THE RELATIONSHIP BETWEEN PRICE DEALS, PERCEIVED QUALITY, AND BRAND EQUITY FOR A HIGH INVOLVEMENT PRODUCT

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Abstract

This study aimed to investigate the impact of price deals and perceived quality on the brand equity in the context of brand knowledge and brand associations. This study extends the previous literature on brand equity by focusing on how a consumer perceives brand in high involvement products. Eighteen face-to-face interviews were conducted to identify the product category for a high involvement product. Three hundreds and eighty-six sets of questionnaires were usable and completed. The findings supported that price deals and perceived quality are important factors which create the associations that consumers make with a brand in order to create brand equity.

Keywords: Brand, Brand Equity, Brand Associations, Perceived Quality, Price Promotions

บทคัดย่อ

การวิจัยนี้มีจุดมุ่งหมายเพื่อศึกษาผลกระทบของราคาที่เปลี่ยนแปลงตามกิจกรรมการตลาด และคุณภาพของสินค้าต่อการรับรู้ค่าของตราสินค้าของผู้บริโภค โดยมุ่งเน้นไปที่กลุ่มสินค้าที่มีระดับความเกี่ยวพันของผู้บริโภคสูง (High Involvement Products) จากการศึกษากลุ่มตัวอย่างที่นำมาวิเคราะห์จำนวน 386 คน พบว่า ราคาสินค้า (บริการ) ที่เปลี่ยนแปลงเนื่องมาจากกิจกรรมทางการตลาด และการรับรู้คุณภาพของสินค้า มีผลต่อความผูกพันของผู้บริโภคต่อตราสินค้า (Brand Associations) และความรู้ของผู้บริโภคต่อตราสินค้า (Brand Knowledge) ซึ่งส่งผลต่อการรับรู้คุณค่าของตราสินค้า และคุณค่าของตราสินค้าในความคิดของผู้บริโภค อย่างมีนัยสำคัญ

คำสำคัญ: ตราสินค้า, คุณค่าตราสินค้า, การรับรู้คุณภาพสินค้า, ราคาสินค้า, กลยุทธ์ราคา, โปรโมชั่น

INTRODUCTION

Brand, as an asset of a firm or company, does not serve only an identification purpose, but also offers the firm legal protection for unique features or aspects of the product or service. Brand also offers additional value to the firm performance (Simon & Sullivan, 1993). In addition, brand is a valuable factor that influences consumer behavior, and provides the security of sustained future revenues (Hunt & Keaveney, 1994; Kevin & John, 1999; Sloot & Verhoef, 2008). Therefore, brands have an enormous impact on both marketing performances, and financial performances (Baldauf, Cravens, & Binder, 2003; Rajagopal, 2009; Rust, Lemon, & Zeithaml, 2004; Simon & Sullivan, 1993).

Previous literature has studied the relationship between marketing activities and brand equity (Keller, 1993; Keller & Lehmann, 2006). For example, Cobb-Walgren et al. (1995) found that a higher advertising budget contributed to higher levels of brand equity. However, they did not study whether different marketing activities influence each brand differently. In other words, they did not investigate whether particular marketing mix activities affect brand equity differently. Furthermore, the work of Keller and Lehman (2006) confirmed that literature on brand and branding in the past has reported mixed results of the relationship between marketing mix activities and consumer perception on a brand. They also suggested that the study of particular marketing mix activities should be more focused and should be introduced and measured in terms of customer mindset.

This study aims to investigate the impact of

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price deals and perceived quality on the consumers' mindset in the context of brand. This would assist marketing practitioners to obtain insights of the impact of the price and pricing strategy on their brand. There are reasons why this study selected price deals and product quality as the factors which influence brand equity. First, price promotion strategy is generally a critical strategy that generates market demand and stimulates short-term company profitability. In addition, price promotion strategies are generally widely implemented in most marketplaces. Secondly, price and product quality has been found to be primary reasons why consumers purchase products or services, especially when the consumers are value conscious (Parasuraman, 1997; Zeithaml, 1988). Price deals and product quality are considered as the most important marketplace cues and the very first information for consumer evaluation of a product or service among experienced customers. Furthermore, this study extends the previous literature on brand equity, focusing on how a consumer perceives brand in high involvement products.

LITERATURE REVIEW

Brand Equity: Brand Knowledge and Brand Associations

Keller (1993) conceptualized brand equity, which determines the brand effects on the individual consumer, called "Consumer-Based Brand Equity (CBBE)". He defined brand equity as "the differential effect that brand knowledge has on customer response to marketing activity with respect to that brand". Keller (1993) also conceptualized brand knowledge in terms of brand awareness and brand associations. Therefore, brand associations and brand awareness are the consequences of marketing activities according to how consumers respond to the brand. He argued that this perspective of brand equity concept allows managers to specifically determine how their marketing actions distribute the value of a brand for consumers.

Keller (1993)'s study had demonstrated that brand knowledge consists of two elements; brand awareness and brand image. Brand awareness is based on the brand recall and recognition abilities of consumers and brand image is the associative network of memory of a consumer. Attributes,

benefits, attitudes, and experiences dimensions of brand knowledge are parts of brand image (Keller, 1993). Brand image can be classified in terms of three associative characteristics: Favorability, Strength, and Uniqueness. Keller (1993) also categorized brand association by the levels of abstraction, in other words, by how much information is summarized or subsumed in the association. Hence, brand association can be classified into three categories: attributes, benefits, and attitudes. He also mentioned that additional distinctions can be added in these categories according to the qualitative nature of the association. These different types of brand association define brand image.

Price Deal and Perceived Quality

Price deals are a price promotion offer on a product or service. Price deals save the buyers money when a product or service is purchased. The main types of price deal include price discounts, price-cut, coupons, rebates, refunds, and bonus pack. In this study, price discounts and price cut promotion are focused. Price deals are found to have a negative relationship with behavioral intention (Pauwels, Hanssens, & Siddarth, 2002; Yoo, Donthu, & Lee, 2000). Price deals are usually intended to recruit new buyers for a mature product, accelerate consumer use and purchase multiple units to encourage trial use of a new product or line extension or to convince existing customers to increase their purchases. Consumers usually evaluate price deals in relation to a reference price. The difference between the reference price and deal price produces the transaction utility of an exchange and induces brand preference (Silva-Risso & Ionova, 2008; Sloot & Verhoef, 2008).

Zeithaml (1988) suggested that consumers organize the information which is perceived from product attributes ranging from simple attributes to complex personal values. She also indicated that these attributes can be categorized into two types of information cue: intrinsic cues (physical composition of the product) and extrinsic cues (product-related, not the physical product itself). Therefore, for this study, perceived quality reflects the perception of the consumers of both the physical and emotional attributes which a consumer perceives as intrinsic cues and extrinsic cues.

Price has been debated by scholars as to

whether it can be a quality signal to consumers (Luk & Yip, 2008; Martínez & Mollá-Descals (2008): Zeithaml, 1988). Zeithaml (1988) argued that consumers depend on price as the primary quality signal in some product categories, especially in the categories where quality variation is expected. Rao and Monroe (1987) found a significant effect between price and quality expected. Therefore, price and perceived quality is related in terms of the use of price as an indicator of quality. This depends on price variation and quality variation in the product categories, the level of price awareness, the consumers' knowledge of the price, and the availability of other cues to quality (Zeithaml, 1988). However, it is not only price that can be a signal of quality, but also the brand name (Hunt & Keaveney, 1994; Luk & Yip, 2008).

Since a quality level is associated with a brand, consumers' perception of product quality involves their network memory. A higher satisfaction level of perceived quality increases the probability of choosing the brand over competitors because higher brand recall and recognition (Aaker, 1996; Yoo, et al., 2000), enhances the brand position (Carol & Carl, 2003), and increases the customer value and value equity (Christopher, 1996; Lemon, Rust, & Zeithaml, 2001). Therefore, perceived quality is a one of the most important components driving brand equity.

RESEARCH FRAMEWORK

Price deals represent the marketing activity and a source of information which influence the perceived quality, brand associations, and brand knowledge of a consumer. To extend previous studies, the effects of price deals and perceived quality are investigated as antecedences of brand associations and brand knowledge. Brand associations are based on brand attributes, brand attitude, and brand benefits and brand knowledge is based on brand awareness and brand image. For brand awareness, there are two components, which are brand recall and brand recognition. The conceptual framework of this study can be seen in Figure 1.

The conceptual framework offers an explanation as to how brand associations and brand knowledge change when the perceptions of price deal in the mind of a consumer change, which in turn give rise to brand equity. It also explains how perceived quality and perceived brand value play roles in consumer-based brand equity. Therefore, perceived quality, perceived brand value, brand associations and brand knowledge serve to clarify the nature of the relationship between price deals and brand equity.
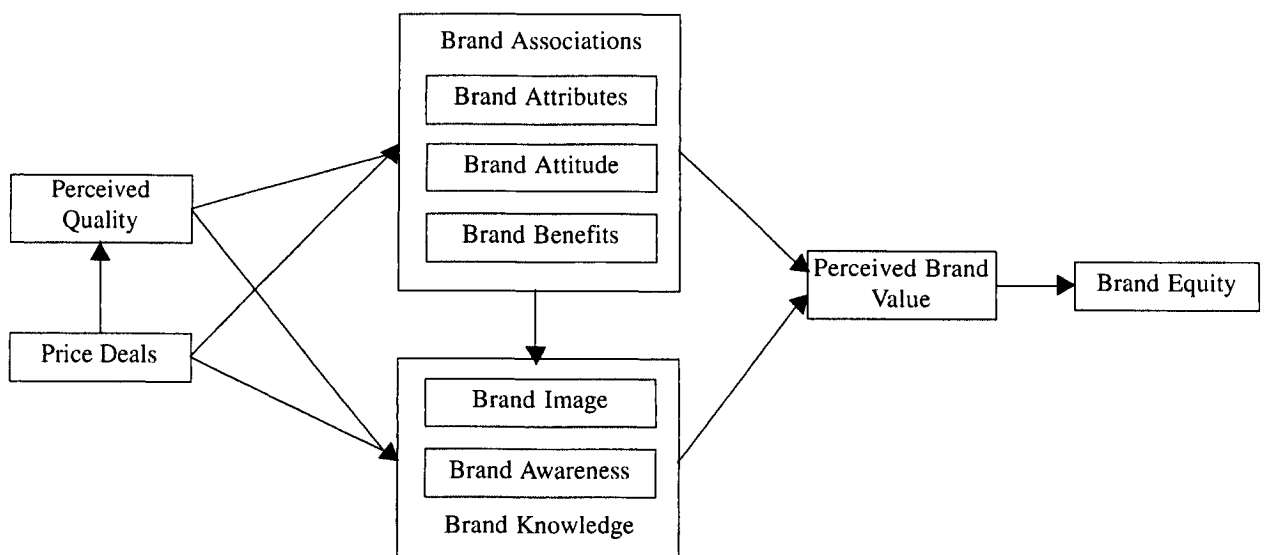
Figure 1: Conceptual Framework

Research Hypotheses

Literature has indicated that there is a positive relationship between price and quality, at least over some range of prices for some product categories. Hence, the findings of price-quality relationship remain mixed and do not provide generalizability. Zeithaml (1988) summarized the literature on the price-quality relationship and presented research evidence which supports how price and quality are related. First, it depends on the availability of other information to consumers. Jacoby, Olson, and Haddock (1971) found that price is an indicator of product quality when it is the only cue available but not when embedded in a multi-cue setting. Therefore, if there are other sources of information, such as brand name, which can be a cue for product quality, the relationship between price and quality might be weaker.

Second, if consumers are unaware of product prices, they would not use price to infer quality. On the other hand, if consumers are not interested in product quality or do not have sufficient product knowledge, they would not be able to judge the quality of a product by using the price as an indicator. Third, consumers appear to depend more on price as a quality signal in some product categories. Monroe (1973) suggested that the perception of price of a consumer is very subjective. One of the factors which affect the relationship is the level of price awareness on a particular product category. Therefore, it can be hypothesized that

H1: Price deals negatively influence perceived quality

The change of price leads to a change of consumer expectation of a brand due to the change of the associative information in their memory. Price discounting may influence a consumer to perceive a low quality association. On the other hand, price increases may convey a high-quality association to a consumer. Brand attitude is based on the belief of consumers on the quality of a brand (Mitchell & Olson, 1981), and Keller (2008, p 385) stated that because of the embedded meaning of brand attitude, consumers store and retrieve brand attitude separately from other information.

Brand attributes are explained by the features that characterize a product or service. Price deal information is an extrinsic cue which describes the change of a product or service's characteristic. As the price indicates the product or brand's quality, a price deal leads to a change in consumer expectations about quality (Liao, 2006; Sloot & Verhoef, 2008). The attribute associations in a consumer's mind may also change in terms of its structure.

Brand benefits include the personal perceived value and the meaning that consumers perceive from a product or service. This is clearly conceptualized by Ziethaml (1988) who stated that the perceived value of a consumer is related to the perceived price of the product or service, which is mediated by perceived quality. In general, a strong brand benefit association can be created through the direct experience of a consumer. Park et al. (1986) argued that marketing activities create a source of benefit information and enable consumers to understand brand concepts. Therefore, the hypothesis is as follows:

H2: Price deals positively influence brand associations (attitude, attributes, and benefits)

From the perspective of information processing, price deal information is a cue that is stored in a consumer's memory and is associated with other information which is related to the price of the product (Raju, Srinivasan, & Lal, 1990; Somjit & Audhesh, 2005; Vincent, Marnik, Jan-Benedict, & Dominque, 2001). Monroe (1973) argued that consumers often question the motivation behind price deals. The decreases in price can be interpreted in the following ways: the items are about to be replaced by new models; the items are defective or are not selling well; or that the quality has been reduced. Price deals might also create a loss of brand image due to such reservations (Kevin & John, 1999). However, previous literature argued that price promotions create awareness to consumers (Martínez & Mollá-Descals, 2008). Consumers' ability of recall and recognition is better when they have an awareness of the price. Therefore, price deal information is perceived in the form of consumer knowledge. The hypothesis is as follows:

H3: Price deals positively influence brand knowledge (brand image and brand awareness)

The positive perceived quality creates the brand attitude, brand attributes, and brand benefits to a consumer. Consumers usually seek a reason to purchase a product or service. A high level of per-

ceived quality shows that consumers experience brand benefits, and create positive brand attributes or that there is a reason for the consumer to purchase the brand again.

Therefore, high levels of perceived quality of a brand might place stronger, more favorable, and unique associations in the memory network of consumers for brand attributes, brand attitude, and brand benefits. It can be hypothesized that:

H4: Perceived quality positively influences brand associations (brand attitude, brand attributes, and brand benefits)

Perceived quality creates image associations in the mind of a consumer. This is the uniqueness association of Keller (1993). Consumers transform the product attributes into a brand personality (Praveen, Carl, & Lawrence, 1999). Ramaseshan and Tsao (2007) found that there is a positive relationship between perceived quality and brand personality when the brand contains a symbolic and experiential brand-concept image. Therefore, it is hypothesized that:

H5: Perceived quality positively influences brand knowledge (brand image, and brand awareness)

Keller (1993) originally introduced the concept of CBBE (Customer-Based Brand Equity) which is based on the concept of brand association. He conceptualized that brand association is the fundamental part of brand knowledge and CBBE; the strength, uniqueness, and favorability of associations used to measure the level of brand image. The abilities of brand recall and recognition reflect the strength of brand placement in the mind of a consumer. Therefore, brand associations conceptually act as a source of brand knowledge. For CBBE, the linkages in the associative memory network create the structure of brand knowledge.

H6: Brand associations (attitude, attributes, and benefits) positively influence brand knowledge (brand image and brand awareness)

Brand associations consist of three dimensions: brand attitudes, brand attributes, and brand benefits (Keller, 1993). From the perspective of brand attitude, consumers favor a brand for the functional benefits and experiential benefits that they receive in return (Zeithaml, 1988). Those benefits are the

customer value which consumers perceive they obtain from a brand.

Consumers encode the product attribute information and store it in a brand evaluation context. Consumers, who satisfy brand attributes in terms of the functional concept, would perceive the value of the brand for themselves. Therefore, satisfaction of brand attributes leads consumers to perceive high value. Brand benefits respond to four components: functional performance of the product or service, convenience and ease of accessing the product or service, brand personality, which fits the consumer, and the value proposition which the brand offers. These components offer value to consumers in terms of quality, convenience, satisfaction, and value for money. Hence, it can be hypothesized that:

H7: Brand associations (brand attributes, brand attitude, and brand benefits) positively influence perceived brand value.

The recall and recognition ability on a brand can lead to positive consumer assessments in terms of considering the brand as good value for money or a good deal for the product or service. Higher brand awareness assists the consumers in eliminating other brand choices. Previous literature pointed out that consumers are more likely to purchase familiar brands (Silva-Risso & Ionova, 2008) and are willing to pay price premiums for familiar brands(Aaker, 1992). Furthermore, previous literature also found that brand awareness influences the customer value (Baldauf, et al., 2003). Hence, it can be hypothesized that:

H8: Brand knowledge (brand image, brand awareness) positively influences perceived brand value.

Perceived brand value underpins the perception of benefits of a brand weighed up against the cost (scarification) of purchasing the brand. Consumers' perception of more brand value leads to higher brand equity. This explains that the perception of the value of a brand by consumers generates competitive advantage over other brands. Consumers find that the brand is superior to other brands when they perceive more value or benefits from the brand. In addition, consumers create their own brand value from the way they perceive, which leads to brand equity creation. Hence, it can be

hypothesized that:

H9: Perceived brand value positively influences brand equity.

High Involvement Product as Control Variables

Brand is linked to product category, and the product category is linked to the brand. A product or service category also shares a set of associations. Some product categories have a specific link to or belief in the brand (Banerjee, 2009; Fei, 2008). In addition, product categories vary in terms of weighted brand association. Consumers will not assess the importance of brand associations equally, nor view them as the same in different product categories. Hence, product category can be a particularly important determinant of consumer response to a brand. For this study, the level of product involvement is placed in the conceptual framework as a control variable of the study. The study focuses on only high involvement products and only one brand in that category. This would create the generalizability of the results for high involvement products and allows the study to manage the variance of the impact of price deals and perceived quality across products and brands in the market.

RESEARCH METHODOLOGY

Eighteen face-to-face interviews were conducted to identify the product category for high involvement product. The results indicated that the focused brand and product category is SONY HD TVs. Four hundred and four consumers who have experience purchasing a SONY HD TV were asked to complete the questionnaire survey. After data screening process, three hundreds and eighty-six sets of usable questionnaires were found. The experience of consuming and purchasing could not be longer than 3 months ago. In particular, the key informants of this study are the current consumers of SONY HD TV who are in Bangkok. The back translation between Thai and English version of questionnaires were performed to confirm the content validity. All respondents were mixed between male and female and earned income from 15,000 baht to more than 100,000 baht per month.

The results of the EFA show that cross loading items were eliminated (eleven out of thirty-nine measurement items) and other measurement items were consistent with the construct validity. The results of the CFA show that the sample data were a favorable fit to the measurement model. Hence, the structural model was reasonably accepted. The fit indexes for the path model are as shown in Table 1.

Four major criteria of fit indexes were applied to check the fit of the SEM model (Kline, 2005); x^2/df, RMSEA, CFI, and SRMR (GFI and AGFI are affected by sample size (Sharma, Mukherjee, Kumar, & Dillon, 2005) and TLI is highly correlated to CFI). For this study, the SEM fit indexes show that the chi-square to degree of freedom ratio (x^2/df) is 2.516 which is a reasonable fit (Kline, 2005). CFI was exceeded the acceptable fit point at 0.90 (CFI=0.915), RMSEA was 0.063 which was considered to be reasonable fit as well as SRMR which was below 0.10 (SRMR = 0.0722) (Ho, 2006; Kline, 2005).

Table 1: The Model Fit Indexes for the Path Model

x^2/df, $p < 0.001$	GFI	NFI	RFI	IFI	TLI	CFI	RMSEA, $p < 0.001$	SRMR
2.516	0.932	0.869	0.836	0.916	0.894	0.915	0.063	0.0722

Thus, the model fix indexes for the path model indicated an acceptable approximation of the proposed relationship among the constructs. The results of structural path analysis indicated that seven of nine hypotheses are statistically significant and positive, as shown in Table 2.

DISCUSSION

Price deals and perceived quality influence brand equity through brand associations and brand knowledge. The results shows that price deals and perceived quality increase the functional benefits (brand attributes, and brand benefits) and emotional benefits (brand attitude) which influence perceived brand value through brand knowledge. This value chain process is consistent with the study of Grewal et al. (1998) and the study of Dodds et al. (1991) which argued that price discounts and brand's perceived quality significantly influence the perceived value of a consumer. Thus, consumers find value while the product is on price deals and this value enhances brand equity; similar to when consumers find value when they find the product is better than competitors or when they think the product is superior.

The findings show statistical evidence that price deals and the perception of quality send information about the brand to the mind of a consumer to create brand associations. Thus, the findings support that marketing activities is an important factor which creates the associations that consumers make with a brand. These associations induce what

the firm wants the brand to stand for in the consumers' mind (brand image) and how deeply the firm wants the consumers to remember the brand (brand recall and brand recognition).

Finally, a more positive brand image and brand recall lead to a stronger brand equity which contributes to consumer loyalty, consumer beliefs and willingness to search for the brand. Furthermore, positive brand equity will help consumers to view the brand favorably and create a halo effect to resist competitors' marketing activities (Keller, 1993; Leuthesser, Kohli, & Harich, 1995).

The findings provide statistical evidence to support the concept of Consumer-Based Brand Equity (CBBE) which was developed by Keller (1993). The results show that brand associations develop the network memory of brand knowledge which contribute to brand equity in the mind of consumers.

The major academic implication of this study is the extent to which marketing activities influence a consumer's brand evaluation. The findings of this study extend the boundary of understanding of brand equity and its sources in terms of the effects of marketing activities on the creation of brand equity. Previous literature reported mixed findings on how price promotions influence consumers' brand evaluation (Bart & Luc, 1996; Davis, Inman, & McAlister, 1992; DelVecchio, Henard, & Freling, 2006; Dodds & Monroe, 1985; Yoo, et al., 2000). Therefore, this study has identified, with statistical evidence, a particular area of how price promotion activities influence the perception of brand equity in the minds of consumers.

Table 2: Hypotheses Testing Results

	Hypotheses and Path Analysis		Standardized Regression Weights	Critical Ratio (Z-value)	p-value	Results
H1	Price Deals →	Perceived Quality	.100 (.154)	2.762	**	Not Supported
H2	Price Deals →	Brand Associations	.139 (.372)	5.901	***	Supported
H3	Price Deals →	Brand Knowledge	.041 (.293)	2.664	**	Supported
H4	Perceived Quality →	Brand Association	.417 (.719)	8.574	***	Supported
H5	Perceived Quality →	Brand Knowledge	.009 (.044)	.432	NS	Not Supported
H6	Brand Associations →	Brand Knowledge	.299 (.794)	3.611	***	Supported
H7	Brand Associations →	Perceived Brand Value	-1.333 (-.881)	-1.878	NS	Not Supported
H8	Brand Knowledge →	Perceived Brand Value	5.816 (1.446)	2.743	**	Supported
H9	Perceived Brand Value →	Brand Equity	.514 (.373)	5.948	***	Supported

Note: * shows p-value < 0.05   ** shows p-value < 0.01   *** shows p-value < 0.001
NS - Not significant at a 0.05 significance level
The standardized coefficients are shown in the bracket.

Price deals strategy has been used as an important strategy in order to create revenue and motivate consumer purchase intention. This study shows that the implementation of price promotion activities has a positive effect on consumers' perceived quality. To put it simply, when the consumers are more satisfied with the price deals which the brand offers, they tend to have more positive perceived quality. This means that, even though they are a highly competitive market, where HD TV sellers invariably employ price deals, the consumers still do not reduce their expectation of product quality. This might be because when the product is on a price promotion activity, consumers would seek more information about the product (especially for high involvement products). Once they know the product, and they know that the quality of the product remains the same, their perception of quality would increase. Moreover, for some high involvement products, consumers already know about the product attributes. Thus, the reduction of the price for that product would create more benefits to consumers who are benefit-seeker consumers, and this would create more perceived quality for those consumers. Hence, no matter what the price deals are, the perceived quality of the product would not be decreased. This is what consumers have experienced at least for this product category.

The findings support the concept that consumers perceive price deals in the form of information about the brand. This information is interpreted as both positive and negative associations about the brand in order to create a network memory of brand knowledge. These positive and negative associations can be weak or strong associations. Hence, market practitioners should pay more attention to how they implement the price promotion activities because unsatisfying price deals would create negative brand associations and brand knowledge. This includes those brands which do not have any price promotions activities.

The findings also support the idea that perceptions of quality of the product can influence attitude and behavior toward the brand. Consumers create strong and unique associations in their mind when they find the product of a firm has consistent quality and is superior to that of competitors. These associations are very important for marketing practitioners to differentiate their product or service from their competitors.

LIMITATIONS AND FUTURE RESEARCH

This study focuses on a particular product and a particular brand, which is SONY HD TVs. Moreover, the samples of the study were collected only in Bangkok, Thailand. Hence, the major limitation of this study is the generalizability of the findings. The results may not be generalized to other product categories or brands in other industries, especially low involvement products. In addition, this research is under positivistic paradigm. Therefore, marketing practitioners should apply the findings of this study with care. The study of low product involvement is suggested for future research.

The amount of consumer knowledge of a brand is another limitation of this study. Different consumers have different knowledge on a brand or product, inferring different meanings and employing different behavior. Hence, the amount of knowledge on a brand held by individual consumers, as well as the effects of other marketing activities, is not within the boundary of the study's framework. The framework of this study did not include the post-effects of price deals such as price sensitivity or promotional expectation. Previous studies indicated that the frequency of price promotion activities increases consumers' price sensitivity and they would not buy the products again until the next promotion has come (Kalwani & Yim, 1992; Ramirez & Goldsmith, 2009). This may indirectly affect brand equity in the long-term if consumers often purchase only when the products are on price promotions. Future research in this area is suggested.

Other marketing activities could be added to the conceptual framework in order to investigate how it affects brand associations and brand knowledge. Advertising, event marketing, sales force marketing or sport marketing are also found to have an effect on brand differentiation (Boulding, Lee, & Staelin, 1994) and brand preference (DelVecchio, et al., 2006), but how these activities influence brand equity has not been investigated. Thus, future research could be conducted on how other marketing activities influence brand associations, brand knowledge, and brand equity.

Finally, Keller (1993) stated that individuals have different perceptions of brands, and the evaluation and purchase of a product or service is done at a particular time, based on how individuals perceive the brand at time. Thus, the generalizability

of the results is limited to a particular period of time. Future investigation on a variety of brands is needed with a longitudinal research on the post-promotion effects on brand equity. Such future research could allow greater generalizability of the findings and expand the knowledge of brand equity in this area.

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