

## BRAND EQUITY IN PREMIUM CAR MARKET

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### Abstract

The important development of the premium automobile industry in Romania in previous years has generated the need for information pertaining to the behaviour of car purchasers and also to the factors that play a major role in influencing this behaviour. Car brands such as Mercedes-Benz, BMW or Audi display a feeling of prestige or perceived status. Some potential customers may take into account only products that have strong brand equity because they think that the prestige or status associated with the brand projects itself upon them as individuals.

Brand personality and consumer personality traits are the main constructs that significantly influence behavioural loyalty and, therefore, purchase decision. The purpose of this article is to offer marketing practitioners from the automotive industry a brand equity multi-item scale to help them research and adapt their brand communication according to the personality traits of their potential customers.

**Keywords:** *brand equity, premium car market, behavioural loyalty, brand personality, consumer personality traits*

### 1. INTRODUCTION

Nowadays people's lives are significantly influenced by the goods they consume and by the true or false promises that these products make. Brands are important assets which represent the essence of a company and they must be clearly developed and administrated. Therefore, the role of brand management has gained further significance. Brands contribute, from the firm's perspective, to the differentiation of goods and services which are similar in terms of their functional worth and, on the other hand, from a consumer perspective, they represent a very useful decision making tool, determining purchase decision.

In recent years the car industry has changed considerably. Product diversity has increased and the automobile buying decision process has become extremely complex. Most people

consider that purchasing a new car represents a fundamental investment and the final decision is taken only after a thorough analysis of alternatives. Buyers speak to different experts or car dealers, establish criterion hierarchies of choice and consider using them for a fairly large number of car models available on the market. At present, the European market offers about fifty car brands, each having a number of models that use various technologies and performance-related characteristics. Choosing the right car is an increasingly complex task and buyers rely on brands as a means of simplifying the decision-reaching process.

The decision on the three car brands tested in this paper is based on the information given by the automotive market. It was necessary to choose three premium brands with a significant level of brand awareness and with a large number of owners in Romania in order to come up with a useful measurement tool for whom it may concern, such as car dealers or rent-a-car companies. It was also necessary to get three fairly similar car brands in terms of price and quality perception. When consulting different car sites and using the data provided by APIA (The Association of Producers and Importers of Automobiles) the following premium car brands have been chosen: BMW, Mercedes-Benz and Audi, which ranked on the first three places judging by the sales volume in 2014.

### 2. BRAND EQUITY

Brand equity has risen considerably in the third millennium. Marketing scholars recognize that the brand equity paradigm represents a key strategic asset for organizations. The information

pertaining to brands is linked more or less directly to consumer's purchase decisions. People are growing more and more attentive, choosing familiar and favourite brands. Therefore, if companies want to outdo their competition, they have to persuade the consumers to appreciate, positively appraise and buy their products. A brand is influential at three key levels which correspond to three distinct yet interconnected market dimensions, or indeed three distinct markets: customer, product and financial markets. Therefore, the value accrued by these markets may be designated as brand equity.

Throughout the years marketing literature has come up with a wide range of definitions for the brand equity concept and with various perspectives regarding the factors that influence it<sup>1,2,3,4</sup>. A largely used definition, which most scholars agree upon, identifies brand equity as the value added by the brand name to a product that does not possess a brand name<sup>1,5,3</sup>. There is some confusion and disagreement in conceptualizing and defining brand equity and it derives from the existence of two opposing schools of thought: the marketing perspective and the financial accounting perspective.

From a marketing perspective, it is considered that brand equity represents the value of the brand that derives from high levels of brand loyalty, perceived quality, name awareness and strong brand associations, as well as assets such as trademarks, patents and distribution channels that are associated with the brand<sup>2,6,7</sup>. Keller defined Customer-Based Brand Equity as "the differential effect of brand knowledge on consumer responses to the marketing of the brand"<sup>5</sup>. The differentiation effect is determined by comparing consumers' reactions to the marketing of a brand with their reactions to the same marketing of an unnamed version of the product. He also emphasizes the two main consumer-related sub-constructs of brand equity: brand knowledge and brand responses. Here, brand knowledge is defined in terms of brand awareness and image, while, consumer responses to marketing is defined in terms of consumer perceptions, preferences, and behaviour triggered by marketing mix activities. Furthermore, Customer-Based Brand Equity is enhanced by creating favourable responses to

pricing, distribution, advertising, and promotion activity of the brand. This perspective indicates that Customer-Based Brand Equity represents a consumer-oriented model, and does not take any financial information into account. Therefore, the focus of the customer-based brand equity paradigm is the interaction between a customer and a brand, as well as the consequences that derive from that relationship<sup>2,5,8,9</sup>.

On the other hand, the financial-based brand equity paradigm uses the brand's financial value as a measure of success and performance<sup>10,11,12</sup>. Simon and Sullivan defined brand equity as "the incremental discounted cash flows that would result from a product having its brand name in comparison with the proceeds that would accrue if the same product did not have the brand name"<sup>10</sup>. This conceptualization considers brand market performance without emphasizing consumers' attitudes towards the brands. Advocates of the financial accounting perspective argue that it incorporates both macro and micro approaches. The macro approach assigns an objective value to a company's brands and relates this value to the determinants of brand equity, while the micro approach isolates changes in brand equity at the individual brand level by measuring the responses of brand equity to marketing activities.

Brand equity terminology notes that a brand is an asset that can be bought or sold for a certain price<sup>13,7,14</sup>. Marketing assets, however, should not be mistaken for the financial expression of those specific assets, also known as "brand valuation"<sup>15,16</sup>. This term is partially misleading because the word "equity" has its origin in the realm of finance, but at its core, it takes a subjective view and represents intangible cues that are valued by the consumer<sup>17</sup>.

### 3. RESEARCH OBJECTIVE

When it comes to the premium car market the main factor that influences purchase decision is behavioural loyalty. Behaviour loyalty is influenced by two important constructs: brand personality and consumer personality traits.

The purpose of this study is to develop a valid and reliable measurement tool that can help

research the influence of brand personality and consumer personality traits on behavioural loyalty.

#### **4. RESEARCH HYPOTHESES**

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Behavioural loyalty significantly influences consumer's purchase decisions in premium car industry.

Brand personality and consumer personality traits represent the main triggers of behavioural loyalty.

#### **5. MULTI-ITEM SCALE DEVELOPMENT STAGES**

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The characteristic to be measured is usually called a construct<sup>18</sup>. Scale development begins with an underlying theory of the construct being measured. The next step is to generate an initial pool of items. Typically, this is based on theory, analysis of secondary data, and qualitative research. From this pool, a reduced set of potential scale items is generated by the judgment of the researcher and other knowledgeable individuals. Some qualitative criterion is adopted to aid their judgment. The reduced set of items is still too large to constitute a scale. Thus, further reduction is achieved in a quantitative manner.

Data are collected on the reduced set of potential scale items from a pre-test sample of respondents. The data are analysed using techniques such as correlations, factor analysis, cluster analysis, discriminant analysis, and statistical tests. As a result of these statistical analyses, several more items are eliminated, resulting in a purified scale. This purified scale

is evaluated for reliability and validity by collecting more data from a different sample. On the basis of these assessments, a final set of scale items is selected.

#### **6. RESEARCH METHODOLOGY. THE DEVELOPMENT OF THE RESEARCH INSTRUMENT.**

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This stage is about generating an initial pool of items for the constructs included in the model. The two constructs that are going to be correlated with behavioural loyalty can be measured using the following factors: **Brand Personality**: Sincerity, Excitement, Competence, Sophistication and Ruggedness; **Consumer personality traits**: Openness to experience, Conscientiousness, Extraversion, Agreeableness, Neuroticism<sup>19,20,21,22</sup>.

The next step was to identify measurement scales for each of these factors. Consumer personality can be measured using "The Big Five Model" and Brand personality is analysed using Jennifer Aaker's 1997 scale, with a set of 42 items<sup>20</sup>.

The large number of items included in the marketing literature has been filtered after running a qualitative analysis - one focus group made out of fourteen informants. The participants have been extracted from the databases of the three car brand dealers, BMW, Mercedes-Benz and Audi. There were two major discussion topics in the focus group:

Brand loyalty in car industry.

Character traits that can influence behavioural loyalty, and eventually purchase decision, in premium car market.

The resulted items from the secondary research have been filtered in the focus group.

## 7. THE PROPOSED QUESTIONNAIRE

### Section 1

#### “BRAND FILTERS”

1. At the moment, do you have a personal car?

<input type="checkbox"/> <b>BMW</b>	<input type="checkbox"/> <b>Mercedes Benz</b>	<input type="checkbox"/> <b>Audi</b>	<input type="checkbox"/> <b>No</b>
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### Section 2

#### “brand personality”

2. Speaking about the car you own, please express your opinion on the following:

(1= complete disapproval; 2 = disapproval; 3 = neither approval / nor disapproval; 4 = approval; 5 = complete approval)

a. It is a courageous car	1	2	3	4	5
b. It is a family car	1	2	3	4	5
c. It is a secure car	1	2	3	4	5
d. It is a class car	1	2	3	4	5
e. It is an authentic car	1	2	3	4	5
f. It is a modern car	1	2	3	4	5
g. It is an attractive car	1	2	3	4	5
h. It is a well-known car	1	2	3	4	5
i. It can be considered a fashionable car	1	2	3	4	5
j. It is a user-friendly car	1	2	3	4	5
k. It is a fast car	1	2	3	4	5
l. It is an autonomous car	1	2	3	4	5
m. It is up to date with the trends of the automotive industry	1	2	3	4	5
n. It is a harsh car	1	2	3	4	5
o. It has got masculine traits	1	2	3	4	5
p. It is a successful car	1	2	3	4	5
q. It is intended for small cities	1	2	3	4	5
r. It is a reliable car	1	2	3	4	5
s. It has got feminine traits	1	2	3	4	5
t. It is a market leader	1	2	3	4	5
u. It is intended for field work	1	2	3	4	5
v. It is a corporate car	1	2	3	4	5
w. It is an invariable car	1	2	3	4	5

## Section 3

“consumer personality”

3. Please express your opinion on the following aspects:

(1= complete disapproval; 2 = disapproval; 3 = neither approval / nor disapproval; 4 = approval; 5 = complete approval)

a. You are preoccupied by many things	1	2	3	4	5
b. You make friends easily	1	2	3	4	5
c. You easily get intimidated	1	2	3	4	5
d. You make people feel good	1	2	3	4	5
e. You would never cheat when it comes to paying your taxes	1	2	3	4	5
f. You like big parties	1	2	3	4	5
g. You get angry easily	1	2	3	4	5
h. It's easy for you to fulfil your tasks	1	2	3	4	5
i. You like order and discipline	1	2	3	4	5
j. You do things that you later regret	1	2	3	4	5
k. You fulfil your tasks without any delay	1	2	3	4	5
l. You think you are incapable of dealing with the things around you	1	2	3	4	5
m. You are exactly like a child when you are happy	1	2	3	4	5
n. You think criminals should be helped, not punished	1	2	3	4	5
o. You think that cooperation is more important than competition	1	2	3	4	5
p. Stress is overwhelming for you	1	2	3	4	5
q. You think that most people are fair	1	2	3	4	5
r. You are sure of what you know	1	2	3	4	5
s. You involve others in your actions	1	2	3	4	5
t. You are preoccupied with other people	1	2	3	4	5
u. You like to try new things	1	2	3	4	5
v. You get caught in your own fantasies	1	2	3	4	5
w. You easily find the right solutions	1	2	3	4	5
x. You easily lose your temper	1	2	3	4	5
y. You like surprise parties	1	2	3	4	5
z. You admire the beauty of nature	1	2	3	4	5
aa. You act according to a plan	1	2	3	4	5
ab. You try to understand yourself	1	2	3	4	5
ac. You have a good word for everybody	1	2	3	4	5
ad. You pay attention to your conscience	1	2	3	4	5
ae. You react quickly	1	2	3	4	5
af. You do more than people expect from you	1	2	3	4	5
ag. You love life	1	2	3	4	5
ah. You prefer loneliness	1	2	3	4	5
ai. You like art	1	2	3	4	5
aj. You are desperate	1	2	3	4	5
ak. You remain calm in stressful situations	1	2	3	4	5

## Section 4

"brands"

4. **BMW/MERCEDES BENZ/AUDI** is my first choice when it comes to buying a new car or changing my current one.

(1= complete disapproval; 2 = disapproval; 3 = neither approval / nor disapproval; 4 = approval; 5 = complete approval)

<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
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5. If **BMW/MERCEDES BENZ/AUDI** were temporarily off the market, I wouldn't buy another car brand. I would wait for it to reappear.

(1= complete disapproval; 2 = disapproval; 3 = neither approval / nor disapproval; 4 = approval; 5 = complete approval)

<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
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6. On the whole, I consider myself loyal to the brand **BMW/MERCEDES BENZ/AUDI**.

(1= complete disapproval; 2 = disapproval; 3 = neither approval / nor disapproval; 4 = approval; 5 = complete approval)

<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
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7. The probability of re-purchasing a **BMW/MERCEDES BENZ/AUDI** car is:

(1 = very low; 2 = low; 3 = neither low / nor high; 4 = high; 5 = very high)

<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
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8. The probability of recommending a **BMW/MERCEDES BENZ/AUDI** car to a friend is:

(1 = very low; 2 = low; 3 = neither low / nor high; 4 = high; 5 = very high)

<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
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## Section 5

"personal information"

9. Sex

<input type="checkbox"/> Male	<input type="checkbox"/> Female
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10. Age:

<input type="checkbox"/> 18 - 24 years	<input type="checkbox"/> 25 - 34 years	<input type="checkbox"/> 35 - 44 years	<input type="checkbox"/> 45 - 54 years	<input type="checkbox"/> over 54 years
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11. Last school graduated:

<input type="checkbox"/> Secondary school	<input type="checkbox"/> High school	<input type="checkbox"/> College	<input type="checkbox"/> University
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12. Monthly income:

<input type="checkbox"/> up to 600 RON	<input type="checkbox"/> 601 - 1000 RON	<input type="checkbox"/> 1001 - 1500 RON
<input type="checkbox"/> 1501 - 2000 RON	<input type="checkbox"/> 2001 - 3000 RON	<input type="checkbox"/> 3001 - 4000 RON
<input type="checkbox"/> over 4000 RON		

## 8. TESTING THE RESEARCH INSTRUMENT

The oncoming questionnaire, as a result of running qualitative investigation, has been tested on a pre-test sample of 100 people living in Iași. Two exploratory factor analyses have been run on each of the three premium car brands – BMW, Mercedes-Benz and Audi. The first test includes the constructs of Brand personality - Sincerity, Excitement, Competence, Sophistication and Ruggedness. The second test includes the constructs of Consumer personality traits - Openness to experience, Conscientiousness, Extraversion, Agreeableness, Neuroticism.

Using Kaiser, Cattell and Benzecri's criteria, for the brand personality construct, a number of three factors have been decided on: "refinement," "competence," and "enthusiasm". There are also three factors for the consumer personality traits construct: "agreeableness," "openness," and "extraversion"<sup>23,24,25</sup>.

When running a reliability analysis, the alpha Cronbach coefficient was higher than 0.7 for all brand personality factors, with the exception of the "refinement" factor for Audi cars. Regarding the consumer personality construct, the only factors where the alpha Cronbach coefficient was below 0.7 were the "agreeableness" factor for Mercedes-Benz cars and the "extraversion" factor for Audi cars.

The results of factor and reliability analyses have led to the final structure of the questionnaire and to the adjusted research model. Therefore, the final questionnaire includes the following items:

### 1. Brand personality:

- Refinement: Q2h, Q2i, Q2g, Q2d;
- Competence: Q2t, Q2p, Q2v, Q2k, Q2r, Q2c;
- Enthusiasm: Q2m, Q2a, Q2f.

### 2. Consumer personality traits:

- Agreeableness: Q3n, Q3s, Q3u, Q3d, Q3m, Q3t;
- Openness: Q3z, Q3b, Q3gg, Q3w, Q3cc, Q3q, Q3ii;
- Extraversion: Q3f, Q3y, Q3b, Q3m, Q3ee, Q3cc.

## 9. CONCLUSIONS

The brand and the equity of a particular product have an impact upon consumer's purchase in every stage of the decisional process. It can represent the main argument for buying a product and determines the purchase despite other well-known values. The brand equity paradigm helps positioning the brand in the mind of the potential customers. Therefore, brands gain a competitive advantage on the market and this helps customers in their decision making journey. The only companies that are successful in achieving this competitive advantage are the ones that fully understand the needs of the clients and are always preoccupied with enhancing their brand equity.

In conclusion, this paper offers both a theoretical and a practical point of view on how to develop a brand equity multi-item scale that can successfully be used in the premium car market. The paper contributes to the development of the scientific knowledge by developing and validating a measurement scale for the constructs that explain brand behavioural loyalty in premium car industry.

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