



**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF COMMERCE**

**THE ROLE OF ADVERTISING AND PRICING IN BUILDING  
BRAND EQUITY FOR NEW BRANDS: THE CASE OF WALIA  
BEER IN ADDIS ABABA**

**By: Kassahun Feleke**

Thesis Submitted to the School of Graduate Studies of Addis Ababa University in  
Partial Fulfillment for the Award of the Degree of Master of Arts in Marketing  
Management

**May 2015**  
**Addis Ababa**

ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

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**Approved by Board of Examiners**

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## DECLARATION

I, Kassahun Feleke, hereby declare that this thesis titled, ‘The Role of Advertising and Pricing in Building Brand Equity for New Brands’ is my original work. I have carried out the present study independently with the guidance and support of the research advisor, Shimelis Zewdie (Ph. D.). Any other research or academic sources used here in this study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other institution.

Kassahun Feleke

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Date

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## **List of Abbreviations**

CBBE – Customer Based Brand Equity

SEM – Structural Equation Modeling

CR - Composite Reliability

AVE – Average Variance Extracted

CFA – Confirmatory Factor Analysis

LV- Latent Variable

MSV - Maximum Shared Squared Variance

ASV - Average Shared Squared Variance

GFI – Goodness Fit

AGFI - Adjusted Goodness of fit Index

IFI - Incremental Fit Index

NFI - Normed Fit Index

## *Abstract*

*This study was carried out with the intention of examining the role advertising and pricing play in building brand equity. The study focuses on a new beer brand; Walia and attempts to find out the impact of these two selected marketing mix elements on brand awareness, perceived quality, brand association, and brand loyalty dimensions of the beer brand which intern affects its overall brand equity. For this study, accessible population of 325 beer consumers who have tried Walia beer at least ones was conveniently selected. A structured questionnaire was used to collect data form respondents by using a self-administered data collection system. Data analysis mainly took place in AMOS 20.0 and SPSS 21.0 through Structural Equation Modeling (SEM) to test hypothesized causal relationships. The study found out that consumers' perception of advertising spend by brands affects brand equity through the four brand equity dimensions. On the other hand, consumers Price perception was found to have no significant effect on both perceived quality and brand equity.*

**Keywords:** *Advertising, Price, Brand Awareness, Brand Associations, Quality Perception, Brand Loyalty, Brand Equity*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Building strong brand equity is vital for the success of companies and products. This becomes more evident in a world where competition is becoming intense and where several choices are available to consumers. Product offerings are also becoming comparable in terms of product design, which puts companies and products, which have built strong brands through years of product experience and marketing activity in a strong position to gain competitive advantage (Kotler & Keller, 2012). This competitive advantage of having superior brand equity will result in benefits such as greater loyalty, less vulnerability to competitors marketing actions, larger margins and opportunities to expand growth from brand extensions (Leone et al., 2006).

Several authors attempted to define and examine brand equity from different perspectives. Aaker (1991) defined brand equity in terms of assets and liabilities linked to a brand and its elements that will affect the value provided by a product or a service. In its definition of customer based brand equity, Kevin L. Keller defined brand equity as “*the differential effect that brand knowledge has on consumer response to the marketing of that brand*” (Keller, 2013, p.69). Other authors focused on defining brand equity from the financial point of view. Simon & Sullivan (1993) defined brand equity as the difference between incremental cash flows from branded products and unbranded products.

Brand equity is described as multidimensional in its nature (Aaker, 1996; Keller, 2013). Keller (2013) treated customer based brand equity in a pyramid model through six building blocks of brand equity. These are brand salience, brand performance brand imagery, brand judgment, brand feelings and brand resonance. Brand resonance refers to the level of attachment the customers have with the brand and the extent of their loyalty (Keller, 2013). According to Aaker (1996), brand equity consists of brand awareness, perceived quality,

brand loyalty, brand associations and other proprietary brand assets. The first four dimensions; brand awareness, perceived quality, brand loyalty and brand associations make up Aaker's customer based brand equity model which forms the basis of subsequent discussions in this paper. The identification of these dimensions is a vital first step in building strong brand equity. Brand equity can be created, maintained, and expanded through the enhancement of the dimensions of brand equity (Yoo et al., 2000). It is in this process of creating, maintaining and expanding brand equity that a marketing strategy employed by a firm plays a prominent role.

In order to build strong brand equity firms devise their marketing strategies and employ a combination of marketing mix elements to elicit favorable reaction from the consumer towards a brand. Marketing activities are said to create value for the brand through enhancing consumers' ability to recall or recognize the brand and creating a favorable, strong and unique brand association (Keller, 1993). Several researchers took interest in finding out the impact of marketing mix elements such as price, distribution, advertising, sponsorship and price deals on brand equity dimensions (Sivesan, 2013; Nezami, 2013; Yoo et al., 2000). Kapferer (2008) stated that pricing and advertising can be a source of brand equity by creating value associations which will long be held in the consumer's memory. Yoo, et al. (2000), through their examination of the relationship between marketing mix elements and brand equity dimensions, concluded that advertising plays a prominent role in increasing brand awareness and creating strong brand associations. They further explained advertising has an impact on brand loyalty as it shapes consumers' attitude towards the brand. How consumers perceive the level of price is also found to be linked with perceived quality of the product (Chattopadhyay et al., 2010).

The beer market in Ethiopia is becoming increasingly competitive with the involvement of international companies and entry of new beer brands. The need to build brand equity within a short time is also becoming apparent. Therefore, it is vital to examine how new beer brands entering in to the market can use advertising and pricing to build brand equity and hence, achieve their business objectives. This study focuses on examining two elements of the marketing mix; price and advertising and their role in building brand equity for a recently introduced beer brand called Walia. The study will make use of a brand equity frame work

developed by Aaker (1991) and a slightly modified model relating marketing mix elements with brand equity developed by Yoo *et al.* (2000). The combination of these two models were used to investigate the relationship between these two marketing mix elements, brand equity dimensions, and brand equity for Walia beer through the study of beer consumers in Addis Ababa.

## **1.2. Statement of the Problem**

The beer market in Ethiopia has witnessed major events and activities in recent years. Lured by the potential for lucrative gains and high market share, major beer companies from around world have joined the Ethiopian beer market. Companies such as Heineken, Diageo and BGI are changing the face of the beer market through their continuous expansion of their production capacity, acquisition of shares of soon-to-be introduced brands, revitalization of existing brands and the introduction of new beer brands. These multinational companies in addition to their huge investment capital, they are able to bring their marketing knowhow and expertise which has heated up the competition among major beer brands and newly introduced beer brands.

The beer market is known for a relatively higher brand loyalty when compared to other product categories (Kotler, 2003 cited in Eriksen, 2012). This indicates that consumers usually prefer to stay with a single or selected few beer brands posing a significant obstacle for new brands to break in to beer brands in the consumers' consideration set. According to Aaker (1996) brand loyalty is a core dimension of brand equity which can be a base for barrier to entry for new brands. Under these circumstances, the study will investigate the role advertising and pricing play in building brand equity through the manipulation of brand equity dimensions such as brand loyalty, brand awareness, brand associations and quality perceptions. The study will particularly focus on a recently introduced beer brand by Heineken called Walia.

There is extensive literature on brand equity and different brand equity dimensions for various FMCG brands, electronic devices, cars and other services. However, attention directed to the empirical assessment of sources of brand equity for beer brands is insufficient

(Porral et al., 2013). Porral *et al.* (2013) analyzed the sources and consequences of beer brand equity for six selected brands in the southern European mature beer market using structural Equation Modeling (SEM). The result indicated that brand associations or brand image is the most important source of brand equity with brand awareness contributing the least. This study aims to find out the extent to which brand equity dimensions are relevant and able to contribute to building brand equity for Walia beer.

The impact of marketing mix elements on brand equity dimensions has been a major area of inquiry for researchers. When Walia beer entered in to the market, it was priced slightly lower than existing beer brands and used intensive TV, radio, outdoor and print advertising. Therefore, in order to examine Walia's brand building efforts, the study will focus on two elements of the marketing mix: price and advertising.

Yoo *et al.*(2000), in their examination of selected marketing mix elements and brand equity, found out that consumer price perception has a significant impact on quality perception dimension of brand equity. Consumers may use price to infer the quality of product and arrive at conclusions about the perceived value of the product (Keller, 2013). This study will examine the impact of consumer price perceptions on the perceived quality dimension of brand equity.

Advertising has received significant attention over the years from several researchers and authors. Advertising can be a source of competitive advantage through the creation and maintenance of product differentiation and brand equity (Belch & Belch, 2003). Consumers perception about the level of advertising spending and frequency of advertisement seen on various media outlets was found to be significantly related to perceived quality of the product, brand loyalty, brand awareness and associations (Yoo et al., 2000). Kapferer (2008), mentioned advertising as one of the tools to build brand image and associations where consumers form their judgement on about the reliability and quality of products they use. This study will examine the impact of consumer's perception about advertisement spending and advertisement frequency of Walia beer on its brand equity dimensions and ultimately on brand equity of Walia beer.

### **1.3. Basic Research Questions**

In order to achieve the research purposes and look into the issues mentioned in the statement of the problem, the study will pose the following research questions.

- What is the impact of brand awareness, brand associations, quality perception and brand loyalty on brand equity?
- What is the impact of consumer perception about the price of Walia beer on their quality perception for the brand?
- What is the impact of advertising on brand awareness, brand associations, quality perception and brand loyalty for Walia beer?
- What is the overall impact of consumer price perceptions and advertising on brand equity mediated through brand equity dimensions?

### **1.4. Objectives of the Study**

The general objective of the study is to in to the role pricing and advertising have in building brand equity through their direct effect on brand equity dimensions.

The specific objectives of the study are mentioned below.

- 1) To find out the impact of brand awareness, brand associations, quality perception and brand loyalty on brand equity.
- 2) To find out the impact of consumer perception about the price of Walia beer on their quality perception for the brand.
- 3) To find out the impact of Perceived advertising spend on brand awareness, brand associations, quality perception and brand loyalty for Walia beer.

- 4) To find out the overall impact of consumer price perceptions and perceived advertising spend on brand equity mediated through brand equity dimensions

## **1.5. Hypothesis**

The study will propose the following hypothesis based on the research questions mentioned in the previous section. The hypotheses mentioned below are divided in to 2 sets. The first set from H1a – H1d will deal with the relationship between brand equity dimensions and brand equity. The second set ranges from H2a – H2e. Hypothesis statements from H2a – H2d will deal with the effect of advertising on various brand equity dimensions, where as hypothesis statement H2e will deal with the effects of consumer price perceptions on perceived quality.

1. H1a: Brand awareness significantly and positively affects brand equity.  
  
H1b: Perceived quality significantly and positively affects brand equity.  
  
H1c: Brand associations or image significantly and positively affects brand equity.  
  
H1d: Brand loyalty significantly and positively affects brand equity.
2. H2a: Perceived Advertising spending significantly and positively affects brand awareness.  
  
H2b: Perceived Advertising spending significantly and positively affects brand associations or image.  
  
H2c: Perceived Advertising spending significantly and positively affects brand loyalty.  
  
H2d: Perceived Advertising spending significantly and positively affects perceived quality.  
  
H2e: Consumer price perception significantly and positively affects perceived quality.

## 1.6. Definition of Terms

Below are conceptual definitions that are used in this research.

**Advertising:** Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor via print media, broadcast media, network media, electronic media, and display media (Kotler & Keller, 2012). In this research the effect of advertising is expressed in terms of the subjective perceptions of consumers about how high a brand is spending on advertising (Yoo et al., 2000).

**Price:** Price is the sum of all the values that consumers exchange for the benefits of having or using the product or service (Kotler & Armstrong, 2001). In this research price is conceptualized subjectively in the consumer's mind in terms of how high or low it is perceived (Yoo et al., 2000).

**Brand Equity:** David Aaker defined brand equity 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, 1991, p.15).

**Customer Based Brand Equity:** Brand equity is defined *“the differential effect that brand knowledge has on consumer response to the marketing of that brand”* (Keller, 2013, p.69). In this research it is acknowledged that brand equity exists in the consumers mind in terms of the four brand assets: perceived quality, brand awareness, brand loyalty and brand associations described by David Aaker.

**Brand Awareness:** Brand awareness is defined as *“the strength of the brand's presence in the consumer's mind”* (Aaker, 1996, p.10). The above definition is used in this research in terms of the level of brand recall and recognition stated by consumers.

**Perceived quality:** Perceived quality as defined by Aaker (1991) is a customer's perception of the overall quality or superiority of a product or service with respect to its intended

purpose, relative to alternatives. Perceived quality is a perception by customers about the quality of the product hence, it differs from actual quality of the product.

**Brand Associations:** Is defined as “*anything linked in memory to the brand*” (Aaker, 1991, p.109). Yoo *et al.* (2000) explained that brand associations are not a standalone phenomenon. Rather they are connected to one another which will establish a solid network of brand knowledge.

**Brand Loyalty:** Brand loyalty is a core dimension of brand equity measured by the level of attachment the consumer has with a brand (Aaker, 1991)

### **1.7. Significance of the Study**

The competition in the Ethiopian beer market is showing no sign of losing its intensity with the increasing involvement of domestic and international breweries in the market. The past two years have seen the introduction of new beer brands such as Walia by Heineken, Zemen by Diageo and Raya beer by Raya brewery S.C of which BGI Ethiopia is a minority share holder. More specifically, Walia beer which was introduced by Heineken on the eve of Ethiopian New Year (2007) has disrupted the market and is gaining major traction among consumers (Addis Fortune, 2014). There is strong indication that this beer is building brand equity in a considerably short period of time. This study was important in identifying the role advertising and pricing may have played in introducing the beer and its brand building efforts.

With the rate of competition ever increasing strategic and incisive thinking should exist around launching beer brands. It is eminent that more beer brands will be introduced in the future making it difficult to enter in to consumers’ consideration set. This study will have practical significance through informing managers of other beer companies seeking to introduce new beer brands how their marketing efforts of advertising and pricing impacts their brand building efforts.

There are a number of thesis works done in the past in relation to the impact of marketing and promotion mix elements and brand equity in the beer industry. However, this study, by looking in to a newly introduced beer brand will also add to existing body of knowledge in the area. It can also be a starting point for other researchers seeking to examine brand equity building efforts of other new beer brands which will be introduced in the future.

### **1.8. Delimitation/Scope of the Study**

This study is limited in scope in that it will only focus on Walia beer consumers in Addis Ababa. It assesses the role of advertising and pricing on brand equity and brand equity dimensions of brand awareness, quality perceptions, brand associations and brand loyalty.

A study undertaken in a country wide scale will have a far more generalizable result although it requires more resources. However, due to financial and time constraints the study was geographically confined in Addis Ababa.

The study will take in to account the perception of consumers on advertising and pricing elements of the marketing mix and their impact on brand equity. It is acknowledged that there are other elements such as sales promotion, price deals and distribution which are not included in this study and have significant effect on brand equity dimensions and brand equity.

### **1.9. Organization of the Thesis Report**

The study is organized in five chapters.

Chapter one will include background of the study, statement of the problem, basic research questions, objectives of the study, hypothesis, definition of terms, significance of the study, scope and limitations of the study.

Chapter two covers review of relevant related literature. In this second chapter, various publications relevant to the research area was assessed. Literature related to brand awareness; brand loyalty, brand associations and quality perception, advertising and pricing was given a separate section to allow for further inquiry in to the body of literature. The conceptual framework and model used for the research will also be discussed under this chapter.

Chapter three encompasses research design and methodology, population and sampling, data collection methods and analysis. Justification of why such research design and methodology is chosen will also be discussed.

In chapter four results and discussion of the study is presented. Major findings from the study is discussed in detail with focus given to the relationship between marketing mix variables and brand equity dimensions and their impact on brand equity.

The last chapter presents the summary, conclusions and recommendations of the study. The summary of findings is made based on the results discussed under chapter four. Conclusions, recommendations and further area of research will also be pointed out in this section.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

This chapter will look at the theories related to brand equity and its dimensions and empirical findings from other studies. The development of hypothesis for the study is also discussed with relation to literature reviewed.

#### 2.1. The Meaning and Importance of Brand Equity

Several authors through the years have taken interest in defining and describing what brand equity means. Many of the literature treated brand equity from different perspectives with the major point of disparity lying in how to conceptualize, manage, and measure the phenomenon. The majority of views of brand equity can be grouped into firm or financial based perspectives and consumer based perspectives.

The first perspective, which is the firm based perspective focuses on explaining brand equity in terms of the added value it brings to the firm. Simon & Sullivan (1993, p. 29) defined brand equity as “*the incremental cash flows which accrue to branded products over and above the cash flows which would result from the sale of unbranded products.*” This definition illustrated how brand equity can be a superior source of cash flow compared to the cash flow from an unbranded product. The role brand equity plays in helping a strong brand command a price premium and attractive sales is also used pointed out in this perspective (Baldauf et al., 2003). Similarly, Shimp (2010) stated that the firm based perspective focuses on the role of brand equity in terms of enhancing the brand's value to its various stakeholders.

The other perspective of brand equity that has received significant attention from several researchers is the customer based brand equity. This perspective is also the approach taken by this study. The customer based brand equity concedes, “*The power of a brand lies in what customers have learned, felt, seen, and heard about the brand as a result of their experiences over time. In other words, the power of a brand lies in what resides in the minds*

*and hearts of customers”* (Keller, 2013, p.69). It is this view that puts consumers at the center of brand building efforts. Keller (2013) formally defined customer based brand equity as *“the differential effect that brand knowledge has on consumer response to the marketing of that brand* (p.69). This definition reflects upon how the level of knowledge consumers have about a certain brand will affect their reaction to the marketing efforts of a firm. Yoo *et al.* (2000) also taking the customer based approach defined brand equity as the difference in the consumers choice between a branded and unbranded product given the same level of product features. The most prominent authority in research related to brand equity, David Aaker defined brand equity as *“...a set of assets and liabilities linked to a brand, its name and symbol, that add or subtract from the value provided by a product or service to a firm and/or that firm’s customers”* (Aaker, 1991, p. 15). Aaker’s definition is grounded up on the multidimensionality of brand equity in that it defined brand equity as a *“set of assets and liabilities”* which are the dimensions of brand equity. These assets or liabilities stated in the definition are brand awareness, brand loyalty, perceived quality and brand associations. It is suggested by Yoo *et al.* (2000) by strengthening these dimensions of brand equity that brand equity can be created, maintained and expanded.

Most of the definitions and explanations of brand equity mentioned above show similarity in the way they give value to brand equity. Whether they define the term from the perspective of the firm or the customer, they all deal with the comparison between a branded and unbranded product and the ramification on cash flow to the firm, response of consumers to brands and marketing efforts. Therefore, it can be concluded that despite the different point of view held by various authors on explaining brand equity, the importance of brand equity in terms of adding value to consumers, businesses and shareholders would stand to be a point of agreement.

The importance of brand equity has been widely discussed among researchers. According to Shimp (2010), an increase in brand equity results in achieving a higher market share, increase in brand loyalty, being able to charge premium prices and earning a revenue premium. Aaker (1991) explained that brand equity adds value for both the customer and the firm. He stated that brand equity assets can affect customers’ confidence in the purchase decision. Among these brand equity assets perceived quality and brand associations are

believed to enhance customers' satisfaction of product usage. A brand with a strong brand equity commands premium prices, will have favorable response for its promotion activities, and could have a successful brand extension among other benefits (Keller, 1993; Aaker, 1996). It is due to the huge importance of brand equity that firms in every competitive industry strive to create, cultivate and manage strong brand equity. This can never be truer than in the world where consumers are bombarded with countless choices of products and face decision dilemma. A brand, which has succeeded in building strong brand equity, will have the at most advantageous point.

## **2.1. Customer Based Brand Equity Models**

Starting from the early days when the importance of brand equity was given recognition, several researchers have attempted to conceptualize and measure brand equity. One of the most prominent conceptualizations of brand equity were made by Aaker (1991) and Keller (1993, 2013). The models by these two authors are the most cited and utilized by many researchers (Eriksen, 2012). In this study also these models are highly relevant as the approach that is used in the study is based on customer based brand equity model.

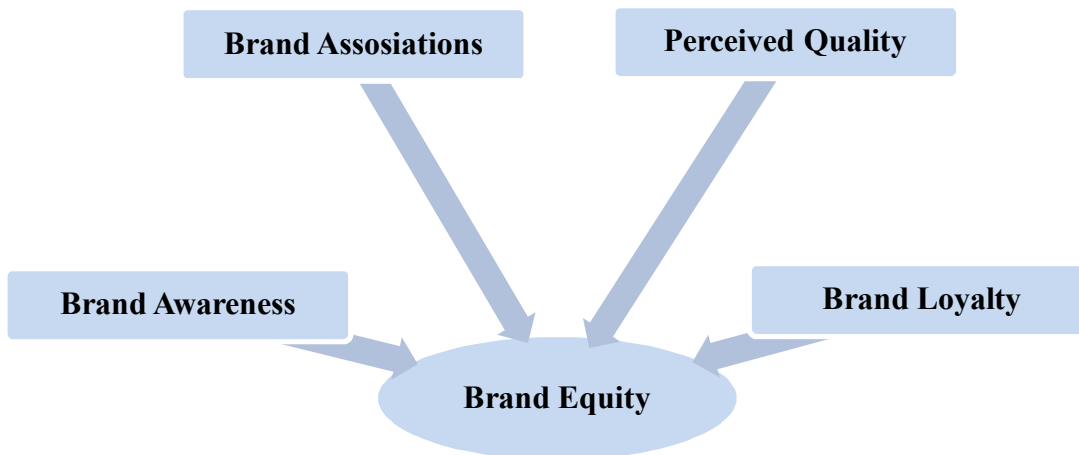
Aaker (1991), defined brand equity as “...a set of assets and liabilities linked to a brand, its name and symbol, that add or subtract from the value provided by a product or service to a firm and/or that firm's customers” (Aaker, 1991, p. 15). Aaker elaborated on this definition in by focusing on five distinct points. The first one is that brand equity is a set of assets categorized in to brand awareness, brand loyalty, perceived quality and brand association. Any attempt in managing brand equity is thus must involve the continuous investment to create and enhance these assets (Aaker, 1996).

The second point from the definition is the fact that brand equity creates value to a firm and its customers. Brand equity is said to create value to customers by enabling customers to process information about the brand and make informed purchase decisions. It will also make them feel confident in their purchase decision. After purchase decision is made customers can also achieve greater user satisfaction knowing what the brand is and what it stands for. Brand equity also creates value to a firm by enhancing efficiency and

effectiveness of marketing programs, creating brand loyalty, higher price margins. A firm may also undertake a successful brand extension and achieve a competitive advantage over other firms if it is successful in building strong brand equity (Aaker, 1991)

The third point from the definition underlies the assets of and liabilities should be linked to the name and symbol of the brand. According to Aaker (1996), “*if the brand’s name or symbols should change, some or all of the assets or liabilities could be affected and even lost, although some might be shifted to the new name or symbol*”. (p.8). The Model used by Aaker (1991) is shown in the figure 1 below.

**Figure 1: Aaker's Brand Equity Model**

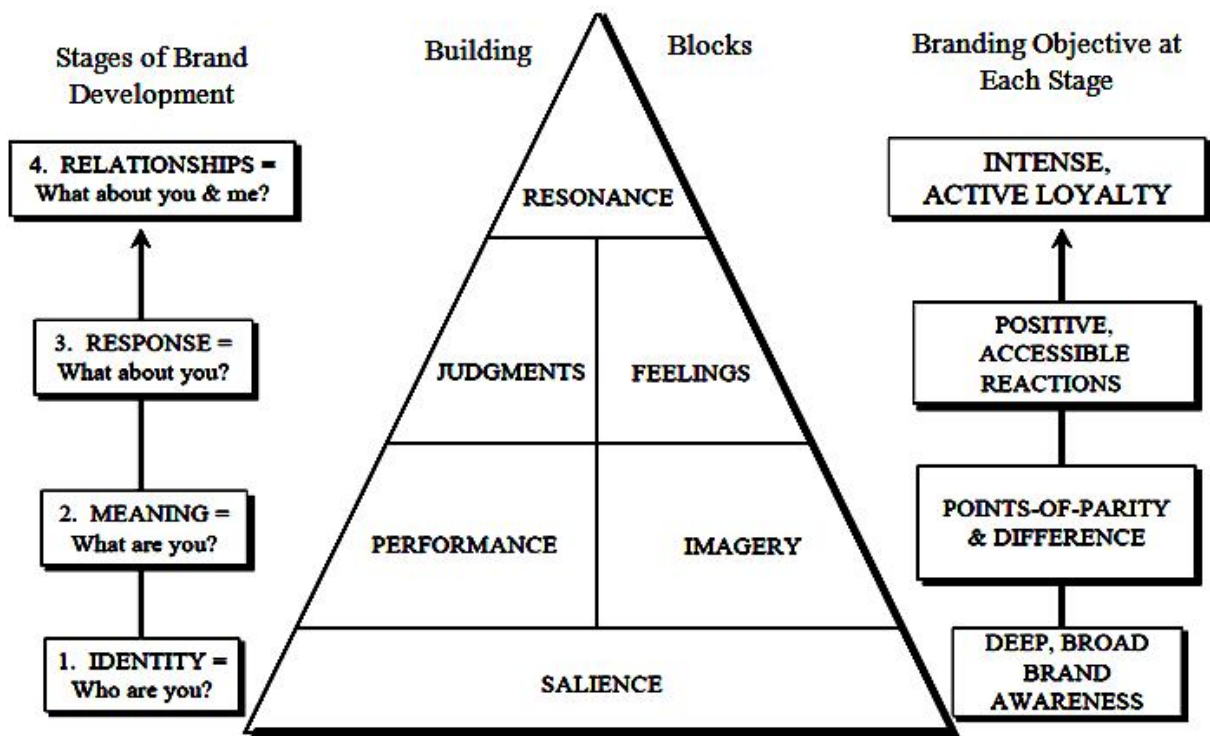


As depicted in Figure 1, brand equity is composed of four elements namely brand awareness, perceived quality, brand loyalty and brand associations. Discussions on this brand equity element and their relationship with brand equity is discussed in the later stages of the study.

Keller (1993, 2013) developed the other most notable model regarding brand equity. Keller (1993) defined customer based brand equity as “*the differential effect that brand knowledge has on consumer response to the marketing of that brand* (p.69). Keller’s customer based brand equity model states that brand equity occurs when consumers hold a favorable, unique and strong brand association in memory (Keller, 1993). The definition given above was

further elaborated by dividing the sentence in two three parts. First, brand equity arises from the difference in the consumers’ response towards different brands. Second, consumers react to different brands depending on the knowledge they have about the brand. Consumers may have used the product previously or have heard about it from various sources. According to Keller (2013), consumer knowledge about a brand can be shaped by the various marketing activities undertaken by a firm but brand equity “...ultimately depends on what resides in the minds and hearts of consumers” (Keller, 2013, p.69). Third, consumers’ different responses are reflected in their perceptions about the brands which are related to how the brand is marketed. Consumers accumulate knowledge about the brand from various promotional activities undertaken by a firm which in turn shapes their brand perception (Keller, 2013).

Figure 2 Keller's Customer Based Brand Equity (CBBE) Model



As shown in the figure 2 above Keller (2013), approached brand equity as a collection of stages that needs to be passed to achieve strong brand equity. These four steps of building

brand equity move from Identity, Meaning, and Response to Relationships. Below is given the definitions for the elements of the CBBE model as described by Keller (2009).

- ***Brand salience* is how easily and often customers think of the brand under various purchase or consumption situations.**
- ***Brand performance* is how well the product or service meets customers' functional needs.**
- ***Brand imagery* describes the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' psychological or social needs.**
- ***Brand judgments* focus on customers' own personal opinions and evaluations.**
- ***Brand feelings* are customers' emotional responses and reactions with respect to the brand.**
- ***Brand resonance* refers to the nature of the relationship customers have with the brand and the extent to which they feel they're 'in sync' with the brand. (Keller, 2009, pp.143-44)**

## **2.2. Relationship between Brand Equity and Brand Equity Elements**

Customer based brand equity is understood to be a multidimensional concept (Aaker, 1996; Keller, 1993; Kapferer, 2008; Yoo et al., 2000). The major focus in customer based brand equity model is what consumers think about a brand. This model suggests that measures of how a consumer perceives a brand are accurate reflection of how the brand is performing in the market place (Tong & Hawley, 2009). Aaker (1991) built its model of brand equity on five dimensions of brand awareness, quality perception, brand association, brand loyalty, and other proprietary assets. The first four of brand equity dimensions are discussed as the fifth dimension, other proprietary asset does not refer to the consumer.

### 2.2.1. Brand Awareness

Various authors have defined brand awareness in various ways. Aaker (1991) defined brand awareness as *“the ability of the potential buyer to recognize and recall that a brand is a member of a certain product category”* (p.61). In his subsequent book he also defined brand awareness as *“the strength of the brand’s presence in the consumer’s mind”* (Aaker, 1996, p.10). These two definitions indicate that brand awareness is not just simply recognizing the existence of the brand but rather the extent to which how easily consumers recall the brand which is vital in purchase situations. Keller (2013) also defined brand awareness as *“customers’ ability to recall and recognize the brand under different conditions and to link the brand name, logo, symbol, and so forth to certain associations in memory”* (p.108).

Aaker (1991) discusses about the brand awareness pyramid which is arranged in to brand recognition, brand recall and top of mind in an increasing strength. The lowest level of the pyramid is ‘brand recognition’ which is *“...the minimal level of brand awareness”* (Aaker, 1991). In this case consumers will be presented with different brand names form a product category and will be asked if they have previous exposure to the brands. The next level in the brand awareness pyramid is ‘brand recall’. It is a stronger level of brand awareness where the consumers are presented with a product category and asked to name products that comes to mind. The last part of the pyramid is ‘top of mid awareness’. This refers to the first brand mentioned by the consumer in a brand recall test (Aaker, 1991).

Keller’s (2013) definition focuses on the breadth and depth of brand awareness. The depth of brand awareness refers to the likelihood and the ease with which the consumer remembers the brand elements of a certain brand. Keller (2013) stated that *“a brand we easily recall has a deeper level of brand awareness than one that we recognize only when we see it”* (p. 108). The breadth of brand awareness measures the range of purchase and usage situations or occasions a brand comes to mind (Keller, 2013).

Brand awareness can provide a foundation for brand equity (Kotler & Keller, 2012). The role brand awareness plays in building brand equity has been highlighted by several researchers. Customer based brand equity develops when consumers have high level of brand awareness

and familiarity and hold strong favorable and unique brand associations in their memory (Atilagn et al., 2005). The brand awareness is indicated to have a positive impact on brand equity by several researchers. Tolba & Hassan (2009), using structural equation modeling, have found out that a consumer's knowledge equity which is composed of brand recognition and recall has a direct positive impact on brand preference and brand equity. A study undertaken on beverage industry in Pakistan also indicated the existence of positive association between brand awareness and brand equity (Yab et al., 2014).

Several researchers have questioned the ability of brand awareness to stand as an independent construct as a predictor of brand equity by citing the strong correlation between brand awareness and brand association (Atilagn et al., 2005; Yoo et al., 2000; Yoo & Donthu, 2001). These authors choose to merge brand awareness with brand association and used a three dimensional brand equity measure composed of brand associations with brand awareness, perceived quality and brand loyalty. In support of this, it is argued that for an existing product brand awareness might not be strong predictor of brand equity (Mohan & Sequeira, 2012). In his study of the mature beer market of Europe, Porral et al., (2013) stated for an already well known brand the brand awareness dimension has lower impact on beer brand equity.

In this study however, the beer brand under investigation, Walia, is a new beer brand and the beer market in Ethiopia is continuously growing. Therefore, the brand awareness dimension is used independently from that of the brand association dimension.

*H1a: Brand awareness significantly and positively affects brand equity.*

### **2.2.2. Brand Associations**

Aaker (1991) defined brand associations as “anything linked in memory to the brand” (p.109). These brand associations will form the image of a brand, which is a set of brand associations organized in a meaningful way (Aaker, 1991). Keller (2013) defines brand image as “consumers’ perceptions about a brand, as reflected by the brand associations held in consumer memory” (p.72). Keller (2013) stated the creation of these unique,

favorable, and strong brand associations would initiate differences in customers' response leading to the creation of brand equity.

Aaker (1996), in his brand equity ten model structured the measurement of brand associations in to three perspectives: "*brand as a product, brand the brand as product (value), the brand as person (brand personality), and the brand-as-organization (organizational associations)*" (p.111). Brand as a product focuses on the value proposition of the brand or the functional benefit of the brand. The second perspective of brand association is brand-as-a person that refers to the brand's emotional and self-expressive benefits. The last perspective of brand association is brand-as-an organization. This perspective considers the people values and programs of the organization behind the brand (Aaker, 1996).

Keller (1993) also classified brand associations in to three categories with intensifying scope: attributes, benefits, and attitudes. The first category is attributes that refers to what the consumer thinks the product is. Attributes are further classified in to product related attributes and non-product- related attributes. Benefits on the other hand refer to the personal value consumers attach to the attributes of a product. These are also classified in to functional, experiential, and symbolic benefits. The last category, brand attitudes refers to the overall evaluation of the brand, which forms the base for consumer behavior (Keller, 1993).

Several studies indicated brand associations to be a strongly related to brand equity in the beverage industry (Atilagn et al., 2005). A study undertaken on the soft drinks category using structural equation modeling has revealed that brand image has a positive significant impact on brand equity and suggested companies engaged in the soft drinks business should strive to build brand image (Alhaddad, 2014). A study undertaken by Porral et al., (2013) also found out brand association to be the strongest predictor of brand equity in the beer sector.

In this study brand association is treated as a separate dimension in the four dimensional brand equity model as supported in (Pappu et al., 2005). The following hypothesis is proposed to find out the impact of brand associations on brand equity.

*H1b: Brand associations or image significantly and positively affects brand equity*

### **2.2.3. Brand Loyalty**

Brand loyalty is a core dimension of brand equity measured by the level of attachment the consumer has with a brand (Aaker, 1991). Keller (2013) discussed about brand loyalty in his brand resonance model stating active loyalty is what characterizes brand resonance. Belch & Belch (2003) defined brand loyalty as a preference by consumer for a particular brand that results in continuous purchase of it. Brand loyalty can also be a source of predictable and secure demand for a firm in addition to being barrier for potential entrants (Kotler & Keller, 2012).

Achieving a high degree of loyalty is a vital part of the branding process (Heding et al., 2009). Brand loyalty is of “...*sufficient importance that other measures, such as perceived quality and associations, can often be evaluated based on their ability to influence it*” (Keller, 1993, p.106). Keller’s (2013) and Aaker’s (1991) outlook on brand loyalty indicates that it is the closest dimension to brand equity. The presence or lack of brand loyalty will often determine the value of the brand (Aaker, 1996). Kotler & Keller (2013) have identified four groups of consumers based on loyalty status. Hard-core loyalist would only buy a single brand name all the time, split loyalist are loyal to two or three brands. Shifting loyalist constantly shift their loyalty from one brand to the other whereas switchers are not loyal to any brand (Kotler & Keller, 2012).

Javalgi & Moberg (1997) classified brand loyalty in to behavioral, attitudinal, and choice perspectives. Amount of purchases made for a specific brand represents the behavioral perspective of brand loyalty. Attitudinal perspective includes consumer preferences towards brands where as the choice perspective assesses the reason to buy or the factors that influence it (Javalgi & Moberg, 1997; Mellens et al., 1996). A study undertaken in

Malaysian fast food sector found out that attitudinal loyalty plays a key role in explaining the relationship between other brand equity dimensions and brand equity (Tan, 2012)

Several researchers identified brand loyalty as the most influential dimension of brand equity (Atilagn et al., 2005; Yoo et al., 2000). A study undertaken in the Chinese sportswear market identified brand association and brand loyalty to be the most influential dimensions of brand equity (Tong & Hawley 2009). A similar study undertaken in Indian FMCG industry also identified brand association and brand loyalty as the most influential (Mohan & Sequeira, 2012). A study by Porral *et al.* (2013) however found out that brand loyalty as the third influential dimension behind brand association and perceived quality. In this study, it is very important to find out if beer consumers are developing brand loyalty for the new beer brand and if brand loyalty is contributing to the brand building activity. In the following hypothesis is proposed in order to investigate this occurrence.

*H1c: Brand loyalty significantly and positively affects brand equity.*

#### **2.2.4. Perceived quality**

Aaker (1991) defined perceived quality as a customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives. Perceive quality is originally part of brand association that has been elevated to a level of one of the brand assets. This is due to three basing reasons. First, perceived quality contributes to a firm's financial performance by improving Return on Investment (ROI). According to Aaker (1996), various studies show that perceived quality has greater impact on ROI more than the impact of marketing expenditure and Research and Development activities through enhancing price premiums, customer satisfaction, and driving stock prices. Second, many firms consider perceived quality as a key strategic variable which can be a source of competitive advantage and successful positioning. Third, an improvement in perceived quality will improve the other elements of brand Identity and how consumers perceive the brand in general (Aaker, 1996).

Perceived quality is also defined as “*the consumer’s judgment about a products overall excellence or superiority*” (Zeithami, 1988). Keller (2013) on the other hand described perceived quality to be the most important component of customers’ attitude towards a brand and a major factor leading to purchasing decision. Aaker (1991) highlighted how perceived quality of a brand is able to create value for both customers and firms as described below.

- ***Reason-to-buy:*** A customer often will lack the motivation or the ability to obtain and sort out the information that might lead to an objective determination of quality in a given application.
- ***Differentiate/Position:*** Perceived quality can be a principal positioning characteristic of a brand.
- ***A price premium:*** A perceived quality advantage provides the option of charging a premium price.
- ***Channel Member Interest:*** Perceived quality can also be meaningful to retailers, distributors, and other channel members, and thus aid in gaining distribution.
- ***Brand Extension:*** A strong brand with respect to perceived quality will be able to extend further, and will find a higher success probability than a weaker brand. (Aaker, 1991, p.97)

Several studies focused on examining the impact of perceived quality on brand equity exist (Yab et al., 2014; Yoo et al., 2000; Atilagn et al., 2005). Atilagn et al. (2005) in their study of the beverage industry in Turkey found out that perceived quality is a significant predictor of brand equity. Similarly, Porral et al., (2013) in their study of he beer market in Spain found out that perceived quality is the second most important contributor to beer brand equity next to brand association. Therefore it is proposed in this study that

*H1c: Perceived quality significantly and positively affects brand equity.*

### 2.3. Advertising and Elements of Brand Equity

Advertising is defined as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor via print media, broadcast media, network media, electronic media, and display media (Kotler & Keller, 2012). Advertising as part of the marketing communication mix contributes to building brand equity by enhancing brand awareness, brand associations, positive judgments, and feelings (Keller, 2013). Aaker (1991) stated that when consumers see an advertising repetitively they will consider the company is spending money to support the brand which translates to the feeling that the brand is good. Yoo et al., (2000) indicated that perceived advertising spend plays a direct role in the consumer's psychology than actual marketing efforts. Therefore, this study will focus on the perception of consumers about the level of advertising spending by Walia beer and its impact on brand awareness, perceived quality, brand associations, and brand loyalty.

Advertising is an efficient way to achieve brand awareness as the message can be tailored to what is desired by the company to be communicated (Aaker, 1991). Yoo et al., (2000) found out that high level of perceived advertising spending has a positive association with brand awareness and is part of a brand building activity. A brand that has high advertising spending also commands higher level of brand awareness (Cobb-Walgren et al., 1995; Simon & Sullivan, 1993). Chattopadhyay, et al (2010) found out that advertising frequency is positively related to brand awareness. A study of perceived advertising spending on one of malaysias noodle brands found out that perceived advertising spending had no significant impact on brand equity and its dimensions (Tamara, 2014). The author attributed this to the fact that instant noodles are cheap and readily available which makes consumers to rely more on the actual consumption experience for judgment. However, many other researchers in their study across various product segments supported the impact of perceived advertising spending on brand awareness, quality perception, brand associations and brand loyalty (Villarejo & Sánchez, 2005; Selvakumar & Vikkraman, 2011).

Yoo et al. (2000) stated that, *“as consumers are exposed to a brand's advertising more frequently, they develop not only higher brand awareness for the products but also more positive perception of brand quality, which will lead to strong brand equity”* (pp.206-07).

Kirmani & Wright (1989) and Klein & Leffler (1981) as cited in Chattopadhyay et al. (2010) suggested that perceived expense of a brand's advertising campaign could influence consumers' expectations of product quality. A study undertaken on the impact of perceived advertising found significant and positive effect on brand awareness, brand associations, and image but not on perceived brand quality (Taleghani & Almasi, 2011).

Perceived advertising spending is also linked with the level of brand loyalty shown by consumers. This is because advertising plays the role of reinforcing consumers brand related beliefs and attitudes, which in turn increase, brand loyalty (Shimp, 2010). Yoo et al. (2000) even stated, *"One of the major reasons for a decrease in consumer loyalty is the decrease in advertising spending"* (p.207).

Based on the above literature, the following hypothesis is proposed.

H2a: Perceived Advertising spending significantly and positively affects brand awareness.

H2b: Perceived Advertising spending significantly and positively affects perceived quality

H2c: Perceived Advertising spending significantly and positively affects brand loyalty.

H2d: Perceived Advertising spending significantly and positively affects brand associations or image.

#### **2.4. Perceived Price and Elements of Brand Equity**

Various studies indicated that consumers do not usually remember actual products they buy (Zeithami, 1988). Yet, they encode and organize price information in a way that gives meaning to them, which will be the perceived price of the product (Dickson & Sawyer, 1985). Keller (2013) stated consumers process price information and interpret prices based on their knowledge from previous purchasing experience, formal communications such as

advertising, informal communications from friends or family members, and point-of-purchase or online information.

According to Zeithmal (1988), perceived price refers to how the consumers use price as an important extrinsic cue and indicator of product quality. Compared with low priced brands, high priced brands are often perceived to be of higher quality and less vulnerable to competitive price cuts. Yoo *et al.* (2000) found a positive relationship between perceived price and quality perceptions. Teleghani and Almasi (2011), in their study of insurance companies found out that perceived price has a significant effect on brand equity dimensions.

Several researchers found the effect of perceived price of a product to be limited to the perceived quality dimension of brand equity (Yoo *et al.*,2000; Chattopadhyay *et al.*, 2010). Yoo *et al.*, (2000) stated that there is no significant relationship between price and brand loyalty, brand association and brand loyalty. Although price can be used as a cue for product quality it may not affect brand loyalty as brand loyal customers are less price sensitive. Yoo *et al.*, (2000) also found no directional relationship between perceived price of a product and brand associations and stated “*both low and high prices can be equally strongly linked to the brand in memory for the benefits that each brings to consumers*” (p.199). Similarly, there is no significant relationship between perceived price and brand awareness as consumers can be equally aware of both high quality and low quality products (Yoo *et al.*,2000; Chattopadhyay *et al.*, 2010).

This study, as per Yoo et al., (2000) conceptualization proposes a high perceived price to yield and positive quality perception.

*H1e: Consumer price perception significantly and positively affects perceived quality.*

Finally, the study will discuss impact of perceived advertising and pricing on brand equity through the mediating effect of brand equity dimensions. Each of the brand equity dimensions contribute positively to brand equity if each of these marketing mix element affect brand equity dimensions positively (Yoo et al., 2000).

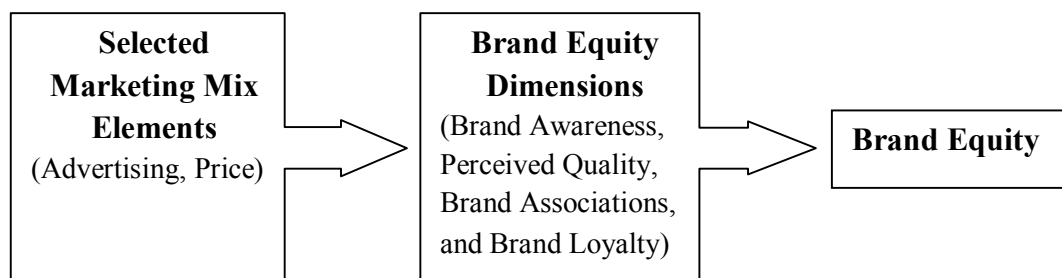
## 2.5. Proposed Conceptual Model

Conceptual model helps to visualize ideas and allow to clearly illustrate how things are related. For this study, conceptual models served to depict causal relationships, which were operationalised, tested and verified (Jonker & Pennink, 2010). As this study attempts to look at the brand building efforts of firms from the customers' perspective, it will employ the model developed by Aaker (1991). As stated in this model, dimensions of brand equity will determine the level of brand equity.

Yoo et al. (2000) has developed a model to test effects consumers' perceptions of the marketing activities of a firm on the dimensions of brand equity. The model tested the effect of marketing mix elements on overall brand equity indirectly through their impact on brand equity dimensions. Yoo et al. (2000) rationalized the choice of studying consumers' perception by stating, "*Actual marketing efforts cannot change consumer behavior unless consumers perceive them to exist*" (p.200).

Based on the conceptualizations of Aaker (1991) and Yoo *et al.* (2000), this study proposes a conceptual model where two of the marketing mix elements: Price and advertising impact brand equity dimension which in turn affects brand equity. Figure 3 below depicts the proposed conceptual model and the causal relationship between the three constructs.

**Figure 3 Proposed Conceptual Model**



Adopted from Yoo et al. (2000) & Aaker (1991)

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This chapter deals with the research design and methodology aspect of the research. The conceptual framework of the study, methods of data collection and analysis are discussed in detail, together with other issues in relation to research design and methodology.

#### **3.1. Research Design**

A research design refers to a complete plan for a data collection in an empirical research project. It is a “blueprint” for empirical research aimed at answering specific research questions or testing proposed hypothesis (Bhattacharjee, 2012). This research follows a quantitative research design.

The study after a thorough look at the available related literature review proposed a conceptual framework, which was used as a point of reference throughout the study. Research in social science mostly employs theoretical constructs by operationalizing them in to variables to allow for empirical testing (Bhattacharjee, 2012). This study will adopt a set of independent and dependant variables from the conceptual model presented in Figure 3 to undertake empirical testing. This empirical testing involved included forming two sets of hypothesis that were used to investigate the presence of causal relationship between; first, the selected marketing mix elements and brand equity dimensions and second between brand equity dimensions and brand equity.

Using a non-probability convenience sampling, data was collected from a population of Walia beer consumers in Addis Ababa though structured questionnaires adopted from extensively cited research works by Aaker (1991) and Yoo et al.(2000).

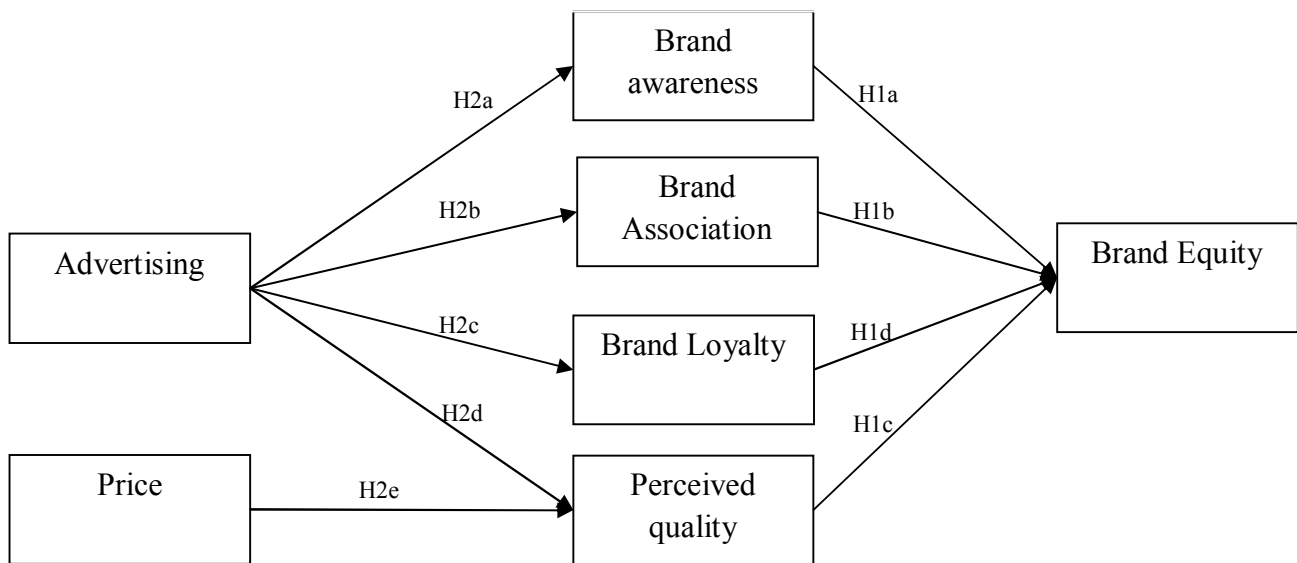
Descriptive analysis was undertaken followed by validity, reliability tests to make sure the measurements are consistent, and adequately cover the construct under study. Structural

Equation Modeling (SEM) was used to investigate causal relationships between the independent and dependant variables under study.

### 3.2. Conceptual Framework

Based on the conceptual model proposed in the previous section under Figure 3 the study proposes the following conceptual framework operationalised to be empirically tested. Operationalisation in this case changes the theoretical construct into a concept that can be “seen” in the empirical reality (Bhattacharjee, 2012).

Figure 4 Proposed Framework & Hypothesized Relationships



Adopted from Yoo et al. (2000) & Aaker (1991)

As depicted in Figure 4 there are a total of nine hypotheses proposed in the study. Advertising is proposed to have a positive direct effect on all four-brand equity dimensions of brand awareness, brand association brand loyalty, and perceived quality. However, price is proposed to have a direct significant effect only on perceived quality Yoo *et al.* (2000). According to Yoo *et al* (2000) no directions relationship exists between price, brand loyalty, and brand association. How consumers perceive the price of a product All the four brand equity dimensions are also proposed to have a direct positive impact on brand equity.

Finally, the indirect effect of advertising and pricing was investigated through the mediation of brand equity dimensions.

### 3.3. Population and Sampling Techniques

The population for this study comprises beer consumers in Addis Ababa who have tried Walia beer at least once. Consumers in bars and restaurants around major beer chain areas were targeted for ease of access. The areas identified were Bole Sub-City, Arada Sub-City, and Lideta Sub-City. Five bars from each Sub-City will be selected for the study.

The study used a non-probability convenience sampling technique. This method was selected because it is not realistic to use a probability sampling techniques, as it is difficult to take in to account all beer consumers in Addis Ababa who tried Walia beer at least ones.

A sample refers to a subset of a population selected for observation and statistical inference about the population (Bhattacharjee, 2012). To undertake this consumer survey, the sample size for the study must be defined first. An estimation of appropriate sample size will be calculated by using a formula stated in Figure 5 below. In order to determine the sample size, a judgment about the confidence level and the maximum allowance for random sampling error should be determined. An estimation of the expected proportion of success must also be considered (Kothari, 2004). In this case, a more conservative proportion of success (p) which is 50% was selected together with a level of confidence of 95% (z), a sampling error no greater than 5% (e). This resulted in a sample size of 384 people for the study.

**Figure 5 Statistical Formula for Sample Size for Proportions**

$$n = \frac{z^2 \cdot p \cdot q}{e^2}$$

n = Sample size  
e = Acceptable error  
p = Proportion of success  
q = Proportion of failure  
z = Standard variant at a given confidence level

*Adopted from Kothari (2004)*

### **3.4. Instruments of Data Collection**

In order to achieve the objectives of this survey research and effectively undertake data analysis in the later stages of the research, a structured questionnaire was used to collect information from respondents. Structured questionnaires are important as they could be aggregated into composite scales for statistical analysis (Bhattacharjee, 2012).

The structured questionnaires had statements, which measured variables such as perceived price, advertising spend, brand awareness, perceived quality, brand associations and brand loyalty. These constructs to be used in the study were taken from studies from Yoo *et al.* (2000) and Aaker (1996). A five point likert scale ranging from “I strongly disagree to I strongly Agree” was used to record data from respondents.

### **3.5. Procedures of Data Collection**

Yoo *et al.* (200) stated that respondents who are exposed to or had experience with a particular brand are better suited to provide a reliable and valid response to questionnaire. In this study, respondents in a total of fifteen bars and restaurants located in three Sub-Cities were targeted. The respondents were asked if they have tried Walia beer and if they were willing to participate in the survey. Then they were given questionnaires to fill in their thoughts based on their perceptions, experience and prior exposures.

### **3.6. Methods of Data Analysis**

After data was collected and organized, descriptive analysis took place to present the respondents demographic characteristics. Descriptive statistic such as mean, percentages and frequency distributions, were prepared before a deeper analysis of data.

The major statistical methodology that was used in this study is the Structural Equation Modeling (SEM). This method was selected due to the extensive application of the methodology by several authors who have previously used the method to test their proposed

hypothesis (Atilagn, et al., 2005; Yoo, et al., 2000; Pappu, et al., 2005; Netemeyer, et al., 2004).

The nine main hypothesis developed by this study were tested by SEM. Fit to measurement and fit to structure measures were undertaken to make sure that the measurement model is adequate, the parameters are estimated and hypothesis was tested.

## CHAPTER 4

### RESULTS AND DISCUSSION

This chapter will present the results of the data analysis carried out in this study. The demographic composition of the study samples is discussed along with their beer drinking habits. Subsequently, reliability and validity test results for the study's measurement model is discussed. Finally, the structural model and the hypothesized relationships between the independent and dependant variables are presented and discussed using SPSS 21.0 and AMOS 20.0 software.

#### **4.1. Demographic Characteristics of the Sample**

A total of 384 questionnaires were distributed from which 334 were returned which accounts to 87% response rate. However, 10 questionnaires (2% of the total questionnaire distributed) were rejected due to high missing values and due to responses which indicated respondents lack of engagement with the questionnaire.

As described in Table 4.1 below, the majority of the respondents surveyed are middle-aged consumers between the ages of 26-35 year accounting for 38.9% of the total respondents followed by consumers aged between 18-25 years and 36-50 years who are 32.7% and 22.5% of the total respondents respectively. Consumers above the age of 51 year constituted less than 6% of the total respondents in this survey.

Most of the respondents in this survey are male beer drinkers (71.6%) where female drinkers only account for 28.4% of the respondents. This reflects the male dominated nature of the beer market where male beer drinkers take the lion share of beer consumption.

Regarding level of education, the proportion is evenly distributed among those who finished high school and those who have a B.A degree and above with each accounting for 26.5% of

the respondents. Those who hold college diploma constitute 29.3% of the respondents while respondent who have a level of education below 12<sup>th</sup> grade are 17.6% of the population.

Table 4.0-1 Demographic Characteristics and Beer Consumption Habits of the Respondents

<b>Variables</b>		<b>Frequency</b>	<b>Percentage</b>
Age	18 - 25 Years	106	32.7
	26-35 Years	126	38.9
	36-50 Years	73	22.5
	Above 51 Years	19	5.9
Gender	Female	92	28.4
	Male	232	71.6
Level of Education	Under 12th Grade	57	17.6
	Completed High School	86	26.5
	College Diploma	95	29.3
	B.A. Degree & Above	86	26.5
Monthly Income	Less than 1000	61	19
	1000-2500	119	37
	2501-5000	91	28
	5001 and over	43	13
	Missing Value	10	3
Beer Drinking Frequency	Several times per year	53	16.4
	Occasionally	146	45.1
	Several times per week	85	26.2
	Once per week	24	7.4
	Daily consumption	16	4.9

As indicated in the table above, most of the respondents (37%) earn a monthly income in the range of 1000-2500 birr followed by respondents earning between 2501-5000 birr who are 28% of the sample in the study. About 13% of the respondents earn monthly income of more than 5000 birr where as 19% percent live on a monthly income of less than 1000 birr. Monthly income data for ten respondent (3%) was missing.

Most of the consumers surveyed are occasional beer drinkers (45.1%). Significant portions of the respondents drink beer several times a week (26.2%) and several times a year (16.4%). Beer consumption on a weekly and daily basis very low and comprises about 7.4% and 4.9% respectively.

## **4.2. Measures of Normality, Reliability and Validity**

### **4.2.1. Normality**

The normality of the population distribution is the basis for making statistical inferences about the sample drawn from the population (Kothari, 2004). Most studies, which involve statistical procedure, work under the assumption that observations have normal distribution. Any violation of the normality rule may lead to overestimation or underestimation of the inference statistic (Marczyk et al., 2005). In order to examine normality one has to measure each variable's skewness, which looks at lack of symmetry of distribution, and kurtosis, which looks at whether data collected, are peak or flat with relation to normal distribution (Marczyk *et al.*, 2005).

Table 4.2 below describes the level of skewness and kurtosis for the seven constructs, which constitute 25 variables. The general rule-of-thumb for test of normality varies depending on the nature of the research. The common one mostly suggested mentioned in literature for both kurtosis and skewness to be between -2 and +2 (George & Mallery, 2010). As indicated in the table below, skew and kurtosis measures for this study are well within that range between -1 and +1 values. Therefore, the data for this study is normally distributed.

Table 4.2 Skewness and Kurtosis

<b>Constructs</b>	<b>Skew</b>	<b>Kurtosis</b>
Brand Equity	-0.52	-0.64
Perceived Quality	-0.50	-0.12
Loyalty	-0.36	-0.86
Brand Association	-0.66	-0.23
Brand Awareness	-0.93	0.27
Price	0.54	-0.25
Advertising	-0.84	0.15

#### **4.2.2 Reliability of the Measurement Scale**

The most common measure of the reliability of a measurement scale is Cronbach's alpha which is often considered as the lower bound estimate of reliability (Raykov, 1997). Most researchers consider a Cronbach's alpha value of more than 0.7 and above as an indicator of high internal consistency of the measurement scales (Hair et al., 1998). Other researchers consider a Cronbach's alpha of 0.8 and higher as a signal for internal consistency and urge a low alpha score warns the existence of a measurement item which is unreliable (Ho, 2006).

In this study, Cronbach's alpha is well over 0.7 and all 25 items of the seven constructs were found to be reliable and hence, internally consistent. Therefore, the study considered each of the variables for further investigation. the results of the reliability measure are presented in Table 4.3 below.

Table 4.3 Cronbach's alpha reliability measure

Variable Name	Cronbach's Alpha	No. of Items
Advertising	.86	3
Price	.88	3
Brand Awareness	.95	2
Perceived Quality	.90	5
Brand Associations	.85	4
Brand Loyalty	.90	4
Brand Equity	.95	4
Overall	.95	25

#### 4.3. Composite Reliability and Construct Validity of the Measurement Model

Structural Equation Modeling (SEM) is divided in two parts namely the *measurement model* and the *structural equation model* (Ho, 2006). The measurement model deals with the description of the rules governing how latent variables are measured in terms of observed variables. The structural model on the other hand measures the relationships among dependant and independent variables according to the hypothesized relationships (Ho, 2006).

Several researchers hold a skeptical view of the reliability of the Cronbach's alpha as measure of reliability (Hair *et al.*, 1998; Bollen, 1989). According to Bollen (1989), alpha is not a desirable measure of reliability for a mutidimensional construct. Therefore, it is appropriate to undertake a more stringent reliability test for the measurement model used in this study.

Composite Reliability (CR) measures the overall reliability of a group of similar items interms of the extent to which latent constructs share in their measurement of a construct (Hair *et al.*, 1998). A composite reliablity score of 0.7 or more is recommended by several reaserchers to establish the reliability of the model (Hair *et al.*, 1998). As indicated in Table

4.4 below composite reliability for all constructs is well above the cut-off level of 0.7 being in the range of 0.857 to 0.955.

Construct validity refers to the degree to which a measure actually assesses the theoretical construct it is meant to assess and is often assessed through CFA (Fornell et al., 1981). It consists of face validity, convergent validity, discriminant validity, and nomological validity where convergent validity and discriminant validity can be statistically measured (Hair et al., 2010).

### **Convergent Validity**

Convergent validity is part of the construct validity which measures whether the variables in the same factor correlate well with each other and adequately explain the latent variable (Fornell *et al.*, 1981). Convergent validity is measured by the Average Variance Extracted (AVE) which is a measure of the extent the Latent Variable (LV) is explained by its observed variables (Hair *et al.*, 2010). The AVE should be more than 0.5 and greater than the value of CR for convergent validity to hold. AVE for this study ranges from 0.602 to 0.906 which shows the presence of convergent validity (see Table 4.4).

### **Discriminant Validity**

Discriminant validity examines whether variables correlate more with other variables outside their latent factor which poses the question that the latent variable is better explained by other variables outside of the construct (Hair *et al.*, 2010). This validity is measured by the *shared variance* which is the extent a variable can be explained in another variable. Fornell et al. (1981) stated the thresholds for discriminant validity is both the Maximum Shared Squared Variance (MSV) and the Average Shared Squared Variance (ASV) to be less than the Average Variance Extracted (AVE). In addition, the square root of AVE of each construct should be larger than the correlation of that particular construct with any of the other constructs (Chin, 1998). As indicated in table 4.3 both MSV and ASV are less than AVE. Table 4.4 also indicates the square root of AVE which is put on diagonal part of the table, is

greater than any of the specific construct's correlation with other constructs which indicates the model fulfils discriminant validity.

Table 4.4 Validity and Reliability Table

	<b>CR</b>	<b>AVE</b>	<b>MSV</b>	<b>ASV</b>
Loyalty	0.904	0.703	0.621	0.368
Advertising	0.910	0.774	0.392	0.264
Price	0.902	0.755	0.036	0.019
Brand Awareness	0.951	0.906	0.457	0.340
Perceived Quality	0.898	0.640	0.627	0.383
Brand Association	0.857	0.602	0.557	0.362
Brand Equity	0.955	0.843	0.627	0.426

Table 4.5 Factor Correlation Matrix with Square Root of AVE on the Diagonal

	<b>Loyalty</b>	<b>Advertising</b>	<b>Price</b>	<b>Brand Awareness</b>	<b>Perceived Quality</b>	<b>Brand Association</b>	<b>Brand Equity</b>
Loyalty	<b>0.839</b>						
Advertising	0.549	<b>0.880</b>					
Price	0.102	0.189	<b>0.869</b>				
Brand Awareness	0.551	0.626	0.168	<b>0.952</b>			
Perceived Quality	0.711	0.523	0.103	0.671	<b>0.800</b>		
Brand Association	0.681	0.557	0.074	0.638	0.656	<b>0.776</b>	
Brand Equity	0.788	0.519	0.154	0.676	0.792	0.746	<b>0.918</b>

#### 4.4. Confirmatory Factor Analysis of the Measurement Model

Performing a confirmatory factor analysis is a vital first step to analyzing the structural model. A poor fit of data to the measurement model at this stage will mean that changes have to be made to the model (Ho, 2006). All the latent variables during the CFA were allowed to load on their respective constructs.

Model fit criteria suggested by Hu and Bentler (1999) as cited in (Tong & Hawley, 2009), were used for both the measurement and the structural model. These include  $(\chi^2)/df$ , goodness of fit (GFI), adjusted goodness of fit index (AGFI), comparative fit index (CFI), root mean square residual (RMR), normed fit index (NFI), incremental fit index (IFI), and root mean square error of approximation (RMSEA). Acceptable models should have  $(\chi^2)/df \leq 3$ ,  $AGFI \geq .80$ ,  $RMSEA \leq 1.0$ , and GFI, NFI, IFI and CFI greater than 0.90.

The confirmatory factor analysis as presented in Table 4.6 below indicated that all of the 25 measurement variables are significantly represented by their respective latent constructs. The factor loadings for each of the measurement variables are significant with t-values more than 1.96. The absolute model fit represented by chi-square goodness-of-fit test shows that the model did not fit the data well,  $\chi^2 (N = 325, df = 253) = 495.407, p < .05$ . However, several authors acknowledge this is mostly the case for a data, which is considered large (324) and resort to other model fit criteria (Hair et al., 2010; Ho, 2006).

Table 4.7 Confirmatory Factor Analysis

Observed Indicators		Latent Variables	Factor Loadings	t-values <sup>3</sup>
AD1	<---	<b>Advertising</b> ( $\alpha^1 = 0.86, CR = 0.91,$ AVE = 0.77)	0.943	
AD2	<---		0.705	16.419
AD3	<---		0.967	33.025
P1	<---	<b>Price</b> ( $\alpha = 0.88, CR = 0.90,$ AVE = 0.75)	0.914	-. <sup>2</sup>
P2	<---		0.869	20.584
P3	<---		0.822	19.068
BA1	<---	<b>Brand Awareness</b> ( $\alpha = 0.95, CR = 0.95,$ AVE = 0.90)	0.948	-
BA2	<---		0.956	30.281
PQ1	<---	<b>Perceived Quality</b> ( $\alpha = 0.90, CR = 0.89,$ AVE = 0.69 1)	0.858	-
PQ2	<---		0.892	20.962
PQ3	<---		0.715	14.78
PQ4	<---		0.777	16.773
PQ5	<---		0.743	15.686
ASO1	<---	<b>Brand Associations</b>	0.761	-

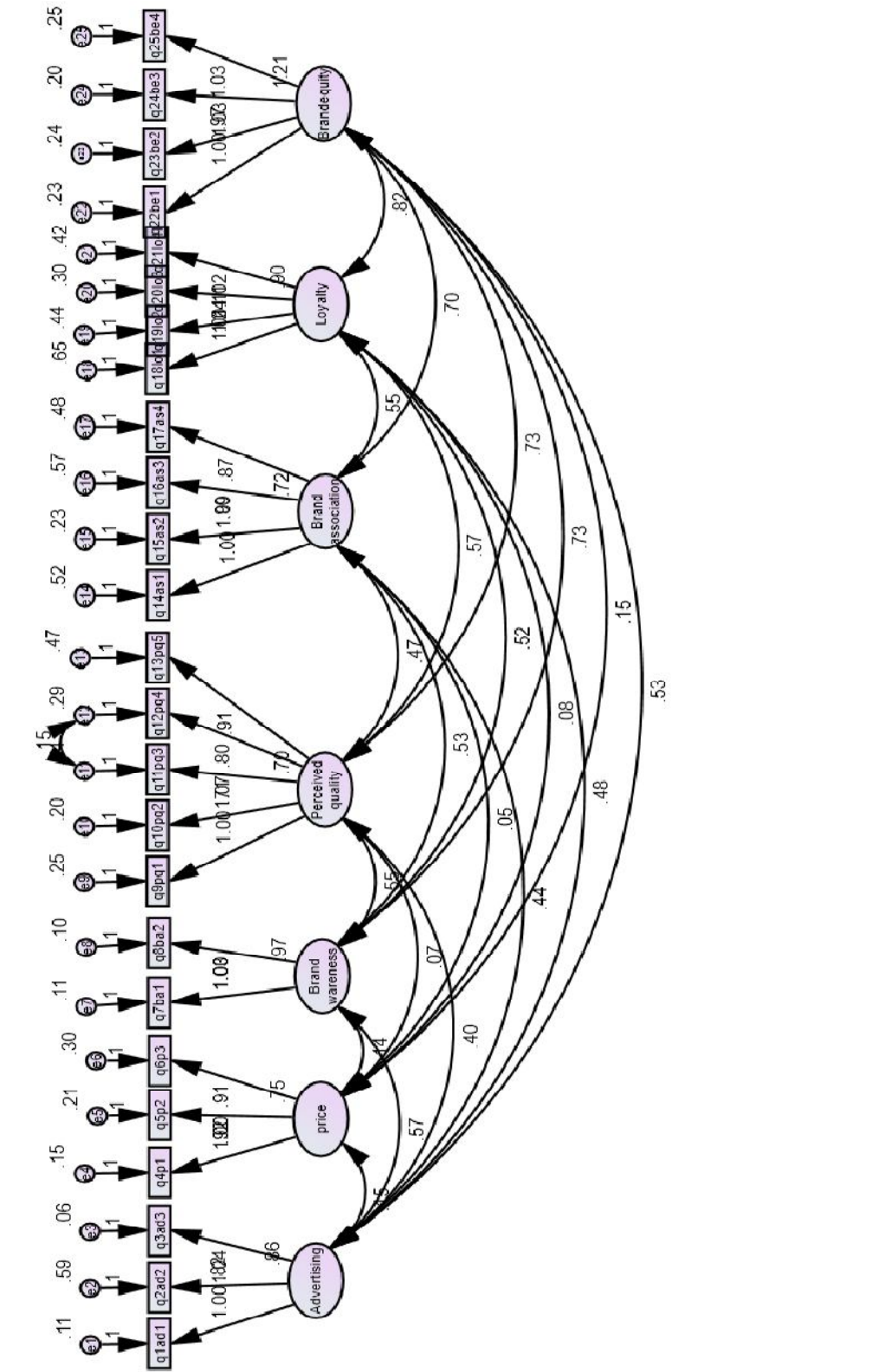
ASO2	<---	( $\alpha = 0.95$ , CR = 0.86, AVE = 0.60)	0.89	16.191
ASO3	<---		0.71	12.801
ASO4	<---		0.731	13.22
LOY1	<---	<b>Loyalty</b> ( $\alpha = 0.90$ , CR = 0.90, AVE = 0.70)	0.763	-
LOY2	<---		0.847	16.163
LOY3	<---		0.908	17.485
LOY4	<---		0.83	15.773
OBE1	<---	<b>Brand Equity</b> ( $\alpha = 0.95$ , CR = 0.95, AVE = 0.84)	0.917	-
OBE2	<---		0.91	27.66
OBE3	<---		0.931	29.654
OBE4	<---		0.914	28.035

1.  $\alpha$  = Cronbach's alpha, CR = composite reliability, AVE = average variance extracted
2. “-” means the path parameter was set to 1, therefore, no t-value was given
3. All loadings are significant at 0.001 level

The comparative fit measures indicated that the measurement model was reasonably acceptable ( $\chi^2/df = 1.95$  ( $p < 0.01$ ); GFI=0.891; AGFI=0.86; CFI=0.966; NFI=0.934; IFI=0.966 and RMSEA=0.05). GFI is less than the desirable level of above 0.9 but a value above 0.8 was deemed acceptable according to (Hu & Bentler, 1999).

These results were achieved after the measurement model passed through modification which has improved the fit of the data. Ho (2006) indicated that a model fit to a data can be improved by allowing the error terms within the same latent construct to correlate. Subsequently, error terms associated with the construct *perceived quality*, e11 (the measurement variable associated with PQ3) and e12 (the measurement variable associated with PQ4) were allowed to correlate. The modification has improved the model fit by lowering Chi-square by 67.54 (562.95 – 495.41) and increasing the comparative model fit figures (GFI=0.89 from 0.87). In general, the measurement model was found reasonably fit, which made the testing of the structural model and hypothesis testing in the following section possible.

Figure 6 Confirmatory Factor Analysis AMOS Output



#### 4.5. Structural Model Analysis and Discussion

Analysis of the structural model has indicated the model is moderately fit to the data. As indicated in Table 4.8 below, the structural model the Chi-square test  $\chi^2$  with the value of 787.43 was found with 264 degree of freedom. The p-value for the model is lower than 0.05, which indicated the model was not fit in the absolute sense. However, several authors have indicated that the Chi-square may not be appropriate to be used as criteria for large sample sizes and suggested the use of other indicators of model fit (Hair, *et al.*, 2010). Other model fit indicators such as GFI, AGFI and NFI indicated a moderate fit of the model together with more indicators such as CFI, IFI, and RMSEA . These results are similar to the results of other works in the area and which were acceptable and adequate for interpretation (Yoo *et al.*, 2000).

Table 4.8 Structural Model Fit Summary

<b>Model Fit Summary</b>	<b>Recommended Value</b>	<b>Conclusion</b>
(N = 325, df = 264) = 787.433, p < .05	p > 0.05	Not fit
$(\chi^2)/df = 2.97$	< 3.00	fit
Root Mean Square Error of Approximation (RMSEA) = .078	< 1.00	fit
Goodness-of-Fit Index (GFI) = .82	> 9.0	Moderately fit (tolerable)
Adjusted Goodness-of-Fit Index (AGFI) = .78	> 8.0	Moderately fit (tolerable)
Normed Fit Index (NFI) = .89	> 9.0	Moderately fit (tolerable)
Comparative Fit Index (CFI) = 0.92	> 9.0	fit
Incremental Fit Index (IFI) = 0.92	> 9.0	Fit

After testing the measurement model for validity and reliability the structural model was analyzed, to examine the causal relationships among the contracts. This study considered two exogenous variables taken from marketing mix elements. The first one is advertising which is conceptualized as the level of perception of consumers about the advertising spends of Walia beer. The second exogenous variable is price, which is conceptualized as the consumers' level of perception about the price of Walia beer. These two *exogenous* variables

are hypothesized to have a direct positive effect on *endogenous* variables of brand equity dimensions; brand awareness, perceived quality, brand loyalty and brand associations. These brand equity dimensions will in turn affect yet another endogenous variable in brand equity. These Brand equity dimensions also act as mediating factors between the two exogenous variables and brand equity.

The hypothesized variables indicated in Table 4.9 and Figure 6 below is tested by using a one tailed *t* test due to the directional hypothesis formulated for the study. The t-values and the direction of the ‘beta’ estimates were used to find out the p values of the hypothesized causal relationships. Using one-tailed test, a t-value greater than 2.33 is significant at the level of 0.01; and a t-value of greater than 1.65 is significant at 0.05 (Yoo *et al.*, 2000).

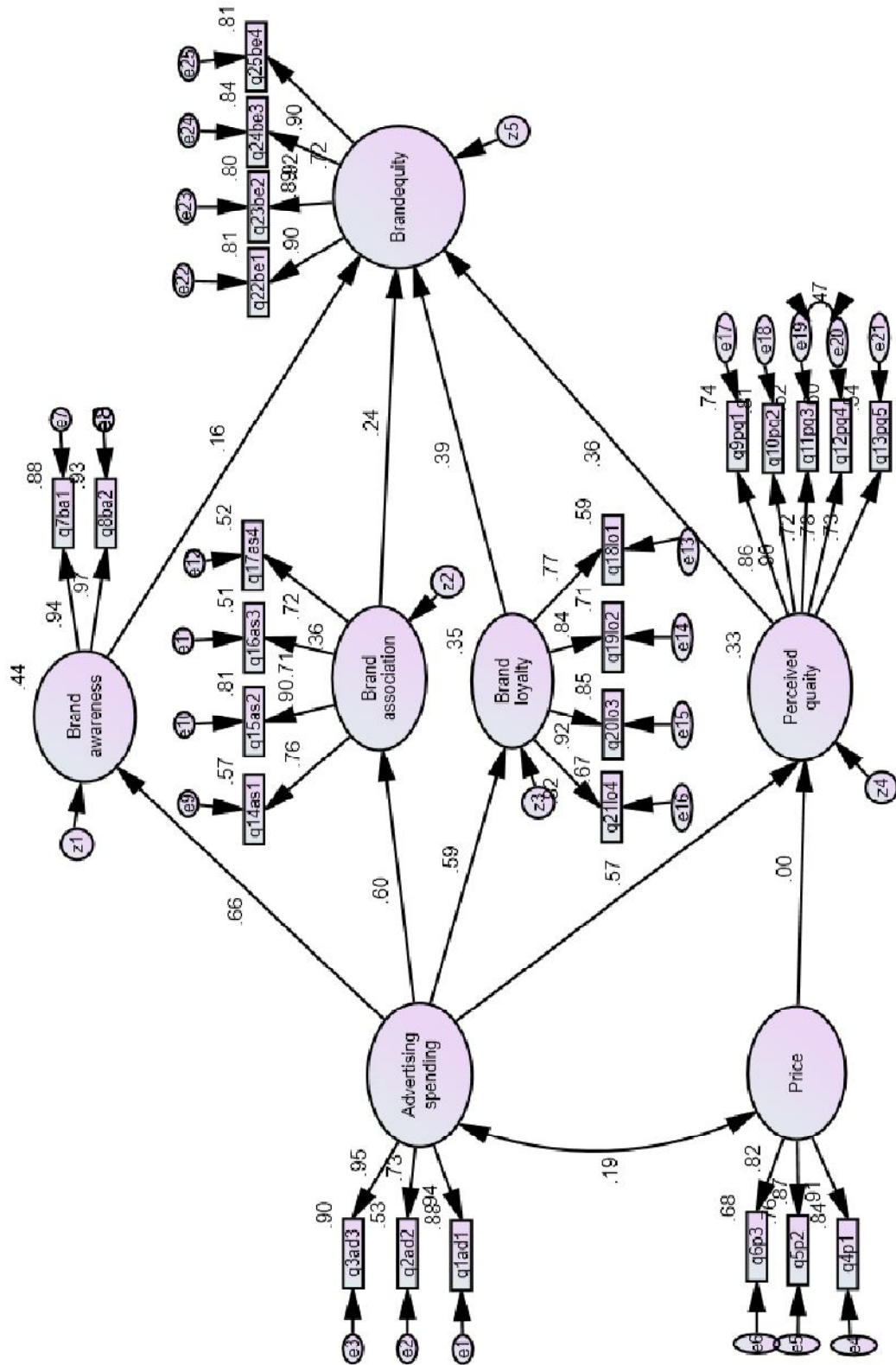
The parameters  $\beta$  in the table below refers to the standardized parameter estimate, which is calculated from standardized data. It allows the assessment of practical significance in terms of the relative predictive power of the added variable (Hair *et al.*, 2010).

Table 4.9 Estimates of the Structural Model

Hypothesized Relationships	Parameters	Estimate	t-value	p-value	Conclusion
<i>Causal Relationships of the dimensions of brand equity to brand equity</i>					
H1a: Brand awareness --> Brand Equity	$\beta_1$	0.16	3.98	***	Supported
H1b: Perceived Quality --> Brand Equity	$\beta_2$	0.36	8.22	***	Supported
H1c: Brand Association --> Brand Equity	$\beta_3$	0.24	5.63	***	Supported
H1d: Brand Loyalty --> Brand Equity	$\beta_4$	0.39	8.48	***	Supported
<i>Causal Relationships of advertising and price on brand equity dimensions</i>					
H2a: Advertising --> Brand Awareness	$\gamma_1$	0.66	13.32	***	Supported
H2b: Advertising --> Brand Association	$\gamma_2$	0.60	10.07	***	Supported
H2c: Advertising --> Perceived Quality	$\gamma_3$	0.57	10.07	***	Supported
H2d: Advertising --> Brand Loyalty	$\gamma_4$	0.59	10.28	***	Supported
H2e: Price --> Perceived Quality	$\gamma_5$	-0.003	-0.053	0.958	Not Supported

\*\*\*p values are < 0.001

Figure 7 AMOS 20.0 Output of the Structural Model Analysis

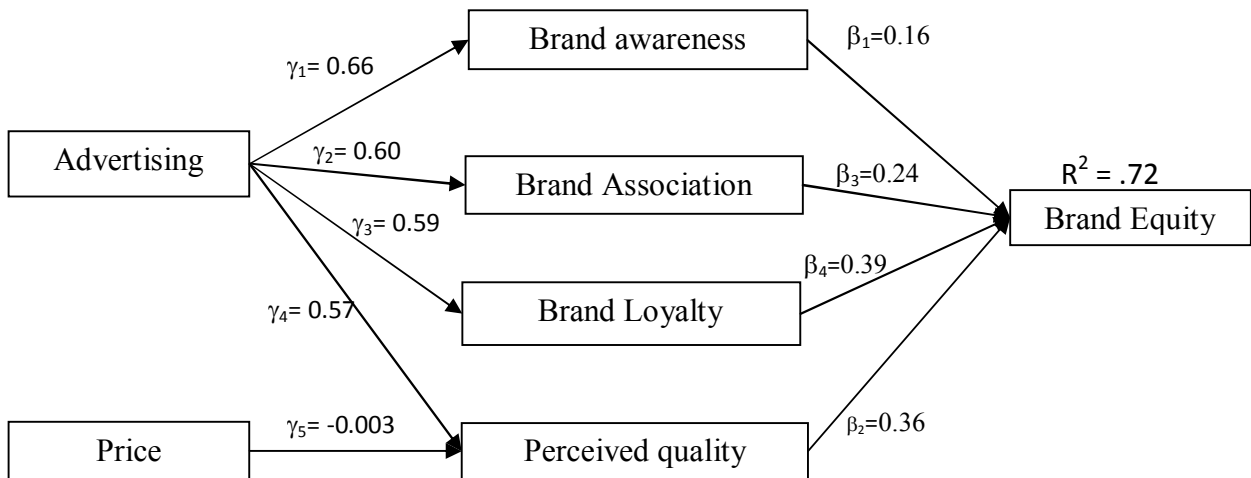


#### 4.5.1. Causal Relationships of the Dimensions of Brand Equity to Brand Equity

The first set of hypothesis tested dealt with the causal relationship between brand equity dimensions and brand equity. All four hypothesized paths were found to be significant ( $p < 0.001$ ). The strongest path to brand equity was the effect of brand loyalty to brand equity ( $\beta_4 = 0.39$ ,  $t\text{-value} = 3.48$ ,  $p < 0.001$ ) followed by the effect of perceived quality ( $\beta_2 = 0.36$ ,  $t\text{-value} = 8.22$ ,  $p < 0.001$ ) and brand association ( $\beta_3 = 0.24$ ,  $t\text{-value} = 5.63$ ,  $p < 0.001$ ) respectively. The effect of brand awareness ( $\beta_1 = 0.16$ ,  $t\text{-value} = 3.98$ ,  $p < 0.001$ ) on brand equity was found to be the lowest of the four brand equity dimensions.

From the figure below it can be observed that ( $R^2$ ) is 0.72 this indicates that 72 % of the variance in brand equity is explained by its predictors which are the four brand equity dimensions and the two marketing effort variables.

Figure 7 Estimates and Paths of the Hypothesized Relationships



**H1a:** Brand awareness significantly and positively affects brand equity (Supported:  $\beta_1 = 0.16$ ,  $t\text{-value} = 3.98$ ,  $p < 0.001$ )

This hypothesis proposed that an increase in brand awareness causes an increase in brand equity. This study found support for this hypothesis in case of Walia beer. As the result indicates, a one unit increase in the standard deviation of brand awareness for Walia beer will cause an improvement in its brand equity by 0.16 standard deviation while other variables were held controlled (Tan, 2012). However, the effect of brand awareness on brand equity is lower compared to the effect of the other dimensions on brand equity. This is consistent with the result of the study by Porral et al. (2013) on beer brand equity in Spain, where they found low contribution of brand awareness on brand equity. Bianchi & Pike (2011) described brand awareness as a very basic degree of knowledge which may not convince consumers to engage with products.

**H1b:** *Perceived quality significantly and positively affects brand equity* (Supported:  $\beta_2=0.36$ , t-value=8.22,  $p<0.001$ )

This study has found support for the hypothesis that perceived quality has a positive effect on brand equity. It is the second most influential dimension next to brand loyalty. This is explained by the 0.36 unit increase in standard deviation of brand equity caused by a one unit increase in perceived quality of a brand. As described by Aaker (1991), perceived quality is at the heart of what consumers buy in a product and its impact can also extend to the other dimensions of brand equity. This result is consistent with Cui (2011), who through his investigation of the beverage market in Malaysia found perceived quality to be the second most important factor contributing to brand equity only next to brand loyalty. Yoo *et al* (2000) also found out perceived quality to be the second most important dimension of brand equity.

**H1c:** *Brand associations or image significantly and positively affects brand equity.* (Supported:  $\beta_3=0.24$ , t-value=5.63,  $p<0.001$ )

Brand associations as discussed in the literature review, Brand associations and image is confirmed to have a significant direct effect on brand equity. This dimension has a stronger impact than Brand awareness, which may give the impression that it is what consumers learn from and associate with the brand (logo, brand name, e.t.c) that will contribute to the brand building process. The result in this study is consistent with the finding of (Tong & Hawley,

2009) where they found a significant impact of brand associations on brand equity. However, the result contradicts with the findings of Atilagn *et al.* (2005). In their study of the beverage industry of Turkey they found out that brand awareness, perceived quality and brand association do not have a significant impact on brand equity.

**H1d:** *Brand loyalty significantly and positively affects brand equity.* (Supported:  $\beta_4=0.39$ ,  $t$ -value=3.48,  $p<0.001$ )

The importance of brand equity has been described by many authors (Aaker, 1996; Keller, 2013; Kapferer, 2008). Keller (2013) put high emphasis on brand loyalty by stressing the impact it has on brand resonance, which is on the top of its Consumer Based Brand Equity (CBBE) pyramid. In this study also, the effect of brand loyalty on brand equity was found to be the highest among the brand equity dimensions. This result supports the argument by Yoo *et al.* (2000) that brand loyalty is the closest construct to brand equity. Several authors have identified a significant positive relationship between brand loyalty and brand equity (Atilagn *et al.* 2005 & Porral *et al.* 2013).

#### **4.5.2. Causal Relationships of the Advertising and Price on Brand Equity Dimensions**

The second set of hypothesis dealt with the effect of perceived marketing efforts of a firm in terms of Advertising and price on the brand equity dimensions. As clearly stated in the operational definitions part of this study *advertising* refers to how consumers perceive the level of advertising spending by Walia beer and *Price* refers to how high or low consumers perceive the price of Walia beer is.

As indicated in Table 4.9 above advertising has a direct positive effect on perceived quality ( $\gamma_1 = 0.57$ ,  $t$ -value = 10.07,  $p<0.001$ ), brand awareness ( $\gamma_1 = 0.66$ ,  $t$ -value = 13.32,  $p<0.001$ ), brand association ( $\gamma_1 = 0.60$ ,  $t$ -value = 10.07,  $p<0.001$ ), and brand loyalty ( $\gamma_1 = 0.59$ ,  $t$ -value = 10.28,  $p<0.001$ ). Advertising has its largest impact on brand awareness followed by brand associations and brand loyalty respectively. Advertising impact on creating brand loyalty is also found to be significant. From these tested relationships, it can be concluded that advertising have a considerably high effect on brand equity dimensions.

**H2a:** *Perceived Advertising spending significantly and positively affects brand awareness*  
(Supported:  $\gamma_1 = 0.66$ , t-value = 13.32,  $p < 0.001$ )

The finding showed perceived advertising spending has a significant positive effect on brand awareness in a larger extent compared with its impact on the other brand equity dimensions. This finding presented empirical support to Yoo *et al* (2000)'s conceptualization that an increased exposure to a brand's advertising will enable consumers develop higher brand awareness and brand association which may translate to positive perception of brand quality which leads to the formation of brand loyalty. This result was also consistent with the findings of other researchers who found perceived advertising spending to cause an increase in brand awareness (Bui *et al.*, 2010).

**H2b:** *Perceived advertising spending significantly and positively affects brand associations or image* (Supported  $\gamma_2 = 0.60$ , t-value = 10.07,  $p < 0.001$ )

The study found support for the hypothesis perceived advertising spending positively affects brand associations. As it can be observed from the table (see table 4.9) a one unit increase in perceived advertising spending caused a 0.6 unit increase in brand association. This result is consistent with the findings of Yoo *et al.* (2000), Bui *et al.* (2010) and Chattopadhyay *et al.* (2010) where they found a significant positive effect of perceived level of advertising spending and frequency on brand association. As stated by Yoo *et al* (2000), when a firm puts a great effort to advertise its products it shows that the firm is making an investment in the product, which in turn gives confidence to the consumer.

**H2c:** *Perceived Advertising spending significantly and positively affects brand loyalty* ( $\gamma_3 = 0.59$ , t-value = 10.28,  $p < 0.001$ )

Support for this hypothesis was found in this study. The result supports the finding by Yoo *et al.* (2000), where the effect of advertising spending on both perceived quality and brand loyalty was found to be equally important. Shimp (2010) also stressed that one of the major factors causing a decline in consumer loyalty is the decline in advertising frequency. On the

contrary perceived advertising spending was found to have on significant relationship with any of the brand equity elements by other researchers (Tamara, 2014).

**H2d:** *Perceived Advertising spending significantly and positively affects perceived quality* ( $\gamma_4 = 0.57$ , t-value = 10.07,  $p < 0.001$ )

Similar to the other hypothesized causal relationships, perceived advertising spending positively and significantly affects perceived quality of a brand. Findings in several research outputs suggest a split view of the impact of advertising on perceived quality. Authors such as Yoo et al. (2000) found a positive relationship between advertising spending and perceived quality. On the other hand, other authors found negative effect of advertising spending on perceived quality (Buil et al., 2010; Taleghani & Almasi, 2011). The level of advertisement frequency by Walia beer may have created exposure to Walia Beer and its quality credentials leading to a positive perceived quality for the beer.

**H2e:** *Consumer price perception significantly and positively affects perceived quality.* (Not supported:  $\gamma_1 = -0.003$ , t-value = -0.053,  $p < 0.58$ )

Yoo et al. (2000) stated consumers' price perceptions would affect brand equity when they start taking price as an indicator of quality. In such case, a high price might give the indication that the product is a high quality one. As Aaker (1996) stated, quality may mean have different interpretations for various product groups. This will determine how consumers use the information they get about the price of a product and the meaning they derive from it regarding the quality of the product. In this study, support was not found for the hypothesis which states perceived price has a positive significant effect on perceived quality of Walia beer. The findings indicated a hint of a negative relationship although the finding was not significant. This finding poses an interesting question for new beer brands entering in to the market in terms of how they could use price to introduce their products without negatively affecting their brand equity. This result is contrary to the finding by Yoo *et al.* (2000) who found a significant positive relationship between price and perceived quality although the relationship was stated as weak.

### 4.5.3. Indirect Causal Relationships of the Advertising and Price on Brand Equity

As it can be seen from Figure 6 and Figure 7 there is no direct relationship hypothesized between the perceived marketing efforts of a firm (advertising spending and pricing). The conceptual framework adopted for this study is based on examining the impact of advertising and pricing on brand equity indirectly through brand equity dimensions. This is based on the conceptualization of Yoo *et al.* (2000) who stated the indirect effect of perceived marketing efforts are calculated through their impact of brand equity dimensions by exploiting every possible path of the model.

Therefore, every path in the model linking perceived marketing efforts to brand equity was taken in to consideration for this analysis. In order to find out the effect of advertising and pricing on brand equity the following hypothesis were formulated.

H<sub>3a</sub>: Perceived advertising spend has a significant positive effect on brand equity

H<sub>3b</sub>: Price has a significant positive effect on brand equity

As indicated in the table above, perceived advertising spending has an indirect effect of 0.69 on brand equity. This means when consumers perception about the level of advertisement spending by Walia beer increases by one standard deviation brand equity increase by 0.69 unit of standard deviation through brand equity dimensions. This indicates that advertising activities by Walia beer are contributing significantly to the beer's brand building efforts.

Price on the other hand had no meaning full contribution to brand equity, which is indicated by a closer to zero indirect effect on brand equity.

Table 4.10 Analysis of Indirect Effects of Advertising and Price on Brand Equity

Hypothesized Relationships	Parameters	Estimate	t-value	p-value	Conclusion
H3a: Advertising --> Brand Equity	–	0.69	11	***	Supported
H3b: Price --> Brand Equity	–	-0.001	-.053	0.5	Not Supported

## CHAPTER 5

### CONCLUSION AND RECOMMENDATION

This chapter presents the recommendation and conclusions derived from the data analysis carried out in the previous section. Further area of research that may be of interest for other researchers were also described.

#### 5.1. Conclusion

This chapter presents the conclusions derived from the major findings from the study and recommendation for marketing practitioners who may be interested in brand related concepts and their applications.

The Beer market in Ethiopia is on the rise with the increasing number of foreign investment flowing in to the sector due to the country's untapped market potential. This has never been more evident than today where new beer brands are attempting to penetrate in to a market which has long been dominated by few brands.

This study examined the marketing efforts of a new beer; Walia, through the eyes of the consumer. The impact of perceived advertising spending and price on brand equity was tested through brand equity dimensions; brand awareness, perceived quality, brand associations, and brand loyalty.

The results indicated that perceived advertising spending has a positive significant impact on all brand equity dimensions with a varying degree. It can be inferred from this result that advertising plays a huge role in introducing a new product to the market and is effective in creating brand awareness, brand associations, brand loyalty, and perceived quality. The impact of perceived advertising spending was found to have the largest impact on brand awareness which is expected as Walia is a new brand and advertising will first raise the awareness of consumers about the existence of the brand.

In general, respondents exhibited high level of awareness for the brand, which is likely to pave way to build strong perceived quality, brand associations, and loyalty. This may be due to repetitive exposure to the message for the beer's ads and how it is portrayed in the company's marketing efforts.

Perceived price however, did not have a significant influence on perceived quality of the beer. This is interesting in the sense that respondents did not think the price of Walia beer is in any way an indication of its quality. This has significant implications for the beer market in general as beer companies may enter in to price competition and yet still maintain their quality perception among consumers.

The study also found a significant positive impact of brand equity dimensions on overall brand equity with the strong impact coming from brand loyalty and perceived quality. Although the contribution of brand awareness for brand equity is significant it was not as impactful as the other three dimensions. This is another interesting point as perceived advertising has the highest impact on brand awareness and yet brand awareness has the least effect on brand equity. This may be due to the inter relation between the brand equity dimensions. Brand awareness may elicit positive memories about the brand, remind consumers about the quality of the beer which translates in to brand loyalty, hence brand equity.

The study also found support for the hypothesis that perceived advertising spending has a positive impact on overall brand equity through the brand equity dimensions. This is especially true for Walia beer as it is a new beer brand and the first step as observed from the data is creating brand awareness. However, the success of the brand building effort depends on how strong the perceived quality, brand association and brand loyalty consumers have for the brand.

As is the case for many researches, this study also found brand loyalty to be the closest construct to brand equity. The high contribution of the dimension to overall brand equity may give a clear indication of the influence of brand loyalty on brand equity.

Price had no significant effect on brand equity of Walia beer. This is also similar to the impact of price on perceived quality of the beer. Therefore, it can be concluded that for this particular product price perception of consumers had no significant effect on its brand equity. This might raise questions about the role of price in building and maintaining brand equity for different type of products and services.

## **5.2. Recommendation**

Based on the findings and conclusions of the study, the following recommendations are forwarded for other researchers and marketing practitioners.

- Marketers should allocate enough budget for product launches to accelerate the brand building process. As indicated in the study, consumers' perception about advertisement spending by Walia beer and the frequency of advertisement has a significant impact on the four brand equity dimensions. Another way to look at it is even if firms cannot allocate enough budget to advertising, they have to find smarter ways to appear to spend more on advertising by selecting touch points that could create maximum exposure to the brand.
- Marketing efforts should be geared up to the creation of brand loyalty. The study found out that brand loyalty contributes the most to overall brand equity. Perceived advertising spending and advertising frequency is very important in this regard. However, the study acknowledges that the advertisement messaging matters the most. It is a compelling advertisement messaging together with significant advertisement spending that is most likely prove to be a success.
- Low price entry to the beer market may prove to be a successful strategy for marketers. This may be a bold recommendation to give and beer companies may risk initiating a price war. However, from brand equity perspective no relationship was found between perceived price and the quality of Walia beer. Lower prices may initiate consumers to try the product and will enable them form opinions about the

product, which later may translate in to a platform to create positive brand association and perceived quality.

- Consumers' perceptions should be the center stage of the brand building process. Brands live in consumers' minds and hearts. What consumers perceive about a brand matters the most than what a firm actually thinks the product represents. Therefore new products should find a way to appeal to consumers through understanding their thought process.

### **5.3. Areas of Future Research**

There are a number of ways research in the area of brand equity can be expanded in terms of the causal relationship between marketing efforts and brand equity.

- This study did not consider the impact of the parent company effect apart from a single statement asking the respondents whether they trust the company that produces Wafia beer. It would be very interesting to investigate consumers' level of awareness about beer companies in Ethiopia such as Heineken, BGI, Diageo and the beer brands belonging to each company. This may give a unique insight in to how consumers' react to beer brands launched by different beer companies.
- In this study, the impact of loyalty on brand equity was the highest. It would make sense to investigate the impact of brand loyalty on brand equity separately to understand how it affects brand equity and purchasing choice. This is vital as the number of beer brands in Ethiopia is currently increasing and is expected to increase and studying consumers' brand switching behavior may provide a valuable input to marketers of beer brands.
- The role of price in building brand equity can also be further expanded to find out its varying impact from one product type to another. Understanding how price affects a firm's brand building effort will help devise a successful marketing strategy.

- Finally this research is targeted to only a single newly introduced beer brand in the beer market. Further research may need to be taken on other newly introduced products in other product categories to reach at a more generalizable outcome.

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# **APPENDICES**

## APPENDIX 1A (English Questionnaire)

### Addis Ababa University School of Graduate Studies, School of Commerce Questionnaire on "The Role of Advertising and Pricing in Building Brand Equity for New Brands: The Case of Walia Beer in Addis Ababa"

Dear Respondent,

My name is Kassahun Feleke. I am currently I am working on a research for as part of my Master of Arts Degree in Marketing Management from the Addis Ababa University School of Commerce.

My study focuses on the recently introduced Walia beer. Below you will find two parts of questionnaire designed to collect general information and statements that are designed to find out your perceptions about the new beer.

I kindly ask you to *fill all questions* in this questionnaire with full honesty and be assured that there is no right and wrong answer. Your honest opinion is invaluable for this study in terms of its contribution in making this study a success.

I am very thankful for the support you are giving me and I would like to assure you that all your responses will be *kept confidential and will only be used for research purpose*. You can contact me through 0911 785859 or [kass\\_55@yahoo.com](mailto:kass_55@yahoo.com)

#### Part I: General Information

In answering this part of the questionnaire, please use tick () mark in the boxes provided.

##### 1. Gender

Female

Male

##### 2. Educational Background

Under 12<sup>th</sup> Grade

B.A. Degree & Above

Completed High School

College Diploma

3. Age Group

18 - 25 Years       26-35 Years       36-50 Years       Above 51 Years

4. Monthly Income in ETB

Less than 1,000       1,001-2500       2501-5000       Above 5001

**Part II: Specific Information**

This part of the questionnaire collects information to your perceptions on Walia beer. Below are statements that are designed to collect data on how you perceive the brand. Please indicate the level of your agreement or disagreement on the statements by putting tick (☐) mark. On the space below the options provided.

Variables	Strongly Disagree (1)	Disagree (2)	Neither agree nor Disagree (3)	Strongly (4)	Strongly Agree (5)
<b>Advertising spending</b>					
Walia beer is intensively advertised					
The ad campaigns for Walia beer seem very expensive, compared to campaigns for competing brands					
The ad campaigns for Walia beer are seen frequently					
<b>Price</b>					
The price of Walia beer is high					
The price of Walia beer is low (r)					
Walia beer is expensive					
<b>Brand awareness</b>					
I know Walia beer					
I am able to recognize Walia beer easily from among other competitive brands					
<b>Perceived quality</b>					
Compared to other brands Walia beer is of high quality					
The likely quality of Walia beer is extremely high					
The likelihood that Walia beer is reliable is very high.					
Walia beer must be of very good quality					
Walia beer appears to be of very poor quality					

(r)					
<b>Associations/image</b>					
Some characteristics of Walia beer come to my mind quickly.					
I can quickly recall the symbol or logo of Walia beer.					
I have difficulty in imagining Walia beer in my mind.					
The organization which Walia beer belongs has credibility					
<b>Brand loyalty</b>					
I consider myself to be loyal to Walia beer					
Walia beer would be my first choice					
I will not buy other brands if Walia beer is available at the store.					
I would recommend this brand for other people to buy					
<b>OBE (Overall Brand Equity)</b>					
It makes sense to buy Walia beer instead of any other brand, even if they are the same.					
Even if another brand has same features as Walia beer, I would prefer to buy Walia beer.					
If there is another brand as good as Walia beer, I prefer to buy Walia beer.					
If another brand is not different from Walia beer in any way, it seems smarter to purchase Walia beer.					

**Thank You Very Much for Your Co-operation!**

# APPENDIX 1B (Amharic Questionnaire)

## ውድ ተጠያቂ


ስሜ ካሳሁን ፈለቀ ይባላል በአዲስ አበባ ዩኒቨርሲቲ የማርኬቲንግ ማናጅመንት የማስትሬት ዲግሪ ተመራቂ ተማሪ ስሆን በአሁኑ ወቅት የመመረቂያ ጽሁፌን በማዘጋጀት ላይ እገኛለሁ። ጥናቴ የሚያተኩረው በቅርቡ ገበያ ላይ የዋለውን አዲሱን ቢራ ዋልያን የተመለከተ ነው። ይህ መጠይቅ ሁለት ክፍሎች ያሉት ሲሆን የመጀመሪያው ክፍል ስለ አርሶ አጠቃላይ መረጃ ለመሰብሰብ የሚጠቅም ሲሆን ቀጣዩ ክፍል ደግሞ ስለዋልያ ቢራ ያሉትን አጠቃላይ ግንዛቤ ለማወቅ ይረዳል።

ይህንን መጠይቅ በሙሉ ታማኝነት እንዲሞሉልኝ እየጠየኩኝ የሚሰጡኝ መረጃ ከዚህ ጥናት ውጭ ለሌላ ለምንም አገልግሎት እንደማይውል አረጋግጣለሁ።

የአርሶ አስተያየት ለዚህ ጥናት መሳካት ከፍተኛ አስተዋጾ እንደሚያደርግ እየገለፅኩ ለሚያደርጉልኝ ትብብር ከልብ አመሰግናለሁ።

ለሚኖሩት ማንኛውም ጥያቄ በሞባይል ቁጥራዎ 09 11 78 58 59 ወይም በኢሜይል አድራሻዬ [Kass.55@yahoo.com](mailto:Kass.55@yahoo.com) ሊያገኙኝ ይችላሉ።

## ክፍል አንድ አጠቃላይ መረጃ

በዚህ ክፍል የሚገኙ ጥያቄዎች ለመመለስ ከታች በተቀመጡት ሳጥኖች ውስጥ  ምልክት ያስቀምጡ።

- 1. **ጾታ**  
ወንድ  ሴት
- 2. **የትምህርት ደረጃ**  
ከ12ተኛ ክፍል በታች  ሁለተኛ ደረጃ ያጠናቀቀ  የኮሌጅ-ዲፕሎ  B.A ዲግሪ እና ከዛ በላይ
- 3. **እድሜ (ዓመት)**  
18-25ዓመት  26-35 ዓመት  36-50 ዓመት  ከ51 ዓመት በላይ
- 4. **ወርሃዊ ገቢ (ብር)**  
ከ1000 በታች  1001-2500  2500-5000  ከ5001 ብር በላይ

5. ቢራ የመጠጣት ልምድዎን ያመልክቱ

- በየቀኑ
- በሳምንት አንዴ
- በሳምንት ለተወሰነ ነቀናት
- አልፎ አልፎ
- በዓመት በዛ ላሉ ቀናት

**ክፍል ሁለት፡ ዋልያ ቢራ ላይ ያሉትን አስተያየት የተመለከቱ ጥያቄዎች**

ከዚህ በታች የተዘረዘሩት ዐረፍተ ነገሮች እርሶ ስለ ዋልያ ቢራ ያሉትን አመለካከት ለመረዳት የተቀመጡ ናቸው። ከእነዚህ አርፍተ ነገሮች ጋር ምን ያክል እንደሚስማሙ ወይም እንደማይስማሙ ከዐረፍተ ነገሮቹ ጎን ከተቀመጡት መለኪያዎች አንዱ ላይ በማድረግ ያሳዩ።

መልዕክቶች	በጣም አልስማማም (1)	አልስማማም (2)	ገለልተኛነት (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
ዋልያ ቢራ በሰፊው ይስተዋወቃል።					
የዋሊያ ቢራ ማስታወቂያ ከሌላ ቢራ ማስታወቂያ አንፃር ውድ ማስታወቂያ ይመስላል።					
የዋሊያ ቢራ ማስታወቂያ በተደጋጋሚ ይታያል።					
ዋሊያ ቢራ የመሸጫ ዋጋ ከፍ ያለ ነው።					
የዋልያ ቢራ የመሸጫ ዋጋ ዝቅ ያለ ነው።					
ዋሊያ ቢራ የመሸጫ ዋጋ ወደድ ይላል።					
ዋሊያ ቢራን አውቀዋለሁ።					
ዋልያ ቢራን ከሌሎች ተወዳዳሪ ቢራዎች በቀላሉ መለየት አችላለሁ።					
ከሌላ ቢራዎች አንፃር ዋሊያ ቢራ ከፍ ያለ ጥራት አለው።					
የዋሊያ ቢራ ጥራት ከፍ ያለ መሆኑ ጥርጥር የለውም።					
ዋሊያ ቢራ ጥራቱ አስተማማኝ የመሆኑ እድል ከፍተኛ ነው።					
ዋሊያ ቢራ በጣም ምርጥ ጥራት ያለው መሆን አለበት።					

ዋልያ ቢራ ዝቅተኛ ጥራት ያለው ቢራ ይመስላል።					
የዋሊያ ቢራ አንዳንድ ገጽታዎች አይምሮዩ ላይ ቶሎ ይመጣሉ።					
የዋልያ ቢራን አርማ እና ምልክት ቶሎ አስታውሳለሁ።					
አይምሮዩ የዋሊያ ቢራን ገፅታ መሳል በጣም ይከብደኛል።					
ዋሊያ ቢራን የሚያመርተው ድርጅት ተቀባይነት ወይም ተዓማኒነት ያለው ድርጅት ነው።					
እኔ ራሴን ለዋሊያ ቢራ ታማኝ አድርጌ እቆጥራለሁ።					
ዋሊያ ቢራ የመጀመሪያ ምርጫዬ ነው።					
ዋሊያ ቢራ ከመጠጥ ቤት ወይም ግሮሰሪ ውስጥ እስካለ ድረስ ሌላ ቢራ የመምረጥ ሃሳብ አያድርብኝም።					
ለሌሎች ሰዎች ወይም ጓደኞቼ ይህንን ቢራ እንዲገዙ ጥቆማ እሰጣለሁ።					
ሌሎች ቢራዎች ከዋሊያ ቢራ ጋር ቢመሳሰሉ እንኩዋን ዋልያ ቢራን መግዛት ትርጉም ይሰጣል።					
ሌሎች ቢራዎች ከዋልያ ቢራ ጋር ተመሳሳይ የሆነ ጣዕምና ቃና ቢኖራቸው እንኩዋን ዋልያ ቢራን መግዛት አመርጣለሁ።					
እንደዋልያ ምርጥ የሆኑ ቢራዎች ቢኖሩ እንኩዋን ዋልያ ቢራ መግዛትን አመርጣለሁ።					
ሌሎች ቢራዎች ከዋልያ የተለየ ጥራት ባይኖራቸውም እንኩዋን ዋልያ ቢራን መግዛት ብልህነት የመስላል።					