The Relationship between Elements of Marketing Mix and Brand Equity

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Abstract

Today, achieving the stable competitive advantage is one of the most important tools in the business world. To this aim, with creating and using the powerful brand equities, the firms have entered into different competitive fields. Perceive importance which lies on effect of selected marketing mix elements on Brand equity in current situations within competitive markets helps the decision makers to get more information on how to use selected marketing mix elements, and choose a mix of these elements which leads to increasing brand equity, and in the end leads to profitability, because from managerial perspective, brand equity proposes competitive advantage for the company. The paper aims to investigate the relationship between elements of marketing mix and brand equity.

Keywords: Brand equity; Marketing Mix; Brand

Introduction

The significance of understanding brand equity from the customer’s perspective was explained by Keller [1]. “Though the eventual goal of any marketing program is to increase sales, it is first necessary to establish knowledge structures for the brand so that consumers respond favorably to marketing activities for the brand.” Keller further stated: “While positive customer based brand equity can lead to greater revenue, lower costs and higher profit, it has direct implications for the firm’s ability to command higher price, customers’ willingness to seek out new distribution channels, the effectiveness of marketing communications, and the success of brand extensions and licensing opportunities.” Before the significant value of brands was discovered, brands were originally treated as part of the product. Urde, Kotler [2,3] mentions branding as “a major issue in product strategy.” Kapferer [4] pointed out that “the brand is a sign –therefore external whose function is to disclose the hidden qualities of the product which are inaccessible to contact.” “The challenge today is to create a strong and distinctive image” [5].

Brand equity and marketing mix are two areas of research that have generated a large amount of interest in the marketing literature. Each respective research stream has shown to predict a multitude of consumer behavior outcomes with some overlap in areas such as loyalty [6].

The true impact of element of marketing mix on brand equity is still unknown. Questions remain as to exactly how element of marketing mix may impact a brand’s brand equity components. It would seem to reason that if a firm were to offer price incentives for a brand as a starting point to their relationship marketing endeavors in an attempt to build loyalty [7] then the perceived quality component of the brand equity could suffer [8]. However, some of the top brands in the world as listed by Interbrand such as McDonald’s and IKEA are known for their pricing incentives but still maintain their high brand value.

Although there has been great interest in the concept of brand equity, little conceptual development or empirical research has addressed which marketing activities most support the building of brand equity [9].

Researchers have focused on exploring the brand equity concept, rather than its sources and development. Shocker, Srivastava, and Ruekert [10] pointed out that more attention is needed to develop more of a "systems view" of brands and products, and how the marketing mix elements created by pricing, promotional, service, and distribution decisions, combined with the product itself, help in creating brand equity and affecting buyer decision making. This study looks at how elements of marketing mix can affect the brand equity.

Literature Review

Branding and brand equity

There has been a lack of consensus in regards to defining brand equity in the marketing literature. From an organizational perspective, Aaker [8,11] defined brand equity as "a set of assets (and liabilities) linked to a brand’s name and symbol that adds (subtracts) to the value provided by a product or service to the firm and/or firm’s customers”. Companies are responsible for managing numerous brand assets in order to leverage the value of the product for the consumer and the firm. From Aaker’s perspective a firm should consider the brand to be represented by the tangible aspects of the product itself, the values and goals of the organization as a whole, the abstract, person-like attributes that brand may possess, and symbolic representations of the brand. Cumulatively, these aspects of the brand form an overall identity or image of the brand in the mind of the consumer [11]. Keller [1] viewed brand equity from the perspective of the consumer; he defined it as “the differential effect of brand knowledge on consumer response to the marketing of the brand”. The power of a brand to evoke strong, favorable, and unique brand associations has been considered the essence of brand equity [1,12]. A brand has been identified as “a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors [1]. This

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definition was representative of early conceptualizations of branding in that the components of the brand were tangible aspects that could easily be changed. With the introduction of brand equity in the early 1990s, the focus of branding started moving away from the branded product and into the mind of the consumer. It was this consumer based perspective that Aaker [8] and Keller [1] based much of their research and developed what Keller termed as consumer based brand equity (CBBE).

In a competitive marketplace, the ability of a brand to differentiate itself from competitors is a necessary condition of survival. Unique brand associations have been considered to be more useful in guiding consumer decision-making in comparison to common brand associations [13]. From a financial perspective, brand equity has been defined as the difference in incremental cash flow between a branded product and an unbranded competitor [14]. Similarly, financial definitions of brand equity have included the difference in revenue or profit between a branded product and a private label [15,16]. In this regard, the true value of a brand name has been accounted for by comparing the liquidity of a branded product versus an unbranded competitor. Shocker, Srivastava, and Ruckert [10] merged the consumer and financial aspects of brand equity in their definition. They proposed that brand equity was composed of two components: brand strength and brand value. Brand strength referred to the set of associations and behavioral responses by customers, channel members, and parent firm in response to communication of the brand. Brand value is the financial consequences of the firms ability to leverage the brand strength. This definition illustrates Kellers [1] view that brand equity should be measured with indirect and direct approaches. Brand equity is contingent on the firm being able to capitalize financially on the differentiated consumer response to the marketing of the brand. There is substantial variation in how brand equity has been defined (Table 1).

The advent of a consumer based approach to brand equity established two distinct ways of conceptualizing brand equity, namely a financial, market based method and a consumer based method. The financially based concept was derived from the desire to bring brand equity into market based method and a consumer based method. The financially driven method has resulted in the proposal of multiple options for measurement [21] and has been termed as brand value [22]. The consumer based approach is based on the consumer’s perception of the brand. Both conceptualizations take a long term approach to the return on brand building investments in the form of brand loyalty [22]. Since this study is focused on the dual effects of brand equity and relationship marketing on the consumer, consumer based measures as well as consumer based conceptualizations will be utilized whenever the opportunity arises.

The value of brand equity is in the behavior outcomes of consumers; brands with high equity obtain reduced marketing costs as well as greater market share, trade leverage, price premiums, and loyalty [1,8,23]. Consumer based brand equity has also been linked to the overall financial performance of the firm [24].

As mentioned In Managing Brand Equity, David Aaker’s [8] seminal work on brand equity, he defines brand equity as, “A set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or that firm’s customers.” He then broke brand equity into five components: brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary brand assets. Of these five components, most research has focused on the first four and deemed them to be more important for research purposes than the final component of ‘other proprietary brand assets’.

Blackston [25] argued that brand equity could be viewed from two perspectives: brand value and brand meaning. He stated that brand meaning impacts and influences brand value because value depends on the meaning, and that changing brand meaning is equal to changing the value of the brand (Figure 1).

## Dimensions of Brand Equity

### Brand awareness

Brand awareness enables consumers to recognize a brand from different product category [26] and assist consumers in making decision to purchase [27].

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Keller [1]</td>
<td>1993</td>
<td>“The differential effect of brand knowledge on consumer response to the marketing of the brand”</td>
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<tr>
<td>Aaker [8]</td>
<td>1991</td>
<td>“A set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to the firm and/or to that firm’s customers”</td>
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<tr>
<td>Srivastava and Shocker [10]</td>
<td>1994</td>
<td>“Brand equity subsumes brand strength and brand value. Brand strength is the set of associations and behaviors on the part of the brand’s customers, channel members, and parent corporation that permits the brand to enjoy sustainable and differentiated competitive advantages. Brand value is the financial outcome of management’s ability to leverage brand strength via tactical and strategic actions in providing superior current and future profits and lowered risks”</td>
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<td>Simon and Sullivan [14]</td>
<td>1993</td>
<td>“The difference in incremental cash flows between a branded product and an unbranded competitor”</td>
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<tr>
<td>Farquhar [17]</td>
<td>1989</td>
<td>“The added value to the firm, the trade, or the consumer with which a given brand endows a product”</td>
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<td>Brodsky [18]</td>
<td>1991</td>
<td>“The sales and profit impact enjoyed as a result of prior years’ marketing efforts versus a comparable new brand”</td>
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<tr>
<td>Marketing Science Institute [19]</td>
<td>1999</td>
<td>“The set of associations and behaviors on the part of the brand’s customers, channel members, and parent corporation that permits the brand to enjoy greater volume or greater margins than it could without the brand name and that gives the brand a strong, sustainable, and differentiated advantage over competitors”</td>
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<tr>
<td>Kamakura and Russell [20]</td>
<td>1993</td>
<td>Customer-based brand equity occurs when the consumer is familiar with the brand and holds some favourable, strong, and unique brand associations in the memory.</td>
</tr>
<tr>
<td>Lassar et al. [21]</td>
<td>1995</td>
<td>The consumers’ perception of the overall superiority of a product carrying that brand name when compared to other brands. Five perceptual dimension of brand equity include performance, social image, value, trustworthiness, and attachment.</td>
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<tr>
<td>Smith and Schulman</td>
<td></td>
<td>“The measurable financial value in transactions that accrues to a product or service from successful programs and activities”</td>
</tr>
<tr>
<td>Swait et al.</td>
<td>1993</td>
<td>“The consumer’s implicit valuation of the brand in a market with differentiated brands relative to a market with no brand differentiation. Brands act as a signal or cue regarding the nature of product and service quality, and reliability and image/status.”</td>
</tr>
<tr>
<td>Market Facts</td>
<td></td>
<td>“Brand equity is the willingness for someone to continue to purchase your brand or not. Thus, the measure of brand equity is strongly related to loyalty and measures segments on a continuum from entrenched users of the brand to convertible users”</td>
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<tr>
<td>Brand Equity Board</td>
<td></td>
<td>“Brands with equity provide an ownable, trustworthy, relevant, distinctive promise to consumers”</td>
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Table 1: Definition of brand equity.
Brand awareness is the probability that consumers recognize the existence and availability of a company’s product or services, creating this awareness by a company are one of the key steps to promote the company’s goods and services. Brand awareness is the “customers’ ability to recall and recognize the brand, as reflected by their ability to identify the brand under different conditions like linking the brand, the brand name, logo, symbol, and so forth to certain associations in memory” [1].

Brand awareness represents the strength of the brand’s presence in the mind of the target audience along a continuum [11]. However, a study of Hoyer indicated that, in many purchase situations, the consumer is a passive recipient of product information who spends minimal time and cognitive effort choosing brands. In situations involving common, repeat purchase products, it may be that consumers choose the brand on the basis of a simple heuristic (e.g., brand package, price) [28].

The more customers can recognize, retain and remember a firm’s brand the likely fact that they will shop and that firm is greater than shopping elsewhere. This is an advantage against competitors as customers overlook at the price and other quality when the trust and know a brand, it became a part of the customers life style to shop where they are used to and have confident in the brand [29].

Only with brand awareness, consumers are likely to acquire the product. As such, brand awareness is an important factor to determine purchase intention [28].

**Brand association**

Brand associations are a critical component of brand success, brand image and brand knowledge [17], since they convey the attitude developed toward a given brand by consumers [8]. Brand association is said to be anything linked in memory to the brand and represents a basis for purchase decisions and for brand loyalty. Strong associations are helpful in many ways.

**Perceived quality**

Perceived quality is consumer judgment on added value of a product [30]. Perceived quality is “the core construct” in measuring brand equity [11]. Perceived quality is defined as “the consumer’s subjective judgment about a product’s overall excellence or superiority” [31]. Accordingly, perceived quality is not the actual quality of product, but rather the consumer’s subjective assessment of that product [31,32]. “Personal product experience, unique needs, and consumption situation” can affect the consumer’s subjective evaluation of quality [33].

**Brand loyalty**

Brand loyalty is the attitudes of consumer toward a brand preference of a product [34]. Aaker [8] states that brand loyalty is: “a measure of the attachment that a customer has to a brand”. Oliver [35] defined brand equity as “a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, deposit situation influences and marketing efforts having the potential to cause switching behavior”.

**Relationship between elements of marketing mix and brand equity**

Many researchers have investigated the concept and meaning of brand equity, yet the sources of brand equity and the effect of marketing mix elements were rarely studied or investigated. This research is exploring selective marketing mix elements such as the product quality, perceived value, geographical presence, along with joint venture and co-branding as antecedents of building brand equity. There are many definitions of the terms “marketing” and “marketing mix” in the literature. Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return [36]. Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers, and for managing customer relationships in ways that benefit the organization and its stakeholders. The Marketing Concept is a philosophy. It makes the customer, and the satisfaction of his or her needs, the focal point of all business activities. In other words Marketing is getting the right product or service to the right people (target market), at the right time, at the right place, at the right price, with the right communications and promotion. The term marketing mix was invented in an article written by Neil Borden under the title “The Concept of the Marketing Mix”.

The principal p’s the marketing mix was first mentioned around 1940. At this time the marketing mix persisted out of 12 different categories [37]. McCarthy [38] than reduced the original 12 categories to come to a total of four categories, which seem to make sense without the remaining instruments, he comes to the following categories [39]:

- Product
- Price
- Place
- Promotion

Following the definition of Zollondz [39], the marketing mix is about the combination and coordination of marketing instruments, which are used to achieve the marketing goals of businesses for a specific target market. Every instrument has to be adjusted to the adoption of the other categories. Figure 2 shows what is included in the 4 P’s of marketing.

![Brand Equity Diagram](Image)

**Figure 1: Aaker’s Dimensions of Brand Equity. Source: Aaker [8].**
Product can be defined in many different ways. In marketing, product means the physical products and service offered, and the ideological actions of the company. Often product is defined as the benefitting factors that a customer gets when purchasing the product. As product is the most important piece of the marketing mix it is advisable for companies to develop a habit of looking and evaluating the company’s actions through an outside marketing consultants eye.

Price is defined as the price of the products and services provided. It includes all of the pricing related matters such as the retail prices, volume discounts, and terms of payment, seasonal discounts, and credit terms. Examining and evaluating prices regularly is a key to success. Companies should not be afraid to revise their prices and to recognize that the current pricing structure may not be ideal for the current market [40].

Place means the availability of the product and service sold. This includes the marketing channels used as well as the physical distribution of the goods (transportation and warehouse).

Promotion includes the means taken to inform the customers of the products and services provided, including personal selling, advertising, sales promotions, and public relations. Promotion includes the means taken to inform the customers of the products and services provided, including personal selling, advertising, sales promotions, and public relations. It is said that a product is completed when customers know it exists, know its quality and features, react to it positively, and buy it. Without knowledge there can not be demand. Promotion enables product awareness, positive attitudes and buying decisions [41].

Although there has been great interest in the concept of brand equity, little conceptual development or empirical research has addressed which marketing activities most support the building of brand equity [9]. Researchers have focused on exploring the brand equity concept, rather than its sources and development. Shocker, Srivastava, and Ruekert [10] pointed out that more attention is needed to develop more of a “systems view” of brands and products, and how the marketing mix elements created by pricing, promotional, service, and distribution decisions, combined with the product itself, help in creating brand equity and affecting buyer decision making.

Yoo et al. [33] suggest that brand equity can be created, maintained, and expanded by reinforcing the dimensions of brand equity. They pointed out that numerous dimensions precede brand equity. For instance, any marketing action could affect brand equity since it signifies the effect of accumulated marketing investments in the brand. For example, brand-name recognition with strong associations, perceived quality of product, and brand loyalty can all be extended through precise long-term investment. Thus, brand equity is not managed in the short term but rather over time, by sustaining brand consistency, protecting the sources of brand equity, taking appropriate decisions about leveraging the brand, and altering the supporting marketing programs [42]. For instance, taking marketing decisions related to the selection of a brand name could easily affect brand equity either positively or negatively, since it could enhance the reputation and image of the brand, the brand loyalty, and the perceived brand quality.

Researchers also propose that marketing decisions and market conditions influence brand equity. Simon and Sullivan [14] list advertising expenditures, sales force, and marketing research expenditures -along with the age of the brand, advertising share, order of entry, and product portfolio-as the foundations of brand equity. Marketing activities such as the use of public relations [8]; warranties [43]; slogans or jingles, symbols, and packages [8]; company image, country of origin, and promotional events [1]; and brand-naming strategy [42] have also been put forward.

According to Yoo et al. [33]: “Any marketing effort will be positively related to Brand equity when it leads to a more favorable behavioral response to the focal product than to The equivalent unbranded product.” In their conceptual framework, they investigated the relationship between marketing efforts and the dimensions of brand equity. They investigated consumer perceptions of five selected strategic marketing elements: price, store image, distribution intensity, advertising spending, and frequency of price promotions in order to reveal the relationships between marketing efforts and the formation of brand equity.

Price: Consumers use price as a significant extrinsic cue and signal of product quality or benefits. High-priced brands are often perceived to be of higher quality and lower risk compared to low priced brands. Consequently, price is positively related to perceived quality. Rao and Monroe [44] show that a positive relationship between price and perceived quality is well founded in previous research. By increasing perceived quality, price is related positively to brand equity.

Yoo et al. [33] added that they did not find a directional relationship between price and brand associations; since whether the brand is low-priced or high priced it is linked to the benefit of the brand in the memory of the consumer. While a low-priced product would imply transaction utility (i.e. paying less than the consumer’s internal reference price), a high-priced product would give a high-quality image or acquisition utility, leading to reduced consumer risk [45]. Both low-and high-price strategies help consumers equally regarding awareness of the product.

Distribution intensity: Distribution intensity is also highly correlated with brand equity. Making a product available in more stores will increase customer satisfaction through convenience, time saving, speedy service, and service accessibility. Distribution intensity maintains its effect on brand equity although product-type can significantly moderate the effects. Consequently, high distribution
intensity may create high brand equity for all types of products, although the effect varies somewhat depending on the luxuriousness of the product.

Advertising: The hierarchy of effects model has revealed that consumers tend to believe advertising statements and foresee a product’s likely performance on the basis of the claims [46]. Therefore, when consumers are frequently exposed to brand’s advertising, they develop brand awareness, higher associations, and a positive perception of brand quality, which in turn leads to stronger brand equity. It was also noted that one of the major reasons for lower consumer loyalty is a decrease in advertising spending. By strengthening the consumer’s brand related beliefs and attitudes, advertising leads to strong brand loyalty [47].

Conclusion

Brand equity is a concept that has existed in marketing for a considerable period of time. Creating brand equity and building strong brands is a successful strategy for differentiating a product from competing brands [8]. Brand equity is developed through brand awareness, enhanced perceived quality, and brand associations, which can only be created in the long term through properly designed marketing investments. Product quality, perceived value, distribution presence, and joint ventures and co-branding act as antecedents of building strong brand equity. The research results indicate that different marketing mix elements impact the creation of brand equity.

If brand management were to focus on sales, there is a strong possibility that undertaking such marketing activities would initially boost sales, while undermining brand equity in the long run (e.g. price cutting activities). Also, in the process of allocating marketing budgets to cover individual marketing mix elements, it is necessary to take into account the potential effects of each marketing mix element on brand equity building.

In conclusion, it can be assessed that a firm is safe in employing marketing mix strategies for brands when considering the potential impact on the brands’ brand equity since there were no negative effects found.

Furthermore, future research might include some other marketing mix elements, in order to study their effect on the creation of brand equity. A systematic series of research projects involving different marketing mix elements could provide valuable insight into the effects of various elements of the marketing mix on service brand equity.

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