher concludes that the test is considered as fairly acceptable.

According to Bagozzi and Yi (1988), the limitation of GFI test is that it can be biased by sample size and degrees of freedom in the model. Since the recommended AGFI is above 0.8, 0.806 is considered a good test result.

Comparative Fit Index (CFI) compares the research model specified with the null model - no relationships. The CFI result should range between the values of 0 to 1 with values exceeding 0.9. (Bentler and Bonett, 1980) Since the test result is 0.853, the researcher considers it to be fairly good.

For the Root Mean Residual (RMR) test, a value less than 0.1 is considered a good fit whereas a value less than 0.05 is considered a very good fit of the data to the research model. (Steiger, 1990) Since the test result with 0.028 is less than 0.05, the researcher considers the test result of the structural framework to be a very good fit.

The value of Root Mean Square Error of Approximation (RMSEA) should be less than 0.1 in order for the test result to be considered as a good fit whereas a value less than 0.05 is considered a very good fit of the data to the research model. (Steiger, 1990) Since the test result is 0.054 which is a little lesser than 0.05, the researcher considers the test to be a very good one.

In general, the values of the analyzed indices indicate that the level of fit of defined research framework to data is satisfactory and that the defined research framework is very much acceptable for further analysis (Hu and Bentler, 1999).

The next step in the application of the structural equation modelling method is the analysis of the structural framework itself which is aimed at testing the set of hypotheses. Table 4.10 shows standardized structural coefficients that evaluate direct causal links among latent variables specified in the defined structural framework.

Table 4.10 Standardized Structural Coefficients - 1

Hypothesis	Parameter	Standardized Structure coefficients
H1: the higher the brand price, the more positive the perceived quality. (+)	γ1	0.25*
H2: the more positive the store image in which the brand is sold, the more positive is perceived quality. (+)	γ2	0.16*
H3: the more frequent the price promotion, the more negative is the perceived quality. (-)	γ3	-0.23*
H4: the more frequent the price promotion, the more negative the brand association.(-)	γ4	-0.20*
H5: the higher the intensity of marketing activities, the more positive is the perceived quality. (+)	γ5	0.23*
H6: the higher the intensity of marketing activities, the more positive is the brand association. (+)	γ6	0.10**
H7: the higher the intensity of marketing activities, the more positive is the brand awareness. (+)	γ7	0.25*
H8: the higher the intensity of marketing activities, the more positive is the brand loyalty. (+)	γ8	0.15*
H9: the higher the perceived quality, the more positive is consumer response (+)	β1	0.42*
H10: the higher the brand association, the more	β2	0.40*

positive is consumer response. (+)		
H11: the higher the brand awareness, the more positive is consumer response. (+)	β3	0.28*
H12: the higher the brand loyalty, the more positive is consumer response. (+)	β4	0.45*

* Standardized structural coefficients are statistically significant at a level p<0.001.

** Standardized structural coefficients are statistically significant at a level p<0.05.

The standardization of coefficients based on the standard deviation of variables presented in each hypothesis (H1 – H16) is the approach used to make coefficients comparable to one another. Normally, a standard coefficient is represented by a square root of variance as explained in the survey participants' response to each of the variables or hypothesis presented in the study. (Grace and Bollen, 2005)

H1 – H16 were tested at a standardized structural coefficient level $p < 0.001$ except for H6 with the level of $p < 0.05$. It means that the results of H1 – H16 except for H6 were statistically significant at the 'p' or probability level of 1 out of 1000 chance of occurrence.

Basically, the closer the p-value to 0 when $p < 0.001$ signals a 'null' hypothesis. It means that the tested hypothesis has to be rejected. Since H3 and H4 indicates that the more frequent the price promotion, the more negative the perceived quality and brand association are values –0.23 and –0.20 respectively, it means that both hypothesis 3 and 4 has to be accepted. Based on the test result, it is correct to believe that a more frequent the price promotion could lead to a more negative perceived quality (H3). It is also true that a more frequent the price promotion could lead to a negative brand association (H4). In other words, a more frequent price promotion could lead to a negative effect on perceived quality and brand association.

In the case of H6, 0.10 value is greater than the probability level of 0.05. Therefore, H6 stating that the higher the intensity of marketing activities leads to a more positive brand association is true. The same theory applies to H1, H2, H5, and H7 – H12. Therefore, the resulting standardized structural coefficients indicate that hypotheses H1 through H12 can be considered acceptable. All structural coefficients are statistically significant and have the expected direction.

Accordingly, the following relationships apply:

Table 4.11 Hypothesis Results - 1

Hypothesis	**Results**
H1: the higher the brand price, the more positive is the perceived brand quality.	Supported
H2: the more positive the store image in which the brand is sold, the more positive is the perceived quality.	Supported
H3: the more frequent the price promotion, the more negative the perceived quality.	Supported
H4: the more frequent the price promotion, the more negative the brand association.	Supported
H5: the higher the intensity of marketing activities, the more positive the perceived quality.	Supported
H6: the higher the intensity of marketing activities, the more positive the brand association.	Supported
H7: the higher the intensity of marketing activities, the more positive the brand awareness.	Supported
H8: the higher the intensity of marketing activities, the more positive the brand loyalty.	Supported

H9: the higher the perceived quality, the more positive consumer response	Supported
H10: the higher the brand association, the more positive is consumer response.	Supported
H11: the higher the brand awareness, the more positive consumer response.	Supported
H12: the higher the brand loyalty, the more positive consumer response.	Supported

After having identified and analyzed the direct causal impacts in the analyzed structural framework, we may proceed to identify and analyze the indirect causal impacts of marketing mix elements on consumer response. This will allow us to test hypotheses H13 through H16. Table 4.12 shows the calculated indicators of indirect impacts with the corresponding significance evaluation.

Table 4.12 Standardized Structure Coefficients - 2

Hypothesis	Parameter	Standardized Structure Coefficients
H13: the higher the brand price, the more positive the consumer response. (+)	α1	0.10*
H14: the more positive the store image in which the brand is sold, the more positive the consumer response. (+)	α2	0.07*
H15: the more frequent the price promotion, the more negative the consumer response. (-)	α3	-0.09*
H16: the higher the intensity of marketing activities, the more positive the consumer response. (+)	α4	0.12*

* Indicators of indirect impact are statistically significant at a level $p<0.05$.

Considering that H13, H14, and H16 with values 0.10, 0.07, and 0.12 are much higher than the probability level of 0.05, we may conclude that all three hypothesis are acceptable. Since the value of H15 is negative 0.09 or is much lesser than the probability value of 0.05; it means that it is true that a more frequent price promotion could lead to a negative consumer response. Therefore, H15 should also be accepted.

The resulting indicators of indirect causal impact indicate that hypotheses H13 through H16 is considered acceptable since it is very much supported by the test results presented in Table 4.13. As part of the findings, H13 through H16 have structural coefficients that are statistically significant and have the expected direction.

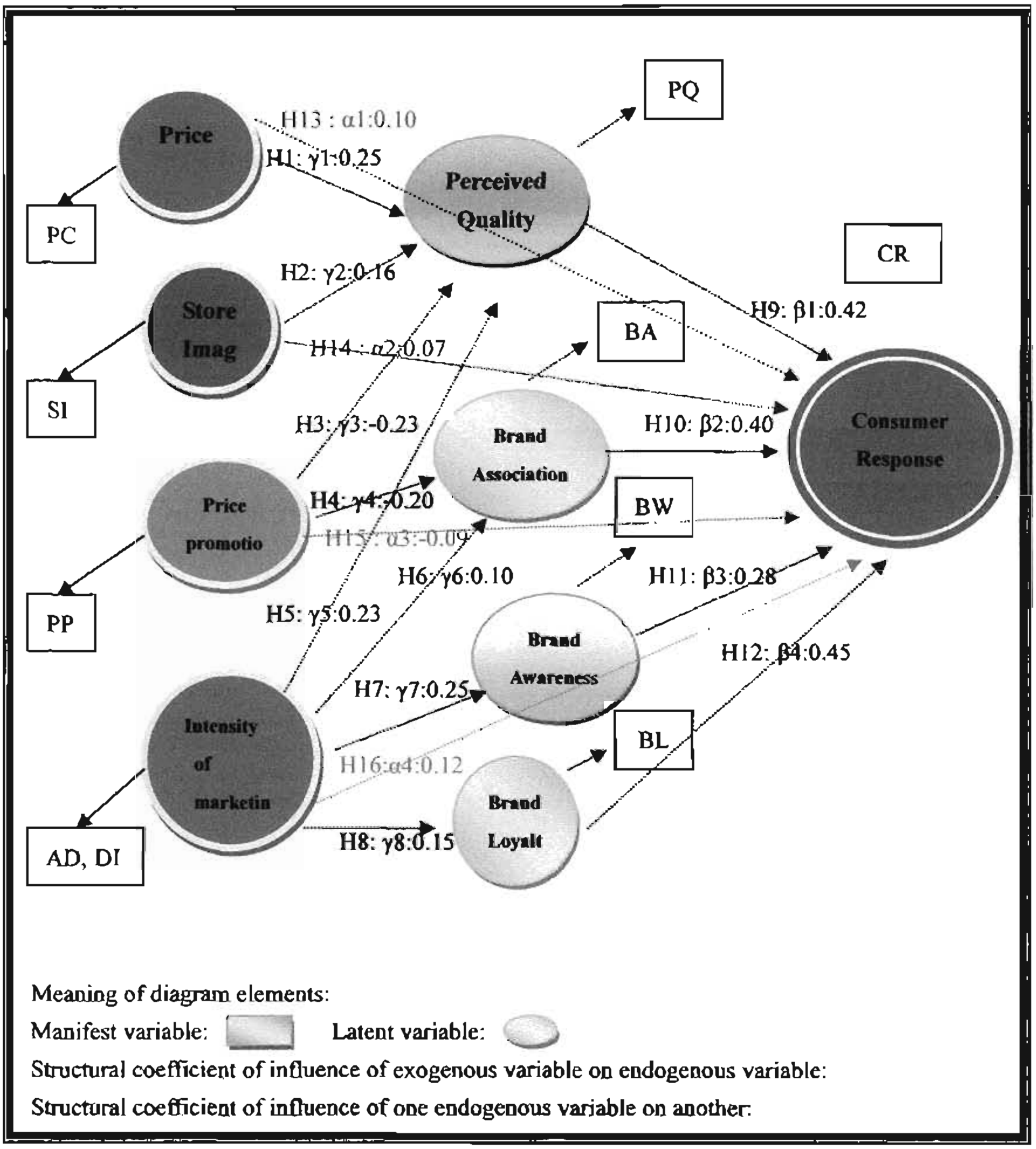
Accordingly, the following relationships apply:

Table 4.13 Hypothesis Results - 2

Hypothesis	Results
H13: the higher the brand price, the more positive consumer response.	Supported
H14: the more positive the store image in which the brand is sold, the more positive consumer response.	Supported
H15: the more frequent the price promotion, the more negative consumer response.	Supported
H16: the higher the intensity of marketing activities, the more positive consumer response.	Supported

Source: This study

Figure 4.2 Result of Standardized Structure Coefficients



Source: this study

4.7 Regression Analysis

The multiple regressions statistical method was employed using the Statistical Package for Social Science (SPSS 11.0) to determine the most influential factor among the five Marketing Mix elements on Brand Equity and Customer Response and to determine the most influential factor among the four Brand Equity Factors on

Customer Response.

The multiple regression correlation coefficients, R^2, is a measure of the proportion of variability explained by, or due to the regression (linear relationship) in a sample of paired data. It is a number between zero and one and a value close to zero suggests a poor model.

4.7.1 Results of the Influence of the Five Marketing Mix Elements on Brand Equity

The regression produce with the ENTER variable selection method using the five marketing mix elements was utilized for the total group (n = 218) and the results show that $R^2 = 0.715$, F = 51.586, p = 0.000.? The results indicate that the regression model is statistically significant and 71.5% of the variance in brand equity is explained by the five marketing mix elements (the independent variables).

The variance in brand equity is explained by the following predictors in order from highest to lowest: Advertising spending ($\beta = 0.420$, p = 0.000), store image ($\beta = 0.374$, p = 0.020), price ($\beta = 0.173$, p = 0.035), distribution intensity ($\beta = 0.158$, p = 0.046), price promotion ($\beta = -0.135$, p = 0.010). Among the five factors, advertising spending shows the highest relationship with the dependent variable brand equity; followed by store image and price level.

The result indicted advertising spending (0.420), store image (0.374), price level (0.173), and distribution intensity (0.158) being more than the probability level of 0.05 means that all these variables have a significant influence on brand equity ($P < 0.05$). On the other hand, price promotion (-0.135) with lesser value as compared to the probability level of 0.05 reveals that price promotion has no significant influence on brand equity ($P > 0.05$). *(See Table 4.14 – Results of the Influence of the Five Marketing Mix Elements on Brand Equity below)*

Table 4.14 Results of the Influence of the Five Marketing Mix Elements on Brand Equity

Variables	P	SI	DI	AS	PP	F	R-Square
Standardized Coefficients (β)	0.173*	0.374*	0.158*	0.420*	-0.135	51.586*	0.715
* Indicate p < 0. 05 Predictors: Price, Store image, Distribution intensity, Advertising spending and Price promotion Dependent Variable: Brand Equity							

Source: This study

4.7.2 Results of the Influence of the Four Brand Equity Factors on the Level of Customer response

The regression produced with the ENTER variable selection method using the four brand equity factors was utilized for the total group (n = 218) and the results show that $R^2 = 0.702$, F = 140.444, p = .000. The results indicate that the regression model is statistically significant and 70.2% of the variance in customer response is explained by the four brand equity factors (the independent variables).

The variance of the customer responses is explained by the following factors in the order of highest to lowest: Brand loyalty (β = 0.472, p = 0.05), Perceived quality (β = 0.439, p = 0.05), Brand associations (β = 0.428, p = 0.05), Brand awareness (β = 0.410, p = 0.015). Among the four factors, brand loyalty shows the highest relationship with the dependent variable customer response; followed by perceived quality, brand associations and brand awareness.

Table 4.15 Results of the Influence of the Four Brand Equity Factors on the Level of Customer response

Variables	BL	BW	BA	PQ	F	R-Square
Standardized Coefficients (β)	0.472*	0.410*	0.428**	0.439*	140.444*	0.702
* Indicate $p < 0.05$ * *Indicate $p < 0.015$ Predictors: Brand loyalty, Brand awareness, Brand associations, Perceived quality, Dependent Variable: Customer response						

Source: This study

4.7.3 Results of the Influence of the Five Marketing Mix Elements on Customer Response

The regression produced with the ENTER variable selection method using the five marketing mix elements was utilized for the total group (n = 218) and the results show that $R^2 = 0.615$, F = 44.083, P = 0.05. The results indicate that the regression model is statistically significant and 61.5% of the variance in customer response is explained by the five marketing mix elements (the independent variables).

The variance of the customer responses is explained by the following factors, in order from highest to lowest: Advertising spending (β = 0.540, p = 0.000), store image (β = 0.411, p = 0.000), price (β = 0.365, p = 0.000), distribution intensity (β = 0.117, p =

0.010), price promotion (β = 0.020, p = 0.545). Among the five factors, advertising spending (0.540) shows the highest relationship with the dependent variable customer response; followed by store image (0.411), price (0.365), distribution intensity (0.320), and price promotion (0.020).

Considering that the result of advertising spending, store image, price and distribution intensity are much higher than the probability level of 0.05, it means that these variables have a significant influence on customer response (P < 0.05). On contrary, since the result of price promotion with 0.020 is much lesser than the probability level of 0.05, it means that price promotion has no significant influence on customer response (P < 0.05).

Table 4.16 Results of the Influence of the Five Marketing Mix Elements on Customer Response

Variables	P	SI	DI	AS	PP	F	R-Square
Standardized Coefficients (β)	0.365**	0.411**	0.320***	0.540**	0.020****	44.083*	0.615

* Indicate p < 0.05

** Indicate p < 0.000

*** Indicate p < 0.010

**** Indicate p < 0.0545

Predictors: Price, Store image, Distribution intensity, Advertising spending, and Price promotion

Dependent Variable: Customer response

Source: This study

CHAPTER 5

CONCLUSIONS AND SUGGESTIONS

Chapter 5 presents the results of the statistical data analysis. In this chapter, the study presents research findings, summarizes several conclusions, and gives some suggestions to business and points out the limitations.

5.1 Findings and Conclusions

This study offers several important findings that can be summarized as follows:

1. The results of this study indicate that the marketing mix elements could positively affect the brand equity. Based on the hypothesis tested in the study, different marketing mix elements impact the creation of brand equity at different levels of intensity.

Some elements of the marketing mix can negatively affect the creation of brand equity. For instance, given that hypothesis 1 stating that a higher brand price could lead to a more positive perceived brand quality is fully supported. Therefore, it is possible that a lower brand price could result to a lesser brand quality. This theory applies to the rest of the hypothesis presented in the study.

In general, Price and Store image could positively affect the perceived quality, and indirectly positively affect the consumer response. The study also reveals that a frequent price promotion negatively affects perceived quality, brand association, and consumer response. Higher intensity of marketing activities positively affects brand equity (perceived quality, brand association, brand awareness, and brand loyalty) as it positively affects consumer response.

2. Advertising spending shows the highest relationship with brand equity, followed by

store image. Distribution intensity has a very small influence on brand equity. Price promotion has no significant affect on brand equity whereas Brand loyalty shows the highest relationship with customer response. Aside from the fact that Advertising spending could result to higher brand equity, the study reveals that Advertising spending has the highest relationship with customer response, followed by store image, price and distribution intensity.

5.2 Suggestion

The results and conclusion have several important implications for strategic brand management.

The research results indicate that managers, in their efforts to build positive consumer response, should primarily focus on the creation of brand equity. In the tested model, the said four brand equity variables have been viewed as mediator variables that are affected by managers through marketing mix elements and these brand equity variables have a direct impact on consumer response. All activities aimed at positively impacting the consumer response should be focused on increasing brand equity, especially on improving brand loyalty, which has been shown to have the highest relationship with consumer response. Furthermore, managers, in their efforts to obtain positive brand loyalty, should primarily focus on an investment in advertising spending because this research has shown that the higher the intensity of marketing activities, the more positive the brand loyalty.

The research results lead us to the conclusion that Hisense managers who are engaged in strategic brand management may use price level as an instrument for improving the brand's perceived quality. As supported by theoretical findings, this research has shown that a higher brand price led to a higher perceived quality, and a more positive perceived quality leads indirectly to an increase in consumer response.

The research results lead us to suggest to Hisense that managers who are engaged in

strategic brand management may use the store image as an instrument for improving the brand's equity. An especially important implication for the practice of strategic brand management is the fact that the image of stores in which a brand is sold has a strong positive impact on brand equity. This result underlines the importance of the brand manager's active approach in selecting and designing distribution channels.
Managers may contribute to an increase in brand equity through the intensity of marketing activities without considering their quality and the intensity of marketing activities positively affects the creation of brand equity, which in turn results in an increased consumer response. Furthermore, the advertising spending of a brand should be considered with greater care.

The research results indicate that brand managers should be very careful when applying price promotion as a marketing mix element. Even though price promotion may lead to certain short-term financial gains resulting from a short-term sales increase, frequent use of this marketing mix element in the long run may cause a reduction in consumer response because of the negative influence of price promotion on perceived quality and brand association, and this may to reduce the long-term benefits of Hisense.

5.3 Research Limitations

Although this study provides theoretical and substantive explanations about the most influential factor of the marketing mix elements on brand equity, the brand equity on customer response and marketing mix elements on customer response, there are still some limitations that need to be considered.

1. This research gathered a total of 232 survey participants. Eventhough Kline (1998) stated that samples more than 200 units is considered large, the researcher is still reluctant that the total number of survey participants in this study may not be enough for the purpose of a nation-wide research.

2. This research is restricted to customers who have used the product of the brand; this researcher cannot detect a general conclusion from prospective customers who do not have similar usage experience or who have just purchased for the first time.

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APPENDIX

FOR OFFICE USE ONLY: Respondent Code: _______

VOLUNTARY QUESTIONNAIRE FOR UNIVERSITY STUDENTS

Researcher: Zhixiang Li

Supervisor: Mr. M. Phiri

Submitted In Fulfillment Of The Requirements For The Degree Of Master In Business Administration

Graduate School of Business, Faculty of Management

University of KWAZULU-NATAL

Note to the respondent

- **We need your help to understand the relationship between selected marketing mix elements and the creation of brand equity and also to try to find out whether brand equity and marketing mix elements have a positive influence on consumer response in order to increase the competitiveness and profitability of Hisense.**
- **Although we would like you to help us, you do not have to take part in this survey.**
- **If you do not want to take part, just hand in the blank questionnaire.**
- **What you say in this questionnaire will remain private and confidential. No one will be able to trace your opinions back to you as a person.**

How to complete the questionnaire

1. **Please answer the questions as truthfully as you can. Also please be sure to read and follow the directions for each part of the questionnaire. If you do not follow the directions, it will make it harder for us to do our project.**
2. **Please mark the appropriate box with "√".**

Thank you very much for completing this questionnaire.

Permission to Use My Responses for Academic Research

I hereby give permission for my responses to be used for research purposes provided that my identity is not revealed in the published records of the research.

Initials and surname: ______________________________

Postal address:______________________________

Contact number: Home________________**Cell**________________

Signature: ______________________________

Hisense Brand Tracking Survey Questionnaire

Part 1: Demographic Information

1. Your gender — male ☐ female ☐

2. Your income
   - 1000-2000 ☐
   - 2001-5000 ☐
   - 5001-10000 ☐
   - 10001 + ☐

3. Age ____________

4. Educational Attainment ____________________________

5. Marital Status
   - Single ☐
   - Married ☐
   - Divorced ☐
   - Separated ☐

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Part 2: Marketing Mix Elements					
6. The price of Hisense is high.	□	□	□	□	□
7. The price of Hisense is expensive.	□	□	□	□	□
8. The price of Hisense is low.	□	□	□	□	□
9. The stores where I can buy Hisense brand products carry products of a high quality.	□	□	□	□	□
10. The stores where I can buy Hisense brand products would be high quality stores.	□	□	□	□	□
11. The stores where I can buy Hisense brand products have well-known brands.	□	□	□	□	□
12. More stores sell Hisense brand products compared to its competitive brands.	□	□	□	□	□
13. The number of stores that deal with the Hisense brand are more than that of its competitive brand.	□	□	□	□	□
14. The Hisense brand is distributed through as many stores as possible.	□	□	□	□	□

15. The Hisense brand is advertised intensively.

☐ ☐ ☐ ☐ ☐

16. The advertisement campaigns for Hisense brand products seem very expensive, compared to campaigns of competitive brands.

☐ ☐ ☐ ☐ ☐

17. The advertisement campaigns for Hisense brand products are seen frequently.

☐ ☐ ☐ ☐ ☐

18. Price deals for Hisense brand products are frequently offered.

☐ ☐ ☐ ☐ ☐

19. Price promotions for Hisense brand products are presented too many times.

☐ ☐ ☐ ☐ ☐

20. Price deals for Hisense brand products are emphasized more than seems reasonable.

☐ ☐ ☐ ☐ ☐

Part 3: Brand Equity

21. I consider myself to be loyal to the Hisense brand.

☐ ☐ ☐ ☐ ☐

23. The Hisense brand would be my first choice.

☐ ☐ ☐ ☐ ☐

24. I will not buy other brands if the Hisense brand is available at the store.

☐ ☐ ☐ ☐ ☐

25. I will purchase the Hisense brand again.

☐ ☐ ☐ ☐ ☐

26. I can recognize the Hisense brand among other competitive brands.

☐ ☐ ☐ ☐ ☐

27. I am aware of the Hisense Brand.

☐ ☐ ☐ ☐ ☐

28. The functions of Hisense products are improved continuously.

☐ ☐ ☐ ☐ ☐

29. The Hisense brand provides excellent quality.

☐ ☐ ☐ ☐ ☐

30. Hisense brand products are very trustworthy.

☐ ☐ ☐ ☐ ☐

31. The Hisense brand gives the best value-for-money.

☐ ☐ ☐ ☐ ☐

32. You particularly like the Hisense brand.

☐ ☐ ☐ ☐ ☐

33. It is a brand totally in line with your lifestyle.

☐ ☐ ☐ ☐ ☐

34. Hisense products are in fashion. ☐ ☐ ☐ ☐ ☐

35. Most of your friends have Hisense brand products.

☐ ☐ ☐ ☐ ☐

36. The Hisense brand has a good reputation.

☐ ☐ ☐ ☐ ☐

37. It is a brand leader. ☐ ☐ ☐ ☐ ☐

38. Using the Hisense brand is a social status symbol.

☐ ☐ ☐ ☐ ☐

39. Hisense brand products are recommended by famous people with whom you identify. ☐ ☐ ☐ ☐ ☐

40. The Hisense brand offers high quality.

☐ ☐ ☐ ☐ ☐

41. Hisense brand products appear to be durable.

☐ ☐ ☐ ☐ ☐

42. Hisense brand products appear to be dependable.

☐ ☐ ☐ ☐ ☐

43. Hisense brand products appear to be reliable.

☐ ☐ ☐ ☐ ☐

Part 4: Consumer Response

44. You would be willing to pay a higher price for a Hisense brand product than for other competitive brands.

☐ ☐ ☐ ☐ ☐

45. If the brand decided to sell products other than household appliances, you would still like them.

☐ ☐ ☐ ☐ ☐

46. If the brand decided to sell products other than household appliance, you would probably buy them.

☐ ☐ ☐ ☐ ☐

47. I really like to talk about this brand to others.

☐ ☐ ☐ ☐ ☐

48. If someone consults me, I would advise the person to buy Hisense brand products.

☐ ☐ ☐ ☐ ☐

Thanks again for helping us with this survey.

RESEARCH OFFICE (GOVAN MBEKI CENTRE)
WESTVILLE CAMPUS
TELEPHONE NO.: 031 – 2603587
EMAIL : ximbap@ukzn.ac.za

UNIVERSITY OF
KWAZULU-NATAL

11 DECEMBER 2006

MRS. Z LI (202527116)
GRADUATE SCHOOL OF BUSINESS

Dear Mrs. Li

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/06819A

I wish to confirm that ethical clearance has been granted for the following project:

"Building Hisense Brand Equity through selected marketing programs - - - - A study on relationship among Brand Equity, Marketing mix elements and consumer response"

Yours faithfully

P Ximba
....
MS. PHUMELELE XIMBA
RESEARCH OFFICE

cc. Faculty Office (Christel Haddon)
cc. Supervisor (Mr. M Phiri)