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The Impact of Brand Equity Assets on Consumer Preference for Foreign Brands in Bosnia and Herzegovina

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Abstract

In the free market consumers are faced with a different variation while they making purchase decision. Brand as a term, name, and symbol gives quality and satisfy needs of consumers and on that way assure self recognition. Main objective of this study is to determine the factors which influence consumers to buy international brands rather than national brands.

This study has four independent variables and one dependent variable. Data for this study will be collected using online surveys based on the previous researches about brand equity and its dimensions. Sample for this study were 214 respondents form the territory of Bosnia and Herzegovina. Using descriptive statistics, correlation and multiple regression analyses these data are measured. Results of this research will give benefits to marketing professionals in Bosnian industries where they can try to understand consumers- whether brand equity and its dimensions affect their purchasing decision and does that effect have negative or positive impact. Contribution of this study is reflected in that Bosnian manufacturers and sellers can better meet consumer's wishes and needs, possibilities of potential consumers in this strained economy.

Keywords: Purchase Preference; Brand Equity; Brand Building; Brand Equity Dimensions.

Introduction

Consumers' needs and wishes are very changeable and according to their demand seller needs to be much more intelligent and recognize different effects on consumers purchase preference. Free markets and globalization of trade increased variety of options for consumers when they are purchasing product. In the last period, brands become one of the important factors that influence consumer behavior in the market place. Building brand equity plays one of the main parts in brand building. Previous studies showed that high brand equity will affect consumer preferences and intentions. Brand equity also represent one of the important concept in the business practices giving competitive advantages and help in building strong brands.

For the Bosnian market it is very important to identify factors which influence consumer to buy foreign brands. Bosnian market disposes with a lot of national manufacturer in different industries, but market usually offers foreign products. To help domestic companies, this study will focus on factors influencing Bosnian consumers' foreign brand purchase preference. Aim of this study is to explore brand equity influence on consumers and compare it with Aaker model from 1991. Using four dimensions from this model which include brand loyalty, brand awareness, perceived quality, and brand association hypothesis and model will be created. Using information

from this study, model can be created in accordance to create new way of branding for domestic organizations. Factors explored with this study can discover new ideas how to increase value of domestic products.

The main purpose of this study is to explore attitudes of Bosnian consumers towards foreign brands in purchase decision making process affected by brand equity. For the measuring of Bosnian consumers Aaker brand equity model from 1991 will be used as determinants in this study. Results of this research will give benefits to marketing professionals in Bosnian industries where they can try to understand consumers- whether brand equity and its dimensions affect their purchasing decision.

The first objective of this study is to determine the factors which influence consumers to buy international brands rather than national brands. Second objective of this study is to determine how brand equity and its dimensions (brand loyalty, brand awareness, brand association and perceived quality) effect consumers' foreign brand purchase preference.

Literature review

According to Khan (2007) consumer behavior cannot be defined only as the buying of goods or services that received attention of consumers. He stated that process of consumer behavior started much before products are bought or even seen. He briefly described consumer behavior as the decision-making process and mental activity involved in obtaining, assessing, consuming and ordering of goods and services.

According to Sarangapani (2009) consumer behavior is the study of individuals, groups or organizations and all processes they use to select, confirm, and purchase products, services, practices, or ideas which satisfy their needs. Also consumer behavior is study that finds impacts these processes will have on the consumer and society.

Understanding decision making process will help us to evaluate different stages and behavior of consumer while purchasing product. Since this thesis is about consumer preferences about specific products it is important to explain stages of this process. According to different previous studies here is represented summary of each stage starting with first one; stage of problem recognition.

Different authors such as Brounsard, Belleau, Didier, and Summers, Jin and Koh's, Kamenidou, Mylanokis, and Nikolouli, Ronald and Elizabeth Goldsmith, Leng, Kim and Moon focus on different factors of consumer purchase behavior. The study from 1996 designed by Belleau, Didier, Broussard and Summers made comparison between old and young woman and their attitudes to apparel and media. Results collected shown that younger women give more neutral answers and paid more attention on clothes their friends wore.

Fundamental relationships between brand loyalty variables such as consumer knowledge, product involvement, perceived risk and consumer agreement were examined in Jin and Koh's study (1999) in Korea. Study had shown that information search and consumer agreement influence brand loyalty. For this study in Korea, consumer knowledge, product involvement, perceived risk and consumer agreement were used as variables.

In purchase behavior study, Demir, Yalçın and Erdoğan (2009) made research to explain how brand associations create positive brand attitude. Findings showed that significant effects on positive brand attitude have experiential shopping and value for money. Except these two variables, this study also used shopping experience, purchase situation and product as variables.

Study by Kamenidou, Mylanokis, and Nikolouli (2005) focuses on the possible reasons why consumers in Greece purchase imported high fashion apparel more than Greek designer's high fashion apparel. The main goal of this study is to identify the fundamental factors that affect purchasing behavior of consumer in Greece. Results show that imported high fashion apparel products have better aesthetics, a superior line and that those products are produced from quality textiles and materials, compared to the domestic high fashion apparel.

In their purchase behavior studies, Phau and Leng (2007) focus on research which will show does status and non-status seeking Australian teenagers have different attitudes toward buying domestic and foreign (i.e. Italy, Japan, China) luxury brand apparel. Sample for this study were 365 teenagers who completed questionnaire. Fishbein's model was used in comparison attitudes toward buying local and foreign apparel. Results show that status-seeking teenager have more positive attitude toward foreign luxury brand apparel with exception on Chinese brands.

In purchase behavior study, Goldsmith and Goldsmith (2000) tried to separate consumers who have buy clothes over internet from those who have not. In this studies were 263 male and 303 female students. Students fulfill a survey that measured their buying behavior over internet, buying behavior offline, their attitudes and predispositions. Generally results indicated that 99 online apparel buyers had more online experience and that they did not differ from non-buyers about cheap price presented on Internet. Also they didn't differ in their overall enjoyment of shopping or how cloths are bought.

Consumer principles, requirements and purchase behavior in two Asian markets are examined by Kim, Forsythe, Gu and Moon (2002) in their purchase behavior study. As target country in this study, researchers used China and South Korea. Results showed that self-directed principles of apparel product were one of the major determinants of needs which satisfy consumers. Consumers involved in this study answered that brand loyal behavior will be achieved if all three needs are fulfill.

Kim (2000) in his study presented a different approach on branding matter. This study examines consumer attitudes towards five brand behavior traits for several apparel brands and the relationship between brand behavior and brand preference. Results showed that expectations for apparel brands are different, but brands that have encouraging brand attitude also have encouraging competent rankings. Variables used in this study are anticipation, competence, sincerity, sophistication and sharpness.

Research question/ hypothesis

The main aim of this research is to identify all the influences of brand equity and its dimensions on consumer's foreign brand purchase preference. In other words, the main purpose of this study is to research all the different effects brand equity and its dimensions have on consumer's foreign brand purchase preferences. As explained before Aaker brand equity model and its dimensions such as brand loyalty, brand associations, brand awareness and perceived quality is widely used model for research on similar topics. For this purpose Aaker's brand equity model dimensions are considered. Also, the brand equity dimensions taken into consideration are brand associations, brand loyalty, brand awareness and perceived quality.

The study focuses on the preferences of consumers for foreign brand products from all industries in Bosnia and Herzegovina including nutrition, textile, technology, pharmaceutical etc. Since products from different industries might have different effect on consumer preferences some survey questions are marked and detailed explained on which industry consumer should give attention while answering.

Other objectives are to identify impact of brand equity dimensions on consumers' foreign brand purchase preference as listed below;

1. impact of brand loyalty on foreign brand purchase preference
2. impact of brand awareness on foreign brand purchase preference
3. impact of foreign brand associations on foreign brand purchase preference
4. impact of perceived quality on foreign brand purchase preference
5. differences between the foreign brand purchase decision of consumers according to selected demographic variables: age, education and occupation.

In this study Aaker brand equity model is used as conceptual framework for research. Main independent variables used by Aaker (1991) and Keller (1993) are brand loyalty, brand awareness, brand associations and perceived quality. Using current examples and previous studies on topics about consumers' preference and purchase intentions this study has four independent variables and one dependent variable.

Independent Variables are:

- Brand Loyalty
- Brand Awareness
- Brand Associations
- Perceived Quality

Dependent Variable is:

- Foreign Brand Purchase Preference

To illustrate the general information of the respondents the demographics in this study is presented as descriptive statistic. Age, education, occupation and gender will be used as comparative determinants to compare effect of brand equity dimensions on consumers. Using previous literature on similar topics this study will use demographics to understand effect of brand awareness and brand associations respectively. Findings of this study might open new horizon of researching consumers' brand purchase preference. Findings can also provide information for industries in Bosnia and Herzegovina. Purpose of this study is to meet consumers' needs and to use important determinations about purchase preference of Bosnian consumers to create model that might be beneficial for domestic manufacturers.

In order to understand the connection between Bosnian consumer's foreign brand preferences and brand equity with its dimensions, the variables below will be tested;

H0: There is no relationship between brand loyalty/brand awareness/brand associations/perceived quality of Bosnian consumers and their foreign brand apparel purchase decision.

H1: There is significant relationship between brand loyalty and Bosnian consumer's foreign apparel brand purchase preference.

H2: There is significant relationship between brand awareness and Bosnian consumer's foreign apparel brand purchase preference.

H3: There is significant relationship between brand associations and Bosnian consumer's foreign apparel brand purchase preference.

H4: There is significant relationship between perceived quality and Bosnian consumer's foreign apparel brand purchase preference.

Methodology

The applied method of this study is the processing of primary data obtained from survey with an target sample. Since every one of us used or purchased one of the foreign brands target population is too large to consider. Since objective of this study is to increase value of domestic brand equity target population are consumers purchasing or using foreign brands. Purpose of taking sample is to obtain results that will represent majority but in accordance to avoid asking everyone (Fisher, 2007, p.189). After collecting and processing these data, and after results are obtained this study will focus on creating model which will help domestic companies to avoid risk and create high brand equity. On that way, brand equity will have positive impact on consumer preferences and that will help to build strong brand.

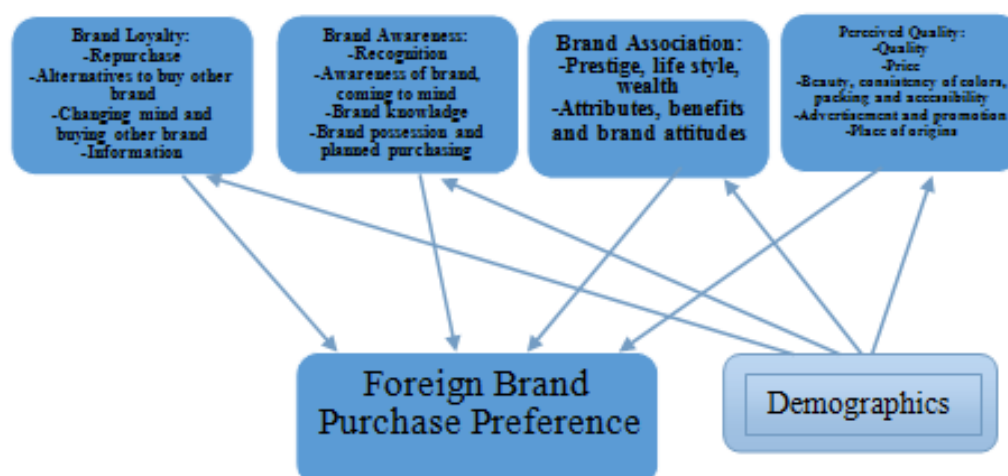


Figure 1 Conceptual Framework of the Study

Source: Aaker, D. (1991). Managing Brand Equity: Capitalizing on the Value of a Brand Name.

A research instrument consisted from a series of different questions and other part used for the gathering information from respondents is called a questionnaire. The questionnaire was invented by Sir Francis Galton.

In this study questionnaires are applied among a sample population in Bosnia and Herzegovina. Using Google drive application this questionnaire is conducted online. In the first part of this questionnaire demographics questions such as age, education, occupation are used to gather information about our respondents (using nominal, ordinal and interval scale questions). In the second part of this questionnaire trueness scale is used to gather opinions from respondents about their attitudes. The scale is at the same time a non-forced scale since it covers also a column for no opinion. The strongly agree-strongly disagree scale (see questionnaire) is applied for the 30 questions of the study to detect the respondents' attitude toward foreign brands and their purchase decision.

Questionnaires are prepared in Bosnian for application in Bosnia and Herzegovina. The respondents were asked to answer the questions online, and e-mail was left for extra comments. Necessary modifications were done and finally, the questionnaire was ready to distribute.

Summary of Questionnaire

Aim of question	Number of questions	Type of questions	Statistic Technique
Demographics	1 part of questionnaire	Nominal Scale	Frequency
Determining effects of brand loyalty	1-8	Likert Scale	Correlation and Regression
Determining effects of brand awareness	9-14	Likert Scale	Correlation and Regression
Determining effects of brand association	15-22	Likert Scale	Correlation and Regression
Determining effects of perceived quality	23-30	Likert Scale	Correlation and Regression

Results

In the 1880s Francis Galton use idea developed by Karl Person and introduces correlation measures between two variables. The Pearson product-moment correlation coefficient, also called PCC or Pearson's r , usually is used to measure correlation or dependence between two variables. Value r can range between $+1$ and -1 , where 1 present a total positive correlation, and -1 total negative correlation. No correlation between two variables is presented with 0 . The Pearson correlation is widely used to measure the degree of dependence between two variables (Galton, 1886).

Since correlation between variable's items is presented, Table 5.16 summarized testing hypothesis and correlation between dependent variable with independent.

Correlation Between Dimensions

Correlations		Foreign Brand Purchase Preference	Brand Loyalty	Brand Awareness	Brand Association	Perceived Quality
Foreign Brand Purchase Preference	Pearson Correlation	1	.684**	.634**	.442**	.406**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	214	214	214	214	214
Brand Loyalty	Pearson Correlation	.684**	1	.483**	.375**	.462**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	214	214	214	214	214
Brand Awareness	Pearson Correlation	.634**	.483**	1	.569**	.516**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	214	214	214	214	214
Brand Association	Pearson Correlation	.442**	.375**	.569**	1	.549**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	214	214	214	214	214
Perceived Quality	Pearson Correlation	.406**	.462**	.516**	.549**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	214	214	214	214	214

** . Correlation is significant at the 0.01 level (2-tailed).

As previously defined, correlation value has range from +1 to -1. In the Table 5.16, we can see that there is no negative correlation. The strongest correlation is between brand loyalty and purchase preference (0.684). The lowest correlation is between perceived quality and purchase preference (0.406). Brand awareness has almost equal correlation as brand loyalty (0.634), while brand association has almost equal correlation as perceived quality (0.442). So, it can be concluded that brand loyalty and brand awareness have strong correlation with foreign brand purchase preference, and brand association and perceived quality have low correlation.

In Pearson correlation result can be interpreted as relationship between two variable. If Pearson's r has value close to 1, additional changes in one variable will be strongly correlated with possible changes in the second variable.

Using results we can see that there is positive correlation between each independent variable with dependent. Correlation is significant at 0.01 level and it is 2-tailed. Since for each brand equity dimension significant value is .000 this means that all hypothesis are accepted and that here is significant relationship between brand equity dimensions and foreign brand purchase preference. It can be concluded that brand loyalty and brand awareness have stronger relationship with foreign brand purchase preference, than other two dimensions. Increases or decreases in brand equity dimensions will lead to increases or decreases in foreign brand purchase preference.

According to the results of multiple regression analysis and correlations, the strongest correlation is between brand loyalty and purchase preference (0.684). The lowest correlation is between perceived quality and purchase preference (0.406). Brand awareness has almost equal correlation as brand loyalty (0.634), while brand association has almost equal correlation as perceived quality (0.442). So, it can be concluded that brand loyalty and brand awareness have strong impact on foreign brand purchase preference, and brand association and perceived quality have medium correlation with foreign brand purchase preference. According to this, all hypothesis of this study are accepted.

Conclusion

Bosnian consumers' especially young population is loyal to foreign brand and in this study that has been proved. According to age cross-tabulation, huge differences in answer didn't appear. For the *brand loyalty*, familiarity of the foreign brand and information gathered about foreign brand has almost equal answers according to different age. When we specified question on foreign apparel brand younger generations mostly agreed while generation older than 40 years mostly strongly disagreed. Not even one age group refuse to buy domestic brand in the case that preferred foreign brand is unavailable, but their opinion about buying other foreign brand if preferred foreign brand is unavailable was divided, but in general that differences in opinion were in the same age group. We can say that for the Bosnian consumers, price is important factor when deciding about purchase. They generally strong agreed that when there is discount on other brand that they will buy it, but they also agreed that if their preferred brand has high price, they will still buy it. With this we can conclude that Bosnian consumers stay loyal to foreign brand they prefer, but if there are discounts on other brands they will try with it.

Using descriptive statistics and correlation, relation between *brand awareness* items is measured. Result presented showed that "easily understanding if brand is foreign or not" as part of brand knowledge item present strongest part of the brand awareness for the sample. Brand knowledge is strong item, because other question that focuses on foreign brand from this item, also had high mean. According to correlations, "brand possession and planned purchasing" is the strongest brand awareness item. That means, the sample consider purchasing only products they heard of it. Recognition and brand knowledge also present strong item of brand awareness. Sample considers that they have main knowledge about foreign brand but they will not necessarily try to find foreign brands in the store.

Respondent equally disagree that they will firstly try to find foreign brand than domestic in the store. Each age group, no matter on education or occupation equally gave answer that they disagree or strongly disagree. Respondents on the same way react when they were asked if their behavior to buy foreign brand is usually planned. Also there almost weren't any differences in answer about brand knowledge, recognizing, categorizing foreign brand and understanding if some product is foreign or not. So we can conclude that Bosnian consumers are aware of foreign brands but practice to buy foreign brand is not necessary planned, on this way brand awareness has impact on brand equity and further affect purchase preference.

When we talk about *brand association* results showed that strongest mean have belief that foreign brand have better reputation than domestic brand. Strong mean also have attitude to buy well-known brand of foreign manufacturers. Questions that belong to "attributes, benefits and brand attitudes" have high mean and on that way make that item strong. On the other hand, belief that opinion of other people depend on foreign and expensive brand has very low mean and present weak item of brand association. Using multiple comparison analyses to measure relation between demographics and brand association primary school and PhD degree have significance level less than 0.05 and they showed meaningful difference. Age and occupation didn't showed meaningful differences and theirs significance level was higher than 0.05.

Respondents generally agreed that advertisement and reputation of foreign brand is better than domestic, that foreign brands provide more benefits but that wasn't reason to make purchase decision for foreign brand. These facts are confirmed by ANOVA tests, which showed that significance level of this equity dimension is more than 0.05.

Perceived quality coverage next items: quality, price, and beauty, consistency of colors, packing and accessibility, advertisement and promotion, and place of origins. Using descriptive statistics, results obtained showed that "beauty, consistency of colors, packing and accessibility of foreign brands" has highest mean and represent strong item of perceived quality. Other questions from survey have almost equal mean with one exception. "Buying domestic brand if has same quality as foreign brand" according to sample has very low mean. According to demographics opinion about quality of foreign brand regardless to domestic brand was divided. Even analysis

showed that there wasn't any significant differences in terms of brand equity dimensions, with further research and re-controlling of answers some differences might be seen.

To conclude this study, we can say that Bosnian consumers affected by economic crises have really divided opinion about foreign and domestic brands. Also we can conclude that brand loyalty and brand awareness have positive effect on consumer purchase preference and brand association effect consumer preferences negatively. Deeply research in perceived quality give us picture that quality has divided effect on consumer purchase preference in accordance to age, occupation and education. Respondents are not necessarily associated with foreign brands and they respect domestic brands, but when they are making purchase decision price and already well-known products have priority. This study and results presented can help Bosnian manufacturers and sellers to meet consumer's wishes and needs. Advertisement, promotion, discount, customary quality and small variations in products internal and external structure can lead to create strong brand. Even if brand become strong, it is important to keep that status, offer consumers better quality and work on wishes and needs of consumers. In this strained economy where small salaries are usual manufacturer should meet possibilities of potential consumers and offer legitimate reasons to stay loyal and purchase specific brand.

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