

Brand Equity Model and Marketing Stimuli

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Abstract

The intangibility of services differentiates product brands from its characteristics. Building brand equity in the context of services, is therefore crucial to the conduct of a firm's marketing strategies and plays an important role in increasing consumers' perceptions. This study attempts to address relationships between brand equity and marketing stimuli. In particular, the study aims to draw theoretical and managerial implications from comparisons between bank services and discount malls. The empirical tests use a structural equation model (bank vs. discount mall) to support the research hypotheses. The findings show that marketing stimuli have a different influence on brand equity between the two different categories. Results from comparison between two different settings indicate that satisfaction plays a critical role as a mediator between antecedents of brand equity and outcomes. As a result, the model increases understanding of brand equity processes and extends existing knowledge of academic scholars in different service categories. This article discusses future research directions and managerial implications.

Keywords: marketing stimulus, brand equity process, satisfaction, loyalty

INTRODUCTION

Global competition has spurred company innovation of new products and services to increase their chances of survival in a competitive marketplace. The main strategy firms use to differentiate their products and services from a plethora of alternatives is the establishment and maintenance of strong brand equity. Such

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a strategy creates its own challenge of bringing a firm's brand-speaking and brand-thinking into greater alignment across its product lines (Braunstein and Levine 2000), as well as building brand equity on which to base the actions needed to initiate and sustain product differentiation among firms in the same industry.

The recent shakeout in the service industry has resulted in a variety of new companies participating in the business environment. With these changes in mind, service marketers need to understand and monitor how their brand-building processes respond to marketing stimuli in different service categories. Even though much research has focused on building brand equity processes by emphasizing the importance of brand equity (Aaker 1996; Ha 2009; Keller 1998; Yoo, Donthu, and Lee 2000), little comparative research exists on marketing stimuli for building brand equity in services.

The need to adjust the previous model built by Yoo et al. (2000) is an important issue that this study addresses. Their model addresses a brand-equity process that incorporates the marketing mix elements of price, store image, distribution intensity, advertising, and price deals. Although pricing strategy has been thought to be one of the most important factors in creating brand awareness and association, price or price deals may not be critical issues since brand equity plays a crucial role in reducing price sensitivity. As a result, other elements, particularly contact service employee and physical environment proposed in this study are considered to build a model of a brand-equity process. Further, these elements are closely related to brand equity because consumers cannot directly evaluate brand value before analyzing them. Accordingly, these variables may be useful cues for a full understanding of brand equity processes in different services.

Several prominent researchers have argued for a need for a greater focus more on the invariance of the relationships affecting brand equity in services (Berry 2000; Krishnan and Hartline 2001). One such issue is how best to conceptualize brand equity in services, as an evaluation of the determinants of brand equity is necessary to further researcher understanding in this context. This study helps fill this research gap by first proposing and testing a proposed model, focusing on the relationship between brand equity and its determinants and then presenting an integrative guide to brand-equity processes in services from the perspective of both marketing practitioners and academics.

The remainder of this paper is organized as follows: (a) a literature review establishes the research hypotheses and then develops an integrative model which focuses on the factors associated directly with brand equity in different service categories; (b) a description of the sample and measurement tools employed, as well as an overview of empirical research results and their implications, is provided; and (c) a brief account of the study limitations and future research directions is given.

THEORETICAL BACKGROUND AND HYPOTHESES

The Traditional View of Brand Equity

Branding has been a topic of interest to marketing researchers for many years. As most marketers are quite familiar with the concept, this section will not serve as a comprehensive review of the literature but rather a summary of the key points relevant to the current research. What is brand equity? Although definitions of brand equity vary, a commonly accepted view is that brand equity represents the value of a service (Keller 1993). In other words, brand equity represents the degree to which a brand's name alone contributes value to the product or service.

Brand equity has mainly been studied from two different perspectives, the financial and the customer-based (Lasser, Mittal, and Sharma 1995). Believing in the primary importance of revenue, researchers of the financial perspective have developed accounting methods to measure brand equity (Farquhar, Han, and Ijiri 1991). However, most researchers are more interested in measuring customer-based brand equity on customer responses toward firm stimuli (Keller 1993; Shocker, Srirastava, and Ruekert 1994). From the managerial perspective, customer-based brand equity is useful for identifying marketing variables since it could help marketers capture relationships between antecedents and outcomes on brand attitude toward marketing stimuli. In particular, understanding brand equity processes helps predict how consumers will incorporate inconsistent information about a new marketing stimulus into their existing set of beliefs about the brand.

Regarding the development of a model of brand equity, this study suggests that brand equity evolves from past experience and prior

interaction. This idea is also supported by scholars such as Ravald and Grönros (1996), who state that it develops through experience over time.

Hypotheses of Marketing Stimuli

Studies of the dimensions of brand equity on marketing stimuli utilize consumer psychological aspects as a source of forming brand equity. That is, the dimensions developed by consumer psychological processes consist of consumer cognitive, attitudinal, and behavioral aspects. Many researchers have considered the consumer cognitive aspect as the main element of brand equity, whereas Holden (1992) has added brand preference as another important element of brand equity, an addition which Park and Srinivasan (1994) accept. A number of behavioral scientists include brand loyalty as an element of brand equity (Aaker 1991).

The main dilemma that faces researchers is determining whether or not elements of behavioral aspects are included in brand equity. Cobb-Walgreen, Ruble and Donthu (1995) argue that consumer behavior is motivated by consumer cognition related to brand equity; therefore, measurement of consumer behavior could help researchers understand the determinants of brand equity. However, measuring consumer behavior cannot reveal inherent intention. More specifically, while understanding brand loyalty as a behavioral aspect can identify both the existence and the strengths of brand equity, brand loyalty is not considered as the main factor of brand equity. Thus, it is reasonable to posit that brand loyalty is the outcome of brand equity (Aaker 1991).

Considerable research has focused on advertising as an antecedent of brand equity (Baldinger 1992; Cobb-Welgen et al., 1995; Park and Young 1983; Zajonc and Markus 1982). The marketing literature has revealed that advertising has an important effect upon reinforcing perceived performance and usage experience of a particular brand (Kirmani 1990; Kirmani and Wright 1989; Park and Young 1983). Kirmani and Wright (1989) and Kirmani (1990) have investigated the relationship between advertising expenditures and consumer-perceived performance of a brand. Their studies have led Kirmani and Zeithaml (1993) to further studies which reinforce the crucial role of advertising in forming brand equity; more specifically, initial advertising efforts are important in the

formation of brand equity. Furthermore, Krishnan and Chakravarti (1993) reveal that advertising has an important effect upon improving brand awareness. The more the advertising creates brand awareness, the more the brand incorporates consumer consideration sets. Cobb-Welgren et al. (1995) also support that advertising exerts a positive influence upon increasing consumer preference and purchase intentions since it plays a critical role in forming brand equity. Despite the negative effects of advertising in modern communication, many companies are still investing heavily in it, maintaining advertising expenditures, promotions, and events for their brands. Companies understand that consumers believe that repetitive advertising is closely related to brand quality (Kirmani and Wright 1989). Intuitively, this makes sense: a consumer may rationalize that if they have heard of a brand, the company must be spending a significant sum on advertising; if it can spend much on advertising, it must be reasonably profitable, which means that other consumers must be buying the product or service and are satisfied with its performance.

On the one hand, the level of advertising spending is directly linked to consumer purchase intentions, playing a positive role in improving product or service quality (Archibald, Haulman, and Moody 1983). Aaker and Jacobson's study (1994) shows that advertising expenditures are closely related to a brand perceived quality, creating a higher level of brand equity. Advertising also plays an important role in increasing brand awareness as well as brand association through increasing brand exposure (Yoo et al., 2000). Furthermore, repetitive advertising can increase consumer choice possibility among competitive choice sets, and ultimately improve the choice probability of a particular brand (Hauser and Wernerfeldt 1990). These arguments suggest the following hypotheses:

H1-1: Advertising spending is positively related to perceived quality.

H1-2: Advertising spending is positively related to brand awareness/association.

Distribution intensity can lead to facilities that increase consumer access to a particular brand or store. High distribution intensity means that consumers are easily able to visit the brand or store.

Aaker (1991) argues that distribution intensity exerts an effect upon brand awareness/association which then plays a role in establishing trust in a product or service.

The main reason that members of marketing channels work with well-known brands is that consumers have a tendency to perceive higher performance from recognized brands. Along with building brand recognition, building high-distribution intensity is necessary so consumers can easily access outlets selling the products and services. Similarly, Smith and Park (1992) argue that when companies are easily access their customers, brand awareness increases. In line with this observation, the higher the distribution intensity that is established, the more consumer satisfaction increases (Ferris, Oliver, and Kluyver 1989; Smith 1992).

When a brand is distributed to a substantial number of local stores, the distribution intensity is more powerful. As stated above, building high distribution intensity is the cornerstone of facilitating consumer availability and providing convenience. Thus, the more brand availability increases, the more consumers save time and become aware of brand value. In the context of purchasing decisions, perceived value leads consumers to reduce their sacrifices. The increased value created by consumer experience is closely related to perceived quality and brand association (Yoo et al., 2000). The corresponding hypotheses resulting from these observations are as follows:

H2-1: High distribution intensity has a positive effect upon perceived quality.

H2-2: High distribution intensity has a positive effect upon brand awareness/association.

Store image, defined as the overall impression of a store as perceived by consumers (Keaveney and Hunt 1992), is essential to attracting customers (Sirgy and Samli 1985). Conceptions of store image are developed from consumer objective and subjective perceptions formed over time (Hartman and Spiro 2005). Dodds, Monroe, and Grewal (1991) argue that building a good store image is necessary for attracting customers or prospects. Even the same brands might be perceived differently when they are sold in different venues. Consumers perceive a product differently when it is sold in a high-end mall then when it is sold in a discount store. Good store

image is a critical cue of perceived quality (Yoo et al., 2000). Brands which are currently selling are of sufficient quality and located in a proper venue.

Through building their image, stores can improve customer satisfaction (Rao and Monroe 1989; Zeithaml 1988). Westbrook (1981) argues that store image exerts an important influence on customer satisfaction, although concedes that customer satisfaction encompasses more than perception of store image. Higie, Feick, and Price (1987) also support that the store image of grocery discount and department stores plays a positive role in improving customer satisfaction. Thus, it is assumed that building a good store image reinforces consumer perceptions, which have a crucial role in increasing perceived quality of a particular brand. This effect is closely related to brand association (Yoo et al. 2000). These arguments lead to the following hypotheses:

H3-1: Store image has a positive effect upon perceived quality.

H3-2: Store image has a positive effect upon brand awareness/association.

H3-3: Store image has a positive effect upon customer satisfaction.

Researchers have considered contact service employee as a business level of success. In particular, Dubinsky and Staples (1981) have suggested that salespeople are engaging in buyer-oriented selling by engaging in need identification, focusing on benefits, helping customers understand how their needs are satisfied, and attempting to improve or maintain the level of customer satisfaction. Furthermore, the high level of contact service employee in the creation of customer satisfaction is positively associated with customer-perceived quality when salespeople deliver goods and services (Srivastava, 2007; Swan, Trawick, and Silva 1985). These arguments suggest the following hypotheses:

H4-1: Contact service employee is positively related to perceived quality.

H4-2: Contact service employee is positively related to customer satisfaction.

The physical environment must also be considered, as consumers

cannot directly experience service characteristics without forming an opinion of the environment. The physical environment reflects company understanding of consumer-purchasing environmental needs and preferences; companies must strive to determine physical factors such as the type of store facilities and quantity and quality of employees that lead to purchase. For example, tangibility-easy access to a product and the ability to experience it before purchase is the key information of service cues for per-purchase customers. Based on the evidence above, Bitner (1992) argues that marketers must understand the effect of customer satisfaction on physical environment.

Bitner (1992) defines the physical environment of services as the objective and physical factors that can be controlled by a firm. It consists of the three components of ambient conditions, spatial layout and functionality, and symbols. He suggests that these factors play a leading role in providing physical cues of service quality to customers. Ambient physical environment makes service managers more likely to effectively manage store environments because environmental impression has a critical effect upon increasing customer satisfaction. Gardner and Siomkos (1985) have argued that the key role of physical environment in services is the provision of informational cues for customers. Olshavsky (1985) also supports that the physical environment of services exerts an important influence on customer notions of a particular service. In service industries, especially those in which customers have either limited or no interaction with the physical facilities, the outcome of the encounter likely drives customer performance perceptions in such industry as food service.

Based on the review of the servicescape literature, it appears that the physical environment can be evaluated based on its ambience and layout, as well as customer perceptions resulting from physical cues (Bitner 1992). Furthermore, Wakefield & Blodgett (1996) have found that physical environment is positively related to service satisfaction as well as service quality. Taking the above research into consideration leads to the following hypotheses:

H5-1: Physical environment is positively related to perceived quality.

H5-2: Physical environment is positively related to customer satisfaction.

Anderson and Sullivan (1993) add “perceived quality” as a causal factor of satisfaction. The service management literature argues that customer satisfaction is the result of customer perception of the value received (Cronin, Brady, and Hult 2000). The underlying premise is that customer assessment of the quality of services offered by a retailer results in affective responses in the form of satisfaction or dissatisfaction. A recent study of the health care industry found that perceived value has a positive influence on patient satisfaction (Choi et al. 2004).

Although brand awareness and brand association are different concepts, Yoo et al. (2000) consider and measure them as the same construct. Although some may disagree with this conflation of factors, this study also treats the two constructs as one measurement. It is argued that both are created by increasing the familiarity of the brand through repeated exposure and strong associations with the appropriate product category or other relevant purchase or consumption cues (Keller 1998).

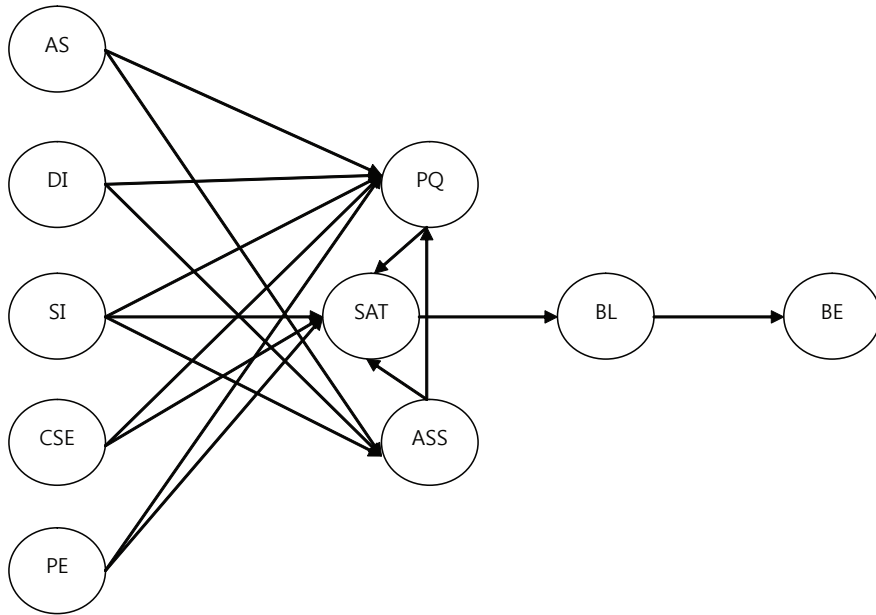
Perceived quality may also be affected by brand awareness. In a consumer choice study by Hoyer and Brown (1990) over 70% of consumers selected a known brand of peanut butter from among a choice of three, even though another brand was of objectively better quality, and they had neither bought or used the brand before. Intuitively, it makes sense that a positive association will lead consumers to reinforce their satisfaction based on their brand evaluation. The corresponding hypotheses tested are as follows:

H6: Perceived quality is positively related to customer satisfaction.

H7-1: Brand awareness/association is positively related to perceived quality.

H7-2: Brand awareness/association is positively related to customer satisfaction.

A high degree of brand loyalty has generally been assumed to accompany high levels of customer satisfaction. Therefore, it is not surprising that for decades, one of the key global constructs predicting consumer behavior has been overall satisfaction. There are many studies that have examined the relationship between this variable and loyalty, where the latter has been approached as brand equity (Yoo et al. 2000). These arguments suggest the following



Note: AS=Advertising spending; DI=distribution intensity; SI=Store image; CSE=Contact service employee; PE=Physical environment; PQ=Perceived quality; SAT=satisfaction; ASS=Awareness/association; BL=Brand loyalty; BE=Brand equity.

Figure 1. A Proposed Brand Equity Process Model on Marketing Stimuli

hypotheses:

- H8:** Customer satisfaction is positively related to brand loyalty.
- H9:** Customer loyalty is related to brand equity.

As shown in Figure 1, the proposed model is partially adapted from Yoo and colleagues (2000). However, previous studies showed that perceived quality, brand awareness, and association are direct dimension of brand equity, indicating that the current model is somewhat confusing or different from the literature. From the theoretical perspective, it is relevant to understand what key elements make up brand equity (Punj and Hillyer, 2004). Punj and Hillyer (2004: 130) recently state that research on brand equity is still in a state of evolution, thereby implying the need for further work in this area. Furthermore, Ha and colleagues (2010)

importantly point out that researchers should investigate the indirect effects of dimensions on brand equity. Thus, our approach is acceptable for testing the proposed model.

METHODOLOGY

Scale Development

The main determinants affecting relationships were measured using a five-point Likert scale adapted from published scales (see Table 1). The eight antecedent facets of brand loyalty measured were the following: advertising spending, with three items adapted from Kirmani and Wright (1989) and Yoo et al. (2000); distribution intensity, with three items adapted from Smith (1992) and Yoo et al. (2000); store image, with three items adapted from Stern, Bush, and Hair (1977); contact service employee, with four items adapted from Saxe and Weitz (1982) and Williams (1998); physical environment, with three items adapted from Bitner (1992) and Baker, Grewal, and Parasuraman (1992); perceived quality, with three items adapted from Dodds et al. (1992) and Yoo et al. (2000); brand awareness/association, with four items adapted from Aaker (1996) and Yoo et al. (2000); and satisfaction, with two items adapted from Rangunathan and Irwin (2001). The two outcome facets of satisfaction impacts measured were brand loyalty, with four items adapted from Sirgy and Samli (1985), and brand equity, with three items adapted from Yoo et al. (2000). Brand equity in particular was measured by comparisons between branded products and non-branded products, with a focus on brand characteristics.

Data Collection

Data was collected from two different service industries, the financial industry in the form of bank and the retail industry in the form of discount stores, from customers who purchased their products and services during in metropolitan areas of South Korea. Well-trained interviewers were hired to collect research data from 300 randomly-selected current customers from each of the two selected industries. After accounting for sample bias and missing data, this study used a total of 508 questionnaires (247 from

Table 1. Result of t-test

| | t-value | p-value |
|--|---------|---------|
| bank-discount store: advertising expenditure | 2.8071 | 0.0054 |
| bank-discount store: distribution intensity | 1.8228 | 0.0695* |
| bank-discount store: store image | 1.0294 | 0.3043* |
| bank-discount store: contact service employee | 2.9896 | 0.0031 |
| bank-discount store: physical environment | 4.0852 | 0.0001 |
| bank-discount store: perceived quality | 1.7654 | 0.0787* |
| bank-discount store: brand awareness/association | 0.7030 | 0.4827* |
| bank-discount store: customer satisfaction | 0.0325 | 0.9741* |
| bank-discount store: brand loyalty | 2.0421 | 0.0422 |
| bank-discount store: brand equity | 3.6343 | 0.0003 |

Note: (*) is not significant at $p < .05$.

discount stores and 261 from banks), providing a 84.6% response rate, to analyze the proposed model. The surveys were scanned and processed by the research team to create the final data file.

Approximately 64% of the respondent group in banking services was 29 years of age or younger and 26% was older than 30 years of age. Approximately 55% of the group was female, consistent with the population percentage of this category banking customers in South Korea. Meanwhile, approximately 48% of the discount store respondent group was 29 years of age or younger, 39% was 30 to 39 years of age, and 13% was older than 40 years of age. Approximately 51% of the group was female. The distribution of annual household income was as follow: 56% less than \$20,000, 29% between \$20,000 and 30,000, and 15% greater than \$30,000.

A t-test was conducted to confirm the difference between the two groups, which was necessary because this study investigated two heterogeneous brand categories (bank and discount store brands). As expected, the two categories showed a significant difference (see Table 1). The difference may be useful to analyze a proposed model of brand equity processes in heterogeneous services. It is important to note that it was not possible to build an integrative model of brand equity processes since the results of the t-test showed a significant difference between the two parties.

Reliability Confirmation

The psychometric properties of the measures were examined

Table 2. Exploratory Factor Analysis

| Items | Factor label | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---|---|----|
| X1 | | .56 (.64) | | | | | | | | | |
| X2 | | .51 (.79) | | | | | | | | | |
| X3 | | .48 (.73) | | | | | | | | | |
| X4 | | | .59 (.63) | | | | | | | | |
| X5 | | | .54 (.65) | | | | | | | | |
| X6 | | | .58 (.73) | | | | | | | | |
| X7 | | | | .54 (.76) | | | | | | | |
| X8 | | | | .52 (.79) | | | | | | | |
| X9 | | | | .55 (.65) | | | | | | | |
| X10 | | | | | .53 (.52) | | | | | | |
| X11 | | | | | .57 (.74) | | | | | | |
| X12 | | | | | .55 (.80) | | | | | | |
| X13 | | | | | .60 (.75) | | | | | | |
| X14 | | | | | | .54 (.57) | | | | | |
| X15 | | | | | | .58 (.85) | | | | | |
| X16 | | | | | | .59 (.75) | | | | | |
| Y1 | | | | | | | .63 (.74) | | | | |
| Y2 | | | | | | | .60 (.75) | | | | |
| Y3 | | | | | | | .53 (.79) | | | | |
| Y4 | | | | | | | | .43 (.70) | | | |

Table 2. (continued)

| Items | Factor label | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--------------------------------------|--------------|------------------|------|------|-------|------|------|--------------|--------------|--------------|--------------|
| Y5 | | | | | | | | .47 (.76) | | | |
| Y6 | | | | | | | | .51 (.63) | | | |
| Y7 | | | | | | | | .50 (.58) | | | |
| Y8 | | | | | | | | | .55 (.62) | | |
| Y9 | | | | | | | | | .58 (.53) | | |
| Y10 | | | | | | | | | | .75 (.64) | |
| Y11 | | | | | | | | | | .58 (.68) | |
| Y12 | | | | | | | | | | .61 (.80) | |
| Y13 | | | | | | | | | | .70 (.76) | |
| Y14 | | | | | | | | | | | .70 (.64) |
| Y15 | | | | | | | | | | | .66 (.74) |
| Y16 | | | | | | | | | | | .57 (.76) |
| KMO | | .85 (.84) | | | | | | | | | |
| Cumulated variance explained percent | | 67.57 (65.68) | | | | | | | | | |
| Eigenvalue (bank) | | 1.10 | 1.27 | 1.16 | 3.74 | 1.25 | 1.71 | 2.27 | 1.02 | 5.07 | 2.07 |
| Eigenvalue (discount store) | | 1.15 | 1.08 | 1.81 | 3.10 | 1.22 | 2.07 | 2.39 | 1.03 | 5.24 | 1.44 |
| Percent of variance (bank) | | 3.60 | 4.16 | 3.79 | 12.24 | 4.09 | 5.59 | 4.16 | 3.34 | 16.56 | 6.77 |
| Percent of variance (discount store) | | 4.12 | 3.93 | 5.91 | 9.41 | 4.31 | 6.61 | 7.48 | 3.79 | 15.21 | 4.91 |

Note: () is the value of discount store.

Table 3. Study Measures and Reliabilities

| Items |
|--|
| Advertising spending (Cronbach α = .715, bank; Cronbach α = .652 ¹ , discount store) |
| X1: The ad campaigns for X are seemed frequently. |
| X2: The ad campaigns for X seem very expensive, compared to campaigns for competing brands. |
| X3: This ad is very appealing to me. |
| Distribution intensity (Cronbach α = .766, bank; Cronbach α = .741, discount store) |
| X4: More stores sell X, as compared to its competing brands. |
| X5: The number of stores that deal with X is more than that of its competing brands. |
| X6: X is distributed through as many stores as possible. |
| Store Image (Cronbach α = .745, bank; Cronbach α = .805, discount store) |
| X7: I have favorable attitude to this store. |
| X8: I trust the store's image. |
| X9: The store gives an overall goodwill to me. |
| Contact service employee (Cronbach α = .838, bank; Cronbach α = .760, discount store) |
| X10: Employees go beyond normal call of duty to please customers. |
| X11: Employees understand what product attributes customers value most. |
| X12: Employees are given adequate resources to meet customer needs. |
| X13: Employees understand customer' real problems. |
| Physical environment (Cronbach α = .741, bank; Cronbach α = .727, discount store) |
| X14: The physical facilities of the store are visually appealing. |
| X15: The store has a pleasant shopping environment. |
| X16: The interior furnishing in the store gives the shopper the appearance and feeling of a quality store. |
| Perceived quality (Cronbach α = .786, bank; Cronbach α = .765, discount store) |
| Y1: X is of high quality. |
| Y2: The likelihood that X is reliable is very high. |
| Y3: The likely quality of X is extremely high. |
| Brand association with brand awareness (Cronbach α = .736, bank; Cronbach α = .672 ¹ , discount store) |
| Y4: I am aware of X. |
| Y5: I can recognize X among other competing brands. |
| Y6: Some characteristics of X come to my mind quickly. |
| Y7: I have difficulty in imagining X in my mind (R). |
| Satisfaction (Cronbach α = .780, bank; Cronbach α = .786, discount store) |
| Y8: I overall satisfy a specific experience with the brand. |
| Y9: I am satisfied with my decision to purchase from this brand. |

Table 3. (continued)

| |
|---|
| Items |
| Brand Loyalty (Cronbach α = .787, bank; Cronbach α = .793, discount store) |
| Y10: I am familiar with the brand. |
| Y11: I say positive things about this brand to other people. |
| Y12: I would continue to do business with this brand retailer if it its prices increase somewhat. |
| Y13: I will not buy other brands if X is available at the store. |
| Brand equity (Cronbach α = .782, bank; Cronbach α = .775, discount store) |
| Y14: If another brand is not different from X in any way, it seems smarter to purchase X. |
| Y15: Even if another brand has same features as X, I would prefer to buy X. |
| Y16: It makes sense to buy X instead of any other brand, even if they are the same. |

¹ Chronbach's alpha of 0.6 is not a valid cut-off (Nunnally, 1978).

prior to data analysis. All items from the study were first assessed via exploratory factor analysis with varimax rotation. The results reveal that all scales are uni-dimensional and reliable with the present data (see Table 2). As shown in Table 3, the reliability of the reflective scales was tested by the coefficient alpha. All measures show the coefficient alpha in the 0.6 to 0.8 range.

Confirmatory Factor Analysis

The complete measurement model was estimated using AMOS 4. Unidimensionality was asserted using confirmatory factor analysis (CFA) for each of the constructs included in the study. Confirmatory factor analysis revealed that all items were significantly loaded on the respective constructs ($p < 0.05$), suggesting acceptable convergent validity for the measures (see Appendix). The discriminate validity of the measures was assessed by first constraining the interfactor correlations by taking each pair of constructs one at a time and performing chi-square difference tests. The X^2 , adjusted-goodness of fit indices (AGFI), Tucker-Lewis index (TLI), and RMSEA measures were employed to examine the integrity of the constructs. These measurements resulted in the following data: for bank industry $X^2(N=261; df=419) = 841.428$; AGFI=.83; TLI=.91; CFI=.92; RMSEA=.051; for the discount store industry $X^2(N=247; df=419) = 775.887$; AGFI=.82; TLI=.90; CFI=.91; RMSEA=.050. In all the

Table 4. Factor Correlation Matrix

| Measure | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--------------------------------|------|-------|------|------|------|------|------|------|------|------|
| 1. Adverting Spending | 1.00 | .46** | .36 | .29 | .20 | .23 | .32 | .12 | .31 | .39 |
| 2. Distribution Intensity | .24* | 1.00 | .51 | .38 | .52 | .34 | .34 | .38 | .51 | .34 |
| 3. Store Image | .37 | .32 | 1.00 | .48 | .47 | .67 | .40 | .34 | .71 | .55 |
| 4. Contact service employee | .27 | .14 | .57 | 1.00 | .55 | .41 | .24 | .25 | .55 | .42 |
| 5. Physical environment | .20 | .40 | .29 | .53 | 1.00 | .36 | .34 | .11 | .62 | .28 |
| 6. Perceived quality | .32 | .29 | .46 | .61 | .45 | 1.00 | .32 | .35 | .54 | .54 |
| 7. Brand association | .51 | .39 | .56 | .28 | .39 | .43 | 1.00 | -.10 | .41 | .31 |
| 8. Satisfaction | .01 | .17 | .30 | .20 | .08 | .66 | .19 | 1.00 | .49 | .54 |
| 9. Brand Loyalty | .16 | .37 | .62 | .62 | .44 | .70 | .49 | .52 | 1.00 | .80 |
| 10. Brand equity | .30 | .37 | .57 | .46 | .44 | .52 | .37 | .48 | .63 | 1.00 |

Note: (*) is bank matrix and (**) is discount store matrix.

assessments, the measures employed well exceeded their recommended levels (Jöreskog and Sörbom, 1996).

RESULTS

A structural equations methodology using AMOS 4.0 was used to test the model (Arbuckle 1999). In specifying the model, each of the constructs with multiple measures was represented by a single scale score, according to the standard procedure in the theoretical literature. In addition, because this dichotomous turnover measure was not normally distributed, it was treated as variable-censored at zero from below (Jöreskog and Sörbom 1996). Finally, the measurement error terms for each construct were fixed at zero for the initial estimation and revision of the proposed model and then fixed at $(1-\alpha)$ times the variance of each scale in the final model to determine the extent to which measurement error affected the observed pattern of relationships.

The overall model fit was first examined. The chi-square statistic (bank: $X^2 = 905.820$, degree of freedom [d.f.] = 436; discount store: $X^2 = 839.432$; degree of freedom [d.f.] = 436) was significant. All the baseline comparison indexes (normed fit index [NFI], Turker-Lewis index [TLI], and CFI) greater than .90 and the root mean square error of approximation (RMSEA) value of .05 indicated a good data, according to Browne and Cudeck's (1993) cutoff criteria.

Table 5. Results of the Model Estimation

| Hypotheses | Bank (β) | Discount mall (β) |
|--|------------------|---------------------------|
| Advertising → Perceived Quality | .470** | .424** |
| Advertising → Brand Association | .480** | .480** |
| Distribution Intensity → Perceived Quality | .514** | .289* |
| Distribution Intensity → Brand Association | .407** | .491** |
| Store Image → Perceived Quality | .087* | .289* |
| Store Image → Brand Association | .515** | .344** |
| Store Image → Satisfaction | .336* | .333* |
| Contact service employee → Perceived Quality | .157* | .777** |
| Contact service employee → Satisfaction | n/s | n/s |
| Physical environment → Perceived Quality | n/s | n/s |
| Physical environment → Satisfaction | .376* | n/s |
| Perceived Quality → Satisfaction | .306* | .150* |
| Brand Association → Perceived Quality | .828** | .945** |
| Brand Association → Satisfaction | .n/s | n/s |
| Satisfaction → Loyalty | .297* | .208* |
| Loyalty → Brand Equity | .802** | .770** |
| <i>Additional Paths</i> | | |
| Perceived Quality → Brand Loyalty | .273* | .281* |
| Brand Association → Brand Loyalty | .175* | .244* |

Bank: $X^2=905.820$; $df=436$; $X^2/df=2.077$; $TLI=.909$; $CFI=.922$; $RMSEA=.050$
Discount mall: $X^2=839.432$; $df=436$; $X^2/df=1.925$; $TLI=.901$; $CFI=.912$; $RMSEA=.050$

Note: (*) is significant at $p<.05$; (**) is significant at $p<.01$.

Hypotheses 1-1 and 1-2, advertising spending → perceived quality and advertising quality → brand awareness/association, were well supported for both the bank and discount store sample group ($p<0.01$). Advertising spending plays a significant role in improving perceived quality and increasing brand awareness/association in a positive manner.

Hypotheses 2-1 and 2-1, and 3-1, 3-2, and 3-3 were also well supported for both groups. While hypothesis 4-1, contact service employee → perceived quality, was significant, hypothesis 4-2, contact service employee → satisfaction, was not supported for either group. Hypothesis 5-1 was not supported for both groups, whereas hypothesis 5-2, physical environment → satisfaction was partially supported. For the bank sample, a significant positive

Table 6. Results of Combined Data Sets

| Hypotheses | Combined Data (β) |
|--|---------------------------|
| Advertising → Perceived Quality | n/s |
| Advertising → Brand Association | .230** |
| Distribution Intensity → Perceived Quality | n/s |
| Distribution Intensity → Brand Association | .150* |
| Store Image → Perceived Quality | .384** |
| Store Image → Brand Association | .359** |
| Store Image → Satisfaction | .346** |
| Contact service employee → Perceived Quality | .263** |
| Contact service employee → Satisfaction | n/s |
| Physical environment → Perceived Quality | n/s |
| Physical environment → Satisfaction | n/s |
| Perceived Quality → Satisfaction | n/s |
| Brand Association → Perceived Quality | n/s |
| Brand Association → Satisfaction | .140* |
| Satisfaction → Loyalty | .407** |
| Loyalty → Brand Equity | .816** |
| <i>Additional Paths</i> | |
| Perceived Quality → Brand Loyalty | .490** |
| Brand Association → Brand Loyalty | .261** |

$X^2=1122.915$; $df=436$; $X^2/df=2.575$; $NFI=.881$; $TLI=.874$; $CFI=.889$; $RMSEA=.056$

Note: (*) is significant at $p<.05$; (**) is significant at $p<.01$.

influence of physical environment on satisfaction was found ($p<.05$). No effect was found for the discount store sample. Hypothesis 6, the relationship between perceived quality and satisfaction, was supported for both the bank and discount store samples ($p<0.05$). Hypothesis 7-1 was well supported, but 7-2 did not show a statistically significant influence of brand awareness/association on satisfaction for either group. Hypotheses 8 and 9 were well supported for both categories of samples ($p<0.05$).

In general, the strength of several of the relationships varied across the two sets of data. The parameter estimates of the relationships between the physical environment and satisfaction proved to be more important among bank customers than discount store customers. On the other hand, the relationship between store image and perceived quality seemed generally to be more important

for discount store customers.

Additional Analysis

We did also a combined analysis of two data sets. Although model fits were not significant, the results were different from our hypothesized paths. More specifically, four paths (advertising → perceived quality, distribution intensity → perceived quality, perceived quality → satisfaction, and brand association → perceived quality) were supported in Table 5, but combined results were insignificant. However, the relationship between brand association and satisfaction were significantly supported.

DISCUSSION

The relationships between marketing stimuli and brand equity were explored in the two different industries. Based on Yoo et al.'s theoretical framework (2000), the essential link between five marketing stimuli and brand equity was reinvestigated through the mediating role of four key dimensions, leading to the discovery of several critical implications. Although the brand management literature emphasizes the role of the four dimensions in the brand equity process, satisfaction plays a main mediating role in building brand equity. In other words, marketing stimuli and two dimensions of brand equity act as antecedents of customer satisfaction, with satisfaction leading to brand loyalty. This contribution implies that brand-leveraging strategies that ignore the role of consumer satisfaction may jeopardize the brand and its related products and services.

The model proposed in this study confirmed Yoo and colleagues' model (2000) and can be applied to different industries. While all paths proposed by previous research are significant, three additional variables showed that brand equity processes should consider different variables in different categories when a firm wants to build successful brand equity. Although the classic theoretical framework of building strong brand equity is still valid, the process may need to be changed when applied to different industries.

Contact service employee is a significant issue for products and services, but is only related to perceived quality and does not effect

satisfaction. While both contact service employee and perceived quality are understood as cognitive perspectives, there is not a clear distinction between contact service employee and satisfaction. One possible reason is that the former is closely related to customer perceptions while the latter is more likely related to post-purchase activities. That is, contact service employee has little connection with customer evaluation, regardless of the concept of customer-oriented service. Understanding this construct is critical for building brand equity processes because many practitioners still concentrate their attention mainly on the management of extrinsic factors. Similarly, Nwankwo (1995) argues that there is a plethora of brand equity processes to consider, which is why customer-based management is not only challenging, but must be approached cautiously.

Physical environment is not significantly correlated with brand equity. Whereas creating a good environment is necessary for customer relaxation while shopping, its role in the brand equity process is considerably limited. One valuable finding is that this construct plays a critical role in improving customer satisfaction in the financial services industry. For example, because many customers may experience physical fatigue from waiting at a bank for longer than a few minutes, a good physical environment is significant for delivering satisfaction. Although the physical environment is an important element which may have a strong impact on customer satisfaction (Bitner, 1990; Nguyen and Leblanc, 2002), not all services have a significant influence upon the construct, particularly on the brand equity process. This indicates that the financial services industry should improve its environment to increase customer satisfaction, leading to the building of brand equity.

The hierarchy in the brand equity model has shown that consumers are more likely to believe in experience-oriented evaluation. While both brand awareness and association can improve a variety of resources, perceived quality and satisfaction are based on consumption. From a theoretical perspective, the former appears to be linked to brand equity, but the mediating role of satisfaction through perceived quality is more significant because satisfaction focuses on consumer evaluation and reflects emotional connection. Although brand loyalty includes a concept of emotional satisfaction, satisfaction should be considered a critical dimension of the brand equity building process.

Other marketing stimuli are also highly correlated with brand equity. These findings support Yoo et al.'s study (2000) that three marketing stimuli have a critical impact on the brand equity process. As a consequence, this study concludes that the brand equity process can be changed by a variety of marketing stimuli in different services. In addition, this study indicates that marketing managers must understand why marketing stimuli are relevant and how they are applied. This understanding will lead managers to methods of developing and managing brand dimensions for achieving an increase in brand equity.

LIMITATIONS AND FURHER RESEARCH

Although this study provides theoretical and substantive implications, it is important to be aware of its limitations and shortcomings. First, the generalization of the results may be limited because of the nature of the industries investigated. Unique qualities within different products and services have a significant impact on consumer brand experience, leading to perceptions and behavioral orientation that may affect the brand equity process. With this in mind, researchers should explore the essential connection between the nature of the products and services and the marketing stimuli on brand equity.

Another important limitation of this study is that measures were not taken of the length of the relationships or the number of previous customer encounters with the service provider. Since these variables could potentially affect brand equity, the possibility that prior experience with the provider affects the five marketing stimuli needs to be examined. In the discount store environment examined in this study, the reinforcement of brand awareness and association may not be helpful to building brand equity because the competitive market situation leads to the majority of consumers already being fully aware of each brand identity.

Appendix. Factor Loadings of All Measurement Items (CFA)

| Variables | Bank | Discount Store |
|---|------|----------------|
| Advertising spending | | |
| The ad campaigns for X are seemed frequently. | .726 | .706 |
| The ad campaigns for X seem very expensive, compared to campaigns for competing brands. | .599 | .369 |
| This ad is very appealing to me. | .685 | .776 |
| Distribution intensity | | |
| More stores sell X, as compared to its competing brands. | .603 | .481 |
| The number of stores that deal with X is more than that of its competing brands. | .918 | .676 |
| X is distributed through as many stores as possible. | .573 | .750 |
| Store Image | | |
| I have favorable attitude to this store. | .649 | .681 |
| I trust the store's image. | .741 | .789 |
| The store gives an overall goodwill to me. | .729 | .826 |
| Contact service employee | | |
| Employees go beyond normal call of duty to please customers. | .682 | .444 |
| Employees understand what product attributes customers value most. | .715 | .620 |
| Employees are given adequate resources to meet customer needs. | .725 | .805 |
| Employees understand customer' real problems. | .744 | .773 |
| Physical environment | | |
| The physical facilities of the store are visually appealing. | .651 | .664 |
| The store has a pleasant shopping environment. | .739 | .664 |
| The interior furnishing in the store gives the shopper the appearance and feeling of a quality store. | .686 | .727 |
| Perceived quality | | |
| X is of high quality. | .733 | .706 |
| The likelihood that X is reliable is very high. | .811 | .726 |

| Variables | Bank | Discount Store |
|--|------|----------------|
| The likely quality of X is extremely high. | .694 | .704 |
| Brand association with brand awareness | | |
| I am aware of X. | .710 | .812 |
| I can recognize X among other competing brands. | .792 | .770 |
| Some characteristics of X come to my mind quickly. | .648 | .406 |
| I have difficulty in imagining X in my mind (R). | .469 | .313 |
| Satisfaction | | |
| I overall satisfy a specific experience with the brand. | .867 | .868 |
| I am satisfied with my decision to purchase from this brand. | .740 | .746 |
| Brand Loyalty | | |
| I am familiar with the brand. | .808 | .772 |
| I say positive things about this brand to other people. | .554 | .564 |
| I would continue to do business with this brand retailer if it its prices increase somewhat. | .594 | .564 |
| I will not buy other brands if X is available at the store. | .778 | .667 |
| Brand equity | | |
| If another brand is not different from X in any way, it seems smarter to purchase X. | .894 | .786 |
| Even if another brand has same features as X, I would prefer to buy X. | .832 | .786 |
| It makes sense to buy X instead of any other brand, even if they are the same. | .632 | .626 |

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