Brand equity differences between consumer income groups: The role of marketing strategy

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ABSTRACT

With the recent global economic recession, consumers have less income and have turned to less expensive brands and retail stores. This study examines the relationships of the marketing activities and customer-based brand equity between income groups. A sample of 435 hypermarket shoppers is classified by low, middle, and high income segments. Using comparative (ANOVA) statistical analysis, the findings are significant for marketing mix elements of perceived advertising spending and the retail store image.

Keywords: Brand equity, marketing strategy, consumer income

INTRODUCTION

Between 2007 and 2009, household income declined 4.1 percent (Brackey, Williams, & Maines, 2010). The consequences has been more price-sensitive consumers who once shopped at upscale retail stores and purchased luxury products, but has switched to discount, low-priced retail stores, e.g., Wal-Mart. During the first year of the recession, Wal-Mart experienced a 9.8 percent increase in profits and a 7.5 percent rise in revenues (Bustillo & Zimmerman, 2008).

During the same time, some families have even discontinued purchasing health insurance (Brackey et al., 2010). As well, "Middle class households reined in spending mainly on discretionary items. On average, from 2007 to 2009, they cut spending 20.1% on alcoholic beverages, 15.2% on clothing, and 9.5% on restaurants and other food away from home. They also spent less on some groceries, cutting back on items such as fresh milk and cream, as well as seafood" (Murray, 2010a, p. A4). The economic recession from December 2007 to June 2009 (18 months) was the longest since World War II and the most severe with a loss of 21 percent of Americans' net worth (Murray, 2010b). In order to compete, retailers have used very aggressive discounting strategies (Holmes, 2010).

Brand value, or equity is influenced by the consumers' perceptions of the brand and their ability and willingness to purchase. Marketing and brand managers have the control to develop marketing strategies to position the brand and to increase brand equity. On the other hand, consumers must have enough disposable income to buy the brand, regardless of the strategy. Moreover, these consumers have differences in their ability (income) to purchase that influence their brand decisions, and the brand value. Therefore, the purpose of the study is, do income groups have different marketing strategy perceptions that influences brand equity? This study includes a review of the branding literature, the methodology of the research, the findings, a discussion of the results, and the conclusions.

BRANDING LITERATURE

Customer-based brand equity (CBBE) is defined "as the differential effect of brand knowledge on consumer response to the marketing of the brand" (Keller, 1993, p. 2). This brand knowledge includes brand awareness (brand recall and recognition) and brand image (types, favorability, strength, and uniqueness of brand associations). Keller determines that "consumer-based brand equity occurs when the customer is aware of the brand and holds some favorable, strong, and unique brand associations in memory" (1993, p. 17). Moreover, branding and brand management are applicable to retail brands, e.g., retail and store image, perceived retail brand association, as well as to retail brand equity measurement (Ailawadi and Keller, 2004). The customer, for this study, is a retail shopper and a member of an income group – low, middle, or high.

This retailer CBBE study will use the four construct measures of: (1) brand loyalty, (2) brand awareness, (3) perceived quality, and (4) brand association (Pappu & Cooksey, 2006). For this study, the customer is either a low, middle, or high income retail shopper that has been exposed to the retailers' marketing mix and determines its influence, and which marketing mix element(s) contributed to customer-based brand equity. Furthermore, the retail marketing mix, or strategy will be measured as: (1) price, (2) store image, (3) distribution intensity, (4) price deals, and (5) advertising spending (Yoo, Donthu, and Lee, 2000).

Loyalty is “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1999, p. 34). Rebuy or repationize can be influenced by the inelastic price changes, and positively affected by promotions and product assortment at mass merchandisers but differences between income levels are not significant (Fox, Montgomery, & Lodish, 2004). However, in a British retail store study, high income shoppers showed a significant difference between the level of loyalty – 38 percent high and 25 percent low loyalty – that was influenced by price (East, Harris, Willson, & Hammond, 1995). Moreover, brand loyalty with price elasticity is higher for brands being promoted frequently, having high market share, and targeting high income geographic market areas (Mulhern, Williams, & Leone, 1998). Higher income segments tend to be more price-deal, or coupon prone than lower income groups (Bawa & Shoemaker, 1987), and coupon redemption is greater as income increases (Levedahl, 1988). Product offerings (variety), also, have a positive influence on superstore shoppers (Brown, 2004).

Brand awareness is the “customers’ ability to recall and recognize the brand, as reflected by their ability to identify the brand under different conditions ……. linking the brand – the brand name, logo, symbol, and so forth – to certain associations in memory” (Keller, 2003, p. 76). Promotions, specifically advertising play a critical role in creating brand awareness. For example, “the brand with the higher advertising budget yielded substantially higher levels of brand equity. In turn, the brand with the higher equity in each (product) category generated significantly greater performance and purchase intentions” (Cobb-Walgren, Ruble, & Donthu, 1995, p. 25). Furthermore, effective marketing communications efforts increase “the level of confidence regarding the product’s expected performance” (Villarejo-Ramos & Sánchez-Franco, 2005, p. 442). Lower income groups have greater awareness of price than higher income levels (Rosa-Díaz, 2004). In developing awareness, brand name and image are important in affecting perceptions and attitudes (Aaker, 1996) that results from appropriate marketing strategies, e.g., advertising, pricing, to a specific target market, e.g., an income group (Kotler & Keller, 2006).

Perceived quality is the “customer’s judgment about a product’s overall excellence or superiority ……. (that) is (1) different from objective or actual quality, (2) a higher level abstraction rather than a specific attribute of a product, (3) a global assessment that in some cases resembles attitude, and (4) a judgment usually made within a consumer’s evoked set” (Zeithaml, 1988, pp. 3 and 4). Brand price and promotional expenditures have positive relationships on perceived quality that leads to customer retention, or loyalty (Kanagal, 2009). Extrinsic cues such as higher price points and greater level of advertising signals better (positive) consumers’ perceived quality of the brand (Richardson, Dick, & Jain, 1994). However, price and brand name cues for perceived quality have been found to have a positive and significant relationships while no such significant relationship to store name for perceived quality (Rao & Monroe, 1989). Such cues have greater influence on lower than average income groups (Dmitrović & Vida, 2007).

Brand association “consists of all brand-related thoughts, feelings, perceptions, images, experiences, beliefs, attitudes,” (Kotler & Keller, 2006, p. 188) and “is anything ‘linked’ in memory to a brand” (Aaker, 1991, p. 109). This association may be emotional, e.g., safe in a Volvo, self-expressive, e.g., creative with an Apple, or social, e.g., bikers posting their pictures on the Harley Davidson Web site (Aaker, 2009) and influenced by the purchasing involvement (Slama & Tashchian, 1985). For retail stores, store image, e.g., perceptions (Porter & Claycomb, 1997), and product assortments, e.g., store/private and national brands (Kara, Rojas-Méndez, Kucukemiroglu, & Harcar, 2009), affect association. Such images and assortments create purchasing motivations of emotion, self-expressiveness, social, and involvement aspects for the retail stores. For example, "ultimate success of a brand and a retailer is determines by how closely the images of the selling organization and the (brands) meet the (association) expectations of the consumer" (Porter & Claycomb, 1997, p. 385). Furthermore, branding strategy to increase purchase involvement is related to brand association, e.g., Web picture postings by Harley bikers of their recent rides (Aaker, 2009). Research has found that the middle income group tends to be involved and associate with brands that lead to the purchase decisions (Slama & Tashchian, 1985).

METHODOLOGY, ANALYSIS, AND RESULTS

Retail consumers were surveyed in Kaohsiung city, Taiwan, the second largest city in the country. A quota sampling plan was used to collect the data at the country's four largest hypermarkets. The proportionate sample was based on estimated market share that included Carrefour (35 percent), R-T Mart (30 percent), Costco (25 percent), and Géant (10 percent). A systematic selection procedure for shoppers at the four hypermarkets was used each day (weekdays and weekend days) and times of day (morning, afternoon, and evening). A self-report questionnaire (paper and pen) was completed by participants 18 years of age or older, which included three parts. First, a nine-question demographic and shopping characteristics section was researcher-developed. Second, a 15-item retail marketing mix instrument developed by Yoo, et al. (2000) that was used in their product branding study. The retail marketing mix elements (price, advertising spending, price deals, store image, and distribution intensity) were measured by a 5-point Likert-type scale (1 = Strongly Disagree to 5 = Strongly Agree). Third, a 23-item instrument developed by Pappu and Quester (2006) that was used in their customer-based brand equity (CBBE) (brand loyalty, brand awareness, perceived quality, and brand association) study of specialty and department stores. The CBBE section items were measured by a 7-point Likert-type scale (1 = Strongly Disagree to 7 = Strongly Agree).

The proportionate sample, according to hypermarket market share, includes 435 participants. This sample has been split as to monthly income that is represented by low income shoppers (less than US$1,100) (n = 195), middle income (US$1,100 to US$1,600) (n = 141), and high income (more than US$1,600) (n = 99). See Table 1 for detailed participants demographic profiles and shopping characteristics for the three income groups. Generally, males have greater representation (69.7 percent) for lower income, fewer for middle income (27.0 percent), and about the same for high income (45.5 percent) than females. The three groups were either single or married with the majority being married for middle (66.0 percent) and high (75.8 percent) income groups. The majority of low (65.7 percent) and middle (87.2 percent) income shoppers were between 25 and 44 years old, while high income (59.6 percent) group were 35 to 54 years of age. Interesting, the largest number of low (38.5 percent) and high (42.5 percent) income groups had high school education, and the middle income shoppers (49.7) had a college undergraduate degree. The highest number for all three groups was employed in sales, technicians, or clerical positions. However, the second highest for low income shoppers was unskilled labor, middle income was skilled labor, and high income was corporate executives or managers.

Table 1 Shopper Characteristics by Income Level

Characteristics	Low Income Shopper No.	Low Income Shopper %	Middle Income Shopper No.	Middle Income Shopper %	High Income Shopper No.	High Income Shopper %
Total	195	44.9	141	32.4	99	22.7
Gender						
Male	136	69.7	38	27.0	45	45.5
Female	59	30.3	103	73.0	54	54.5
Marital Status						
Single	86	44.1	47	33.3	18	18.2
Married	95	48.7	93	66.0	75	75.8
Divorced	8	4.1	1	0.7	2	2.0
Widowed	6	3.1	0	0.0	4	4.0
Age						
18-24	39	20.0	3	2.1	2	2.0
25-34	76	39.0	75	53.2	23	23.2
35-44	52	26.7	48	34.0	32	32.3
45-54	18	9.2	6	4.3	27	27.3
55 and Older	10	5.1	9	6.4	15	15.2
Educational Level						
College Graduate Degree	2	1.0	12	8.5	12	12.1
College Undergraduate Degree	61	31.3	70	49.7	33	33.3
Attended College (No Degree)	30	15.4	3	2.1	4	4.0
High School Graduate	75	38.5	49	34.8	42	42.5
Less Than High School Graduate	27	13.8	7	4.9	8	8.1
Occupation						
Corporate Executive, Manager	5	2.6	9	6.4	18	18.2
Administrative Personnel	5	2.6	9	6.4	16	16.2
Sales, Technician, Clerical	89	45.6	70	49.6	47	47.4
Skilled Labor	31	15.9	43	30.5	13	13.1
Unskilled Labor	65	33.3	10	7.1	5	5.1
Avg. Purchase Amount (Per Visit)*						
US$16.00 or Less	41	21.0	7	5.0	8	8.1
US$16.01-$48.00	93	47.7	40	28.4	23	23.2
US$48.01-$80.00	39	20.0	44	31.1	25	25.2
US$80.01-$112.00	11	5.6	23	16.3	18	18.2
US$112.01-$144.00	7	3.6	17	12.1	15	15.2
US$144.01 or More	4	2.1	10	7.1	10	10.1
Purchase Experience						
Not Purchased at This Hypermarket	21	10.8	11	7.8	8	8.1
Purchased at This Hypermarket	174	89.2	130	92.2	91	91.9
Hypermarket Shopping Frequency						
Less Than Once Per Week	138	70.7	85	60.3	74	74.7
1 to 3 Times Per Week	44	22.6	51	36.2	15	15.2
4 or More Times Per week	13	6.7	5	3.5	10	10.1
Shopper By Hypermarket						
Carrefour	81	41.5	45	31.9	29	29.3
RT-Mart	62	31.8	42	29.8	22	22.2
Costco	32	16.4	37	26.2	40	40.4
Géant	20	10.3	17	12.1	8	8.1

Note: * indicates 1 NT (Taiwan Dollar) = US$.032

Shopping characteristic questions included average purchase amount (per visit), prior purchase experience at that hypermarket, and hypermarket shopping frequency. The questionnaires were coded as to which hypermarket the respondent shopped. The majority of low income shoppers (68.7 percent) purchased less than US$48.00 each visit, the middle income (59.5 percent) and high income (48.4 percent) between US$16.00 and US$80.00. About 90 percent of all shoppers had prior experience at that hypermarket. The majority in each income group shopped less than once per week at the hypermarket. The highest number of low (41.5 percent) and middle (31.9 percent) income groups shopped at Carrefour, while the high income shoppers (40.4 percent) were at Costco, a membership club hypermarket.

With classifying shopper in levels of income, a comparison is completed to find significant differences between the three income groups. To perform three group tests (ANOVA), a minimum of 50 participants should be in each group (Hair, Anderson, Tatham, & Black, 1998). The group with the least respondents (n = 99) is high income. Therefore, each group exceeds the required minimum.

To determine the significant differences ($p < 0.05$) between low, middle, and high income shoppers, analysis of variance (ANOVA) with post hoc tests (Scheffé method) were completed for the five marketing mix elements, total marketing mix (unweighted average of the five elements), the four brand equity dimensions, and total brand equity (unweighted average of the four dimensions). The results were that only two marketing mix elements show significant differences – advertising spending and store image. Post hoc tests found that low income shoppers had a significant greater perceived hypermarket advertising spending than high income participants. On the other hand, high income shoppers have a significant greater perception of the hypermarket store image than low income respondents do. See Table 2. However, while not significant the only other variable that low income shoppers had a greater mean score (more favorable) than either of the other two income groups was price. Furthermore, while not significant the high income shoppers have more favorable perceptions (higher mean scores) of price deal, distribution intensity, total marketing mix, and each brand dimension (brand loyalty, brand awareness, perceived quality, and brand association) and total brand equity than the other two income groups.

CONCLUSIONS

A critical aspect to identify a target market and for consumers' purchase decisions is their ability to pay (Kotler & Keller, 2006). The purpose of the study was, do income groups have different marketing strategy perceptions that influences brand equity? This study examined three income groups (low, middle, high) to compare differences for shoppers' perception of the retailers' marketing strategy as related to customer-based brand equity. From the data analyses, the results were conclusive. The data were collected from 435 shoppers at four hypermarkets in Kaohsiung city, Taiwan. The comparison between income groups, using ANOVA tests, found two significant differences – (1) low income shoppers had significantly higher perceptions of

Table 2 Income Groups' Comparisons for Marketing Mix and Brand Equity

Elements/Dimensions	Mean For Low Income Shopper	Mean For Middle Income Shopper	Mean For High Income Shopper
Marketing Mix Elements[1]			
Price	2.8650	2.8440	2.8350
Advertising Spending	3.0410*	2.9592	2.7626*
Price Deal	3.2872	3.1820	3.3165
Store Image	3.1282*	3.1702	3.3737*
Distribution Intensity	3.2410	3.2411	3.3939
Total Marketing Mix	3.0133	3.0000	3.0350
Brand Equity Dimensions[2]			
Brand Loyalty	3.9402	4.0390	4.1391
Brand Awareness	4.9679	4.9681	5.1187
Perceived Quality	4.1928	4.2766	4.4808
Brand Association	4.5923	4.6410	4.8662
Total Brand Equity	4.4007	4.4616	4.6368

Note: [1] and [2] indicate marketing mix elements measured by a 5-point Likert-type scale and brand equity dimensions measured by a 7-point Likert-type scale, respectively. * indicates significances of < 0.05.

advertising spending than the high income group and (2) high income shoppers had significantly higher store image perception than low income segment.

While this study has contributed to the branding literature, it has certain limitations. First, the data were collected in one city and the findings should not be generalized beyond Kaohsiung city. Second, the shoppers were from four hypermarkets. The results may not be indicative of other types of retail store formats, e.g., convenience, specialty, departments stores. Third, while the number of participants in each income group met statistical criteria, the groups were not equally represented and might have influenced the results.

However, the study provides particular future research opportunities. First, the study should be tested in other geographic areas and for other types of retail stores. Second, a balanced, quota sample by income group should be a criteria. Third, while the three income group classification is consistent with prior studies (Dmitrović & Vida, 2007; East et al., 1995; Levedahl, 1988), the unexpected results of similarities between low and high income shoppers and the significant role price played in the middle income brand equity warrants having further examination with more, expanded groups, e.g., four, five, or six segments, to further focus and identify casual relationships for more than three income categories.

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