A STUDY ON FACTORS AFFECTING BRAND EQUITY OF BOOF CHAIN RESTAURANTS

Khodayar Palouzian*1, Mohammad Taghi Amini2 and Mehrdad Palouzian3
1Department of Management, Payame Noor University, Iran (palouzian@se.pnu.ac.ir)
2Department of Management, Payame Noor University, Iran (m_amini@pnu.ac.ir)
3Master of Industrial Engineering, Iran (Mehrdad_palouzian@yahoo.com)

ABSTRACT
The present investigation was aimed to study the factors affecting brand equity of Boof Chain Restaurant in 2014. The population consisted of 850 customers of Boof Chain Restaurant in Tehran city among whom 168 individuals were chosen as a sample size using Cochran formula and simple random sampling method. Data collection was based on a researcher-made questionnaire of which some of the questions were selected from Aker standard questionnaire (1992) and the rest were designed according to the existing components. After distribution and collection of the questionnaires, data analysis and hypothesis testing were carried out using Structural Equation Modeling (SEM) and Smart PLS software in the two descriptive and structural parts. In the first part, technical characteristics of the questionnaire including reliability, convergent validity and divergent validity specified to PLS were studied and significant coefficients were utilized in order to check the hypotheses in the second part. Eventually, the findings demonstrated that Brand’s Perceived Quality, loyalty, brand associations and brand awareness had impacts on the brand equity of Boof Chain Restaurant, and it was approved by the studied population (means the customers).

KEYWORDS: Association, Awareness, Brand Equity, Loyalty, Perception.

INTRODUCTION
Brand of a company nowadays is one of its most valuable assets. The higher the value of the brand in the minds of consumers, more gains and profits companies can earn from the consumers. Brand equity is considered one of the assets that maintain the value and leads to customer loyalty (Karbasi Var and Yardel, 2011). A brand not only represents quality and features of a product but also reflects what we feel or want to feel or how we see it or want to see it (Capfer, cited in Ghorbanloo, 2006). Brands usually guarantee the fact that the provided products are the same in terms of quality. When the consumers are uncertain of products’ characteristics, companies use brands to inspire confidence about the validity and reliability of the product (Lee and Back, 2010). Brands reflect the grade of quality and commitment to the customer who buys the product or uses the services (Lee and Back, 2010). Strong brands include substantial interests for both the customer and manufacturer, so brand equity is one of the most important topics in researches and marketing (Azizi, Darvishi, and Namayan, 2011). Therefore, operations should be done in order to place the brand in the minds of people, this replacement is entitled "brand equity" which should be managed. In fact, customers' mentality due to feelings and experiences is what make the brand valuable, and this mentality is out of managers' control (Divandari, 2011).

Commercial denomination makes the manufacturer capable of acquiring provided advantages through high quality and unique products and also provides opportunities for the company to become distinguished from competitors, increase the perceived value of products, and attract and retain customers (Jozni, Abdi, and Baftani, 2011). The main objective of commercial denomination nowadays could be making more distinction, because owners of goods and services spend a large amount of money to present their distinctions. It is postulated that people buy distinction not similarity. Since making distinction demands constant innovation of new methods to present the brand, a brand should be defined and changed over and over again. It means we cannot build a brand and leave it alone while our competitors employ new methods as soon as they find it, hence distinctions will change into similarity and there would be a decrease in selling products and services (Capfer, cited in Ghorbanloo, 2006). Commercial denomination leads to competitive advantages and in fact, companies make long lasting investments on their brands (Seied Javadin, 2010).

1 *Corresponding Author: Khodayar Palouzian*(M.A): Department of Management, Payame Noor University, Iran/ email: palouzian@se.pnu.ac.ir & palouzian@gmail.com

© 2015 DAMA International. All rights reserved.
In the present era, which is the era of integration and acquisition of companies, brand equity is a key and determinant factor in companies' value and stock market value, and this is due to the power of brands in acquiring new customers and retaining existing customers. If a brand has high levels of equity, then companies can decrease marketing costs thanks to it. Because customers are loyal to it, the company is in a stronger position in the case of negotiating and bargaining with distributors and retailers, and let the company raise the price because customers believe in high quality of this brand. Moreover, customers suggest the brand to others and will help the company attract new customers. Identification of various aspects of a brand and its effects on consumers' behavior and reaction assist the companies in compiling and running marketing programs better and more effectively. Understanding the dimensions of brand equity and comparing their influence on the company's brand equity make the managers capable of scheduling properly in line with achieving the assigned objectives so that more effective marketing programs could lead to the prevention of wasting resources (Karbasi Var and Yardel, 2011). On the other hand, customers are the most precious asset of a company or store and firms should do their best with their ultimate power to create and keep customers. Successful marketers are the ones who know how to find ways into the hearts and minds of customers and use them as them as the main path to reach a broader market and sell more rather than dealing with retail stores. Customer’s mental image of a brand is what makes him love or hate the product. In fact, brands’ power is so high that could be considered one of the most significant assets of companies (Haghighi Nasab, Yazdani, and Moradi, 2011). In addition, customer satisfaction has a direct impact on creating customer loyalty and it has been considered as a prerequisite for customer loyalty (Wendy and Lai, 2015).

**Aaker Model**

Brand equity is a set of brand’s assets and is attributed to the brand’s symbols. It can bring value for the consumers as much as the company enjoys this value. In fact, four sources of value creation for the brand consist of loyalty to the brand, brand awareness, perceived quality and brand associations (Aaker, 1992). Previous studies on the present subject have recorded a limited number of researches conducted in this domain. The findings of the mentioned studies are explained as follows.

According to Rahim, Al Nasser, and Hussain (2014), service quality has a direct impact on customer satisfaction. If service quality could attract customers' satisfaction, the requirements for productivity and business growth will be provided although customers' needs should be included in the service quality in order to get to better results. Srivastava and Kaul (2014) believe that better social conformity and interaction in institutes and companies are the result of the effect of customer satisfaction and experience. In this regard, they emphasize customer satisfaction with the use of all facilities.

Lim and Tan (2009), in their investigation, implied that some of the advantages of brand equity are: higher loyalty, less frailty of competitive marketing activities and marketing crises, high effectiveness of communicational marketing, potential licensing opportunities, additional opportunities for brand development, creating more attractiveness for investors and gaining more support from shareholders, more profit margin, ability to attract better employees, and protection of companies from entrance of potential competitors.

Chang and Liu (2009) expressed that brand equity leaves impacts on industrial markets and organizational buyers are willing to pay more for brands with a specific value, because brand equity provides more market share for the brand and selling at high price with a higher profit margins leads to competitive advantage for the company.

Chen and Chan (2008) defined brand equity as a value added or final profit added by the brand to the product. The concept of value added covers a broad spectrum, because it is related with customers' experiences, feelings and what they learn during a period of time about the brand. This is what we know about brand equity based on consumers, and it is the value added which possesses the consumers’ mind, words and actions.

Haghighi Kafash (2012), in his investigation entitled *factors affecting brand equity from the perspective of customers* discussed that advertising, promotions and cost have impact on brand awareness, brand associations and perceived quality, and these three factors together with loyalty to the brand has a great impact on brand equity.
Karbasi Var and Yardel (2011) found that the loyalty to the brand has a direct impact on brand equity and that brand associations have a direct impact on brand equity. Perceived quality has an indirect impact on brand equity and the relationship is achieved through loyalty to the brand and brand associations.

Azizi et al., (2011) proposed three approaches for evaluation of brand equity in their investigation. First, financial and monetary value of the brand in the market. Second, a multi-dimensional concept that encompasses value added to the product or service by consumers’ associations and their perception of the brand, which is usually conceptualized as brand equity based on consumers. Brand equity, based on consumers, concentrates on consumers' knowledge about the brand. When the consumer is familiar with the brand and has a great and unique association with it in his mind, this knowledge reflects brand awareness and brand associations, or mental images associated with the brand. The third approach is a combination of financial approach and approach based on consumer. There are so many researches which have focused on consumer, because this approach provides a tool for more awareness of consumers' needs which could be used for preparation of future brand strategy in order to meet their needs. Brand equity could not be completely understood unless one uses precise testing of its resources, which means factors associated with the formation of brand equity. Most of the researches conducted have focused on marketing mix variables such as price, sale promotions and advertising which have short-term impact on band equity (Seied Javadin, 2010).

According to what has been mentioned about the study of factors affecting brand equity of Boof Chain Restaurant, the following hypotheses were formulated:

- Loyalty to the brand has a significant impact on brand equity of Boof Chain Restaurant.
- Brand awareness has a significant impact on brand equity of Boof Chain Restaurant.
- Brand perceived quality has a significant impact on brand equity of Boof Chain Restaurant.
- Brand associations have a significant impact on brand equity of Boof Chain Restaurant.

![Figure 1. Conceptual model of the research (taken from Aaker Model, 1992)](image)

**MATERIALS AND METHODS**

The method used in this study was practical in terms of objective; and it was descriptive-causal in terms of data-collection. In addition, it was a quantitative method in terms of the collected data. Hence, certain questionnaires were distributed in order to collect the comments of customers in Boof Chain Restaurants and the results have been presented. Since a cause-and-effect relation is examined in this study, the method of the study is a causal method in terms of the relationship between variables. In order to examine the conceptual model of the study, the structural equation model was used. This model is the best tool for analyzing studies in which obvious variables have measurement errors; and the relationships between variables are complex. Using this method, on the one hand, it is possible to measure the accuracy of observable indexes and variables; on the other hand, it is possible to examine the causal relationships between latent variables and the value of the expressed variance. The Structural Equation Modeling is composed of two sections: Measurement Model and Structural Model. The variables of the model are divided into two groups: Latent variables and observed variables.
The statistical population of the study consisted of 850 customers of Boof Chain Restaurant. We provided the sample size for the society using the Cochran Formula. In order to use the Cochran Formula, its hypotheses should be included. The hypotheses of the Cochran formula are: \( P=q=50\% \) (based on the stochastic method); "Z" is the standard normal distribution statistic which, in 95% confidence, is 1.96; "d" is the maximum allowable error which is considered to be 5%; and "N" is the number of customers of Boof Chain Restaurant. The statistical sample size, \( (n) \), is calculated based on the Cochran Formula (Sarayi, 2011):

\[
(\text{Formula 1}) \quad n = \frac{z^2pqN}{Nd^2 + z^2pq}
\]

Therefore, using formula number 1 and according to the population of 850, 168 individuals were selected as the sample size based on the simple random sampling method. Data collection was based on a researcher-made questionnaire of which some the questions were selected from Aker standard questionnaire (1992) and the rest were designed according to the existing components supported in the review of the literature.

The reliability of the questionnaire was evaluated using the data obtained from the questionnaires, and using the Smart PLS 2.0 and SPSS software. In the PLS method, the reliability was evaluated by measuring the value of composite reliability; and in the SPSS method, the reliability was evaluated by measuring the Cronbach's alpha value; a value greater than 0.7 shows acceptable reliability.

The results of the two criteria are given in the table below; as it can be seen, all the values are greater than 0.7, which shows the acceptable reliability of the questionnaires.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Loyalty to the brand</th>
<th>Brand associations</th>
<th>Brand perceived quality</th>
<th>Brand awareness</th>
<th>Cronbach's alpha</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.812</td>
<td>0.824</td>
<td>0.739</td>
<td>0.801</td>
<td>0.778</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.821</td>
<td>0.832</td>
<td>0.794</td>
<td>0.820</td>
<td>0.715</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The validity of the questionnaires was examined by convergent and divergent validity, which is exclusive to Structural Equation Modeling. In the section of divergent validity, the AVE criterion was used. The expected value for the acceptability of AVE was 0.5 (Hulland, 1999). Finally, the findings showed that all AVE values corresponding to the variables were greater than 0.5; this shows that convergent validity is acceptable. In the section of divergent validity, the difference between the indices of a certain variable is compared with the difference between the indices of other variables. Therefore, a matrix must be formed in which the values of the main diagonal are the square root of AVE coefficient of each variable. The values below and above the main diagonal are the correlation coefficients of that variable with other variables. The findings demonstrated that the square root of AVE of each variable was greater than the correlation coefficient of that variable with other variables (the values in the same column and the same line); this implies the acceptability of the divergence and convergence of the variables.

**RESULTS**

In this part, the cause and effect relationship of factors affecting brand equity of Boof Chain Restaurants was measured in the form of Structural Equation Modeling. As it is shown in figure 2, the impacts of these factors on affecting brand equity of Boof Chain Restaurants are positive and significant.
Figure 2: The coefficients of the causal effect of the model

Figure 3 represents the coefficient of the causal effect of the model, and the role of the variables in development of brand equity of Boof Chain Restaurants.

The PLS output proves the main and the subsidiary hypothesis of the study, which can be seen in the following table. Since all the values of "t" are greater than 1.96, all hypotheses are confirmed.
The research findings confirmed the impact of customers’ loyalty to the brand equity. Brand loyalty nowadays is defined as a customer attachment to a brand (Azizi et al., 2011). Moreover, brand equity depends on the number of customers who purchase a company’s brand on a regular basis. Regular customers pay special attention to the brand, because this shows an income level for the company. Therefore, loyalty to the brand is one of the most important dimensions of the brand equity. Brand loyalty provides a predictable profit for Boof Chain Restaurant; hence planners and decision-makers in companies should emphasize customers’ loyalty in their strategic planning.

The second hypothesis: **Brand awareness has a significant impact on brand equity of Boof Chain Restaurants.** The research findings confirmed the impact of brand awareness on the brand equity. It should be mentioned that brand awareness, ability to recognize and remember potential buyers play vital roles in the brand equity. Obviously, brand equity on the consumer’s side takes place when the consumer has a high level of familiarity with that brand and he has great and unique associations with it in his mind.

The third hypothesis: **Brand perceived quality has a significant impact on brand equity of Boof Chain Restaurants.** The research findings confirmed that brand perceived quality has a significant impact on brand equity of Boof Chain Restaurants. As we know, higher perceived quality takes place when the consumer realizes the brand’s differentiations and advantages compared to the competitors’ brands. On the other hand, the concept of perceived quality is not the real quality of the product but the consumer’s mental evaluation from the products' quality. Perceived quality provides value for the consumer through presentation of that quality together with reasons to buy the product. In fact, perceived quality is defined as the consumer’s feelings on product or service quality (Haghighi Nasab et al., 2011). Perceived quality is involved in the process of decision-making through the process of its perception by the consumer.

The fourth hypothesis: **Brand associations have a significant impact on brand equity of Boof Chain Restaurants.** The research findings confirmed the impact of brand associations on brand equity. Since brand associations is one of the most important parts of brand equity, it is related to anything in our memory about brand and it is known as a basis for decision making, loyalty and value added for customers and companies. Brand associations complete each other and are in relationship with one another as well. These associations consist of multiple beliefs, events, facts and evidences which form a coherent network of brand associations. In other words, brand associations, which are provided by the marketers and direct experiences of the product by the consumers and their preferences, result from beliefs about the brand by the consumer. These associations could be different according to being fit, strong and unique. Moreover, they could play a vital role in consumer’s purchasing outcomes. Eventually, according to the findings of the present investigation, it seems that existence of strong, appropriate and unique associations are necessary for brand’s success. In addition, findings of other researchers such as Aaker (1991) and Abbasi et al., (2011) are in line with the findings of the present investigation.

**Recommendations based on the research findings**

Eventually, according to the research hypotheses approve, it was specified that factors such as customers’ loyalty, awareness, perceived quality, and brand associations had significant impacts on the brand equity of Boof Chain Restaurants. Hence, the following recommendations could be proposed:

- To use strategies of increasing consumer awareness of products and services of Boof Chain Restaurants. In order to achieve the mentioned goal, policies and strategies of integrated marketing communication such as brochures, billboards, support activities, cultural and athletic events, television advertising, etc. are advised.
Moreover, new facilities of the present age such as employment of television and radio communications, mobile software (Viber, Telegram, What’s App, and the like.), the Internet, etc. could be used to make the customers feel close to the brand.

- Development of new branches of Boof Chain Restaurants in all the neighborhoods of Tehran in order to enhance the level of public awareness.
- To provide the customers with customized services to, a specific customer database which is localized is of paramount importance with respect to the conditions in each area in order to cover them.
- Since advertising indicates the company’s attention to the brand and leads to enhancement of the perceived quality and loyalty, it is proposed to make a plan for a strong and exhaustive advertising program in order to increase the brand’s value.
- To employ appropriate policies to increase loyalty to the brand and to create and maintain consumers' loyalty in order to create brand equity. Different marketing activities such as marketing communications, sales promotion, social participation and social relations play important roles in increasing the consumers' loyalty.
- It is proposed to make the branches of Boof Chain Restaurants different in terms of arrangement and decoration. In addition, the appearance should be different and distinguished.
- To provide customer service requirements just when the customer needs it.

REFERENCES