

# Sources of Brand Equity: An Investigation in SMEs Context

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**Abstract.** Brand equity is considered to be one of the most important organizational resources. The importance of brand equity is not only agreed by large companies but SMEs also can build brand equity to ensure strength of their companies. Brand equity is critical to any organization including in SMEs as it conceptualized based on marketing and financial perspective. Obviously, higher brand equity can increase revenue, lower costs and greater profits. Thus, exploring the sources of brand equity become critical. This study will explore three main long-term branding strategies, which referring to brand experience, brand innovation and brand relationship in developing brand equity. These strategies majority investigated in larger company context previously. However, in this study these strategies are explored in the context of SMEs. Particularly, there are three main objectives in this study that refer to: 1- to investigate the relationship between brand experience and brand equity; 2- to investigate the relationship between brand innovativeness and brand equity; and, 3- to investigate the relationship between brand relationship and brand equity. Interestingly, the result of this study supported the previous study and enhance the importance of brand experience, brand innovativeness, and brand relationship in SMEs brand equity context.

## INTRODUCTION

American Marketing Association (AMA) define a brand as a name, sign, term, design and symbol or combination all of them to identify the products or services offered by certain company. The definition reflects that a brand not only gives the meaning of the product, but also describes the product identity, which differentiates it from other products [1-2]. Indeed, the ultimate of managing a brand is to achieve higher brand equity or brand resonance [2].

According to Aaker [1], brand equity is defined as a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers. Aaker's brand equity definition was the most comprehensive definition that highlighted four main brand equity assets: brand awareness, brand association, perceive quality and brand loyalty. In relation, Aaker [3-4], in his Brand Equity Ten further postulated that the brand equity phenomenon requires tapping the scope of brand equity assets, which include not only limited to the four brand equity assets above, but, market behavior (for example, brand performance, i.e., profitability, ROI, market share) as well.

These equities represent customer perception and behavior on a brand, which create important values for the firm. This is because positive customer perception and behavior toward a brand affords a differential advantage that enables the firm to generate greater volume and margins, as well as, providing a strong platform for introducing new products and protected the brand against competitive attacks [1,5-6].

The importance of brand equity has been agreed by larger company. However, in Small and Medium Enterprise (SMEs) context, the branding area including the brand equity consideration is still undeveloped [7-8]. Brand equity is not only for large companies but SMEs also can build brand equity to ensure strength of their companies [8]. Brand equity is critical to any organization especially in SMEs as it conceptualized based on marketing and financial perspective [9]. According to Shriedeh and Abd Ghani [10], if the company managed the marketing action properly,

it would create high brand equity. Besides, positive consumer-based brand equity can increase revenue, lower costs and greater profits [13].

According to Hashim et al. [11], SMEs in Malaysia are unaware toward the role of brand equity as a strategic tool to improve the market performance of their business. Because of low brand equity, SMEs have been left behind in fierce market competition. Otherwise, they have no brand equity in many cases to identify who they are and what they do on the market. They only rely on sales and marketing but lacking of managing the brand equity. Malaysian SMEs cannot attract local customers to their products due to lacking of searching the sources of brand equity.

Hence, this study will investigate the sources that build brand equity in SMEs context. Mainly, the objective of this study is as follows:

1. to investigate the relationship between brand experience and brand equity
2. to investigate the relationship between brand innovativeness and brand equity
3. to investigate the relationship between brand relationship and brand equity

## LITERATURE REVIEW

### Brand Equity

Farquhar [12] stressed brand equity as the “added value” with which a given brand endows a product. This added value can be interpreted from the perspective of consumers, business customers including retailers, owners, firms, or potential acquirers. Keller [13] defined brand equity as the difference in brand knowledge's impact on consumer responses to the brand's marketing. This definition shows that a brand's strength stems from its customer's knowledge of the brand through its brand experience and its marketing efforts. However, brand equity takes place when customers remember.

Brands equity are important to companies because they lead to loyalty to customers, which ensures demand and future cash flow. Basically, brand equity stems from the greater confidence that consumers place in a brand than they do in its competitors. This confidence translates into consumers’ loyalty and their willingness to pay a premium price for the brand [14].

In Malaysia SMEs context, the focus on sources that build brand equity is vital due to SMEs are not only considered as an enabler of growth by being a supporter to larger firms but also as a driver of economic growth in achieving high income nation [15]. Even, building brand equity is critical for several SMEs as it provides them with a number of competitive advantages. Hence, exploring such strategies including brand experience, brand innovation and brand relationship in SMEs brand equity context is undeniable.

### Brand Experience

Brakus et al. and Chinomona [16,17] stated that brand experience can be divided into four dimensions: sensory, emotional, intellectual and behavioural. For example, colours, shapes, types and designs generally result in sensory experiences, which may result in an affective or intellectual experience. Similarly, the slogans, mascots and characters of brands may appeal to creative thinking and involve emotions or stimulate actions. When customers or consumers are attached to a brand, they are likely to repurchase that brand, hence contributing to a firm’s profitability [17].

**TABLE 1:** The importance of brand experiences in brand equity context

Author	Definition	Importance of Brand Experience
Brakus et al. [16]	Brand experience as subjective, internal consumer response (sensations, feelings and cognitions) and behavioural responses evoked by brand-related stimuli that are part of brand’s design and identity, packaging, communication and environment.	Brand experience can develop strong brand because according to the result, brand experience has link between brand experience and customer loyalty.

According to Ramaseshan and Stein [18], some brand experiences may be more positive or negative than others, and also could be perceived to be stronger or more intense than others. Furthermore, brand experiences may occur spontaneously or deliberately, and could be short-lived or be sustained over time. The brand experience stored in the consumer’s memory over a period of time may influence how he/she feels about the brand. [16], reported that brand

loyalty is influenced by brand experience. This result is also supported by the studies such as [18-20]. Table 1 further clarified the importance of brand experiences in brand equity context.

**TABLE 2:** The importance of brand experiences in brand equity context (Continued...)

Author	Definition	Importance of Brand Experience
Chinomona [17]	Sensation, feeling, cognition and behavioural responses encourage brand's design and identity, packaging, communication and environment.	The important influence of brand experience and mediating role of brand satisfaction and brand trust.
Ramaseshan and Stein [18]	A consumer's choice of a brand can be influenced by brand-related stimuli such as the product design, identity, packaging, marketing communications, advertisements and distribution locations.	Brand experience has a strong positive influence on both attitudinal brand loyalty and purchase brand loyalty. This is a significant contribution as past research has only considered the link between brand experience and customer loyalty.

Hence, the hypothesis proposed in this study is as following:

H1: There is a significance relationship between brand experience and brand equity

### Brand Innovativeness

Innovativeness was described as innovation product brands as “new-to-the-world”, which create a new market. These product brands are intended for specific applications or markets for promising new technology and are expected to take a relatively longer time [21]. Among of well-known product brands in world market are refers to Coca-Cola, Nutella, and Ariel. Table 2 represents the difference between product and brand [22].

**TABLE 2:** The differences between product and brand

Elements	Brand	Product
Uniqueness	A brand has a distinguished identity which cannot be imitated.	A product can be easily imitated
Replacement	No	Yes
Delivering	A brand delivers value to customers	A product performs the functions to customers
Tangible	A brand is intangible	A product is tangible or intangible in nature such as service
Time Horizon	A brand remains forever	A product can be absolute
Competence	The power of brand created by customers that make them remain loyal and retain	The credible of product is created by company but not necessary will make customers loyal and retain

According to Hanaysha and Hilman [23], brand innovativeness comes from a brand's ability to bring something new to the marketplace, which enhance the degree and quality of products. In particular, innovation refers to an enterprise's effective utilization of resources and innovative production method to meet the needs of the market; it is the basic element that contributes to economic growth [24].

Innovativeness has become a key competence in the maintenance of global competition. The faster innovativeness of new brands becomes an increasingly popular way to improve the competitive position in the business world [21]. Therefore, innovation is a key tool in the service that differentiates success and survival on the international market [23].

Brand innovativeness can help those who lead over other competitors in terms of brands and technology that can enhance consumers' perceived brand image of the firm through strengthened service innovation and market breakthrough [24]. Developing powerful brand equity basically relies on the ability of business firms to innovate effectively. Innovation has become a core competence in sustaining global competitiveness. In addition, faster innovation becomes a more popular way of improving the level of brand equity, which then, led to the competitive position in the business world [21, 23].

Therefore, it can be said that, innovation and brand equity are complement each other [24]. Table 3 further explained the importance of brand innovativeness in the context of brand equity.

**TABLE 3:** The importance of brand innovativeness in brand equity context

Author	Definition	Importance of Brand Innovativeness
Ali et al. and Stock [21, 25]	Innovativeness we describe innovation product as “new-to-the-world “products which create a new market. These products are intended for specific applications or markets for promising new technology and are expected to take a relatively longer time.	The faster innovation of new products is becoming a more popular way to improve the competitive position in the world of business. Innovation and brand equity are related terms used by companies to bring innovation to the market faster and become an increasingly popular way of improving competitiveness in the business world.
Hanaysha and Hilman [23]	Brand innovation stems from the ability of a brand to bring something new to the market that improves the degree and quality of its products.	Innovation is a key service tool that distinguishes international success and survival. Innovation and brand equity are related terms used by companies in their quest for survival and growth, enabling them to create new asset values.
Shiau [24]	Innovation refers to the efficient use of resources and innovative production methods by an enterprise to meet market needs; it is the fundamental element contributing to economic growth.	Brand innovation can help those who lead other competitors with regard to products and technology to improve the consumer's perceived brand image of the manufacturer by strengthening service innovation and market breakthroughs. As far as the company is concerned, product innovation helps to improve the brand image. In other words, if the company has a higher brand image, the acceptance of the company's product innovation by the consumer is also higher.

Hence, the hypothesis proposed in this study is as following:

H2: There is a significance relationship between brand innovativeness and brand equity

## Brand Relationship

Similar to brand experiences and brand innovativeness, brand relationship or consumer brand relationship is also among of importance long term strategies in strategic brand management. In the context of SMEs, they are much struggling focused on short-term business strategies rather than long-term brand strategy such as brand relationship. This is due to the limitations of time, resources, brand management professionals, structures and processes to carry out branding activities effectively. As a result, the need to develop a long-term branding strategy is often a secondary priority for SMEs. Consequently, dangerous effect will occur because this challenge if not properly managed will destroy the SMEs brand equity among consumers [26].

According to Ramaseshan and Stein [18], brand relationship constructs is summarized of consumer’s knowledge and experience with a particular brand and guide his/her subsequent actions. As consumers experience brands and develop favorable effect towards specific brands, they tend to connect and establish relationships with brand. The establishment of consumer brand relationship therefore, will leads to higher or strong brand equity building through brand relationship.

Besides, Keller [27] refers the brand relationships as a brand resonance. He suggests four types of relationships, which is behavioral loyalty, sense of community, attitudinal attachment and active engagement. Besides, having a strong brand relationship will create more sustainable brand equity, as envisaged through the increase in the company's financial value [28]. Table 4 briefly explained the importance of brand relationship in brand equity context.

**TABLE 4:** The importance of brand relationship in brand equity context

Author	Definition	Importance of Brand Relationship
Hwang and Kandampully [29]	Consumer brand relationships have received considerable attention from both academic and practical parties since they have realized the contributing roles of relationship building to brand success.	The important to brand relationship management because as human beings, tend to feel more loyal to what we feel connected with, attached to and love. Although important role of brand relationship in more competitive business circumstances, SMEs need to devise effective strategies to retain their brand relationship with customers for sustainable brand equity.
Ramaseshan and Stein [18]	A consumer's knowledge and experience (brand trust, brand attachment and brand commitment) with a particular brand and guide his/her subsequent actions.	When a consumer is highly involved with a brand relationship, the effects of the brand trust are stronger, which the relevance of brand trust in a context of high involvement. As consumers experience brands and develop favourable impressions towards a particular brand equity, they tend to connect and establish relationship ties with the brand. Brand relationship has a strong positive influence with brand equity.
Abd Ghani and Tuhin [30]	Brand relationship is found in the shortest definitions of (Keller, 2001) who refers consumer brand relationship as brand resonance (behavioural loyalty, attitudinal attachment, sense of community and active engagement and the measures for these key brand resonance).	The strong cognitive, affective and behavioural ties with a brand equity are reflected by consumer brand relationship. Relationship is mutually co-created. In consumer perspective, brand equity influence and co-create brand relationships. Brand relationship or bonding are influence the brand equity which enhance brand value.

Hence, the hypothesis proposed in this study is as following:

H3: There is a significance relationship between brand relationship and brand equity

## RESEARCH METHODOLOGY

A preliminary test is performed before conducted the actual data collection of this study. For actual data collection, the East Coast of Peninsular Malaysia is selected to represent the SMEs in Food & Beverages study area. A total of 377 questionnaires were randomly distributed to three main local Public Universities which randomly selected to represent the East Coast region (refer Table 5).

**TABLE 5:** Percentage of data collection

Name	Total Population	% of population	Number of respondent
UA 1	6,500	25	94
UA 2	10,329	40	151
UA 3	8,921	35	132
Total	25,750	100	377

In order to ensure random sampling of the 377 respondents, the self-administered questionnaires are distributed based on systematic random sampling [31]. Prior to the data collection process, a simple random approach is used in selected each of faculties and classes involved. Then, based on every 5<sup>th</sup> (determine by a systematic random sampling approach) of student walk-in to a class is chosen as a respondent. The random selection is ended once all of 377 respondents are successful selected. The data collection appeared to represent a response rate of 100%. These samples size adequate for further analysis. According to Hair et al. [32], a minimum sample size of 30 respondents is appropriate for the execution of simple regression analysis.

The five point Likert Scale range from 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree is used. Table 6 showed the research construct for each dimension and items adapted.

**TABLE 6:** Research construct and adapted of measurement items

Construct	Author	Definition	Items
Brand Equity	[36]	Brand equity is refer to three dimensions of brand equity assets: Perceived Quality; Brand Loyalty; and, Brand Associations with Brand Awareness	19
Brand Experience	[16]	Subjective, internal consumer response (sensations, feelings and cognitions) and behavioural responses evoked by brand-related stimuli that are part of brand's design and identity, packaging, communication and environment.	12
Brand Innovativeness	[25]	A company's ability to generate a range of goods or services that are new and meaningful to customers and that differ from existing alternatives	6
Brand Relationship	[18]	Brand Relationship is defined in terms of three main constructs that is brand trust, brand attachment and brand commitment	10

## RESULTS AND DISCUSSIONS

### Reliability Analysis

In response to the study objectives, the reliability analysis is to measure the consistency and stability of the variables [33]. The Cronbach alpha was used in this study to measure the internal reliability of 47 instruments of the three constructs. Reliability result showed that all variables is given by the Cronbach alpha of more than 0.7 (Table 8) that met the [34] requirement. Hence, further analysis is able to be executed as all the variables were reliable.

**TABLE 8:** Reliability test

Variable	Cronbach's Alpha
Brand Experience (IV 1)	0.820
Brand Innovativeness (IV 2)	0.736
Brand Relationship (IV 3)	0.721
Brand Equity (DV)	0.760

### Multiple Regression

The result from Multiple Regression analysis is showed in the following Table 9. From the analysis, it showed that the value for R<sup>2</sup> (R square) is 0.353 (which is equivalent to 35% of brand equity are explained from the brand experience, brand innovativeness and brand relationship). It is illustrated on how influential of the independent variables which is brand experience, brand innovativeness and brand relationship that influence the brand equity for the dependent variable. Hence, the model is acceptable.

**TABLE 9:** R Square

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.594 <sup>a</sup>	.353	.348	.27059

- a. Predictors: (Constant), brand experience, brand innovativeness and brand relationship  
b. dependant variable, brand equity

Based on the Multiple Regression result in Table 10, for the first objective, the relationship between brand experience and SMEs brand equity is found significant at  $p \leq 0.05$  with  $\beta = 0.273$ . Similarly, in response to second objective, the relationship between brand innovativeness and SMEs brand equity is found significant at  $p \leq 0.05$  with  $\beta = 0.223$ . Lastly, for the third objective, the relationship between brand relationship and SMEs brand equity is significant as well at  $p \leq 0.05$  with  $\beta = 0.273$ . Hence, all three objectives are fulfilled.

**TABLE 10:** Standard Multiple regression analysis

Model	Understandized Coefficients		Standardized Coefficient Beta	t	Significant
	Beta	Standard Error			
(constant)	1.388	0.184		7.524	.000
Brand experience	0.218	0.038	0.273	5.677	.000
Brand Innovativeness	0.173	0.036	0.223	4.802	.000
Brand Relationship	0.239	0.041	0.273	5.765	.000

- a. Dependant variable: SMEs brand equity  
b.  $p \leq 0.05$

## CONCLUSIONS

Generally, this study revealed the significance impact of brand experience, brand innovativeness and brand relationship towards SMEs brand equity in food and beverage categories. The result basically contributed to the practical guidance based on activities that can be used by SMEs and practitioners who interested in strengthening brand equity in SME's food and beverage category. According to multiple regression analysis, all variables have significant relationship with the brand equity. All research objectives in this study are fulfilled.

Particularly, the significance relationship between brand experience and brand equity found in this study supported the past study [16, 18], where brand experience has a strong positive influence on both attitudinal brand loyalty and purchase brand loyalty. Brand loyalty is among of important dimension for brand equity.

Meanwhile, the result toward the relationship between brand innovativeness and brand equity is found significant as well. Similarly, past study [23] demonstrated the significant effect toward the relationship of product innovation and brand equity. Also, the result of this present study supported the study by [10, 35].

In addition, the relationship between brand relationship and brand equity is also found significant. This finding aligned with a number of previous studies [18, 29].

All of these findings represent the long-term brand strategies which cannot be ignored by the SMEs. As noted [26], the owners of SMEs Company need to play a major role by emphasising these long-term brand strategies as well in safeguarding their brand equity. Indeed, managing branding relationships and utilizing feedback from consumers to monitor and guide the brand equity building process becomes vital.

Also, there is a need to be expanded to gain more knowledge and information in this area of study. Future research should study other strategy as well in developing brand equity in order to improve internal brand such as in employee's motivation, satisfaction, communication and brand knowledge enhancement. Finally, future research is also recommended to apply in the form of Case Studies in increased better understanding toward how to minimize the SMEs branding challenge.

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