



**THE EFFECT OF PROMOTION ON CONSUMER BASED BRAND EQUITY  
AN EMPIRICAL STUDY ON ETHIOPIAN INSURANCE INDUSTRY**

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**GSE/0768/05**

**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE  
DEPARTMENT OF MARKETING MANAGEMENT  
POST GRADUATE PROGRAM**

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**ADDIS ABABA, ETHIOPIA**



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A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF ARTS IN MARKETING MANAGEMENT

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# APPROVAL SHEET

Addis Ababa University School of Commerce, Graduate Studies Program  
Department of Marketing Management

The Effect of promotion on Consumer Based Brand Equity  
An Empirical Study on Ethiopian Insurance Industry

By: Netsanet Bekele

Approved by Board of Examiners

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## ACRONYMS

AMOS: Analysis of moment structure

AVE: Average variance extracted

ASV: Average shared variance

BE: Brand equity

CBBE: Customer based brand equity

CFA: confirmatory factor Analysis

CR: composite reliability

C.R: Critical ratio

MSV: Maximum shared variance

SEM: Structural equation model

SPSS: Statistical package for social science

WOM: Word of mouth

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## ABSTRACT

In modern marketing, branding plays a significant role in differentiating the brand from competitor's brands. Influential promotion activities are among the key tools in building brand equity in organizations. However, the main challenges are, identifying the differential effect of these promotion activities on building brand equity and select the right promotional mix. The purpose of this research was to study the effect of promotional activities on brand equity through mediation of brand equity dimensions particularly in Ethiopian Insurance Industry. The study has developed structural model that consists the effect of promotional mix elements on brand equity based on the conceptual frame work and in line with the existing theoretical findings. In order to test the defined structural model and research hypotheses, survey conducted on the sample which has been selected from the target population of Addis Ababa city insurance customers and potential customers through convenience and random sampling method (multistage). Primary data were collected using structured questionnaire and then data analysis was done using measurement and structural equation model With SPSS and AMOS 20.0. The result from path analysis of structural equation model shows weak relation between most of the promotional activities and brand equity dimensions. However, among the promotional activities TV Ads and WOM have been found more or less effective than the other promotional mix. In general, the overall findings lead to conclude that most of the promotion activities in Ethiopian insurance industry did not had significant impact on brand equity. Therefore the practice of promotional activities in Ethiopian insurance industry requires fundamental innovation so as to build brand equity and achieve sustainable competitive advantage.

**Key words:** Brand equity, Brand Awareness, Brand Association, Perceived Quality, Brand Loyalty and promotional activities in Ethiopian Insurance industry.

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# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

Brand equity is regarded as a very important concept in business practice as well as in academic research because marketers can gain competitive advantage through strong brands. K.L. Keller, (2003). Gammon, B.S., Voss, K.E. Skiver, (2011) define brand equity as the differential impact of brand knowledge on consumer response to the marketing of the brand name. Aaker (1991) defines brand equity as a set of assets and liabilities linked to a brand name and symbol that adds to or subtracts from the value provided by a product or service to a firm and that firm's customer. Keller (2003) defines brand equity as a difference in customers' response to marketing activity.

Brand represents enormously valuable pieces of legal property capable of influencing consumer behavior, being bought and sold and providing the security of sustained future revenues to their owner. The values directly or indirectly accrued by these various benefits are often called brand equity. (Kapferer, 2005; Keller, 2003)

Brand equity is an important consideration for service marketers (Keller, 2001; Keller and Lehmann, 2003) and should be managed as an asset (Aaker, 2003; Keller 2003) Marketers and researchers use various perspectives to study brand equity. Customer based approach view it from the perspective of the consumer, either an individual or an organization. The premise of customer-based- brand equity model is the one that the power of the brand lies in what customers have seen, read, heard, learned, thought and felt about the brand over time (Kotler and Keller, 2009)

The concept of brand equity was first introduced in marketing literature in the 1980's. Since then the topic received significant attention , the interest in brand equity is still active because that a number of articles and books are written within this period of time among them (Aaker and Keller, 1990; Aaker 1991; Keller and Aaker, 1992; Aaker and Biel, 1993; Keller, 1993; Aaker 1996; Agarwal and Rao, 1996; Kapferer, 1998; Keller 1998; Yoo et al., 2000; Van Osselaer and Alba, 2000; Dillon et al., 2001; Keller, 2001; Yoo and Donthu, 2001; Moore et al., 2002; Kapferer, 2005; Kim and Hyun, 2010)

Although considerable research has been performed regarding brand equity as mentioned above only, little empirical research has been addressed to which marketing activities influence brand equity the focus has been on exploration of brand equity not on its source.

The following researches are among the very few the issue mentioned above

Isabel, Leslie and Eva. (2010) studied the effect of advertising and sales promotion on brand equity. This study selected matured brands; Coca cola and Pepsi for soft drinks, Adidas and Nike for sport ware, Sony and Panasonic for consumer electronics and BMW and Volkswagen for cars in UK market. The study investigate the content of advertising plays a key role influencing brand equity dimensions whereas advertising spend improves brand awareness but it is not enough to positively influence brand associations.

Yoo et al. (2000) investigate the relationship between selected marketing mix elements and brand equity on a perceptual level for shoes, camera film and television set brand. Their findings suggest that advertising spending and distribution intensity relate strongly to brand equity.

Hua (2005) studied the effect of marketing mix on brand equity. This study is done in three classification, razor, soap and orange juice in Australia market to show brand equity's criteria and also to examine the proposed effects. Advertising in some media are found with positive effects on brand equity and TV advertising have more effects on providing brand equity in comparison with publishing advertising. The effect of promotion on brand equity was complicated and only large promotion with negative effect on brand equity is found.

Villarejo-Ramos and Sanchez-Franco (2005) reviewed the effect of marketing communication and sales promotion on brand equity. Results indicate positive effects of marketing communication on brand equity and present strong protection from the criterion of perceived quality, brand loyalty, brand awareness and brand image as a preface of brand equity.

Seyfali Zarbi (2007) dealt with the evaluation of selected marketing mix components effect on brand equity. The data analysis results by using of structural equation model support the hypothesis of the research in the case of direct effects of parameters on each other. Results indicate the positive effect of brand equity dimensions on brand equity and strong effect of selected marketing mix components on these dimensions.

Kim and Hyun (2010) presented a model for evaluating the effects of marketing mix efforts and also for company image on brand equity in the software section of information technology. The result indicated that all the efforts of marketing mix affected on overall value of the brand equity.

Moreover most of the researches undertaken in the area are outside Ethiopia besides none of them are focusing the financial sector. In view of the above gap in literature reviewed; Based on the proposed frame work by Yoo et al. (2000) which is also used by other researchers; this study will investigate specifically the effect of commonly used promotional activities on customer based brand equity in the Ethiopian insurance industry.

## **1.2 Statement of the Problem**

Brand equity has become a top priority for many organizations (Keller and Lehman 2006.) achieving stable competitive advantage is the main important tool in business world, creating and using powerful brand is one of them. Brand equity is the difference in consumer choice between the focal branded product and an unbranded product given the same level of product features (Yoo, Donthu and Lee, 2000). High brand equity implies that consumers have a strong association with the brand, perceive the brand to be of higher quality and are more loyal towards the brand. From a behavioral view point, brand equity is critically important to make points of differentiation that lead to gaining competitive advantages based on non- price competition (Aaker, 1991)

Most of the researches in this regard focused on much broad marketing activities, marketing mix variables like price, distribution, advertising and price promotion as the contributing factors (Yoo et al., 2000). However, not much particular study has been done on promotional tools which are dominated by advertising (E.g. Simon and Sullivan, 1993, Ruble and Donthu 1995, Low and Mohr 2000, Villarejo 2002, Bravo et al 2007, Sriram et al 2007) on price promotion (Rag Lubir &Coffman 1999, Taboubi et al 2003, Montaner & Pina 2008), on word of mouth (WOM) (Xu and Chan 2010, Lim & Chug 2011, Mehran Et al 2012) on sponsorship (Becker et al 2006).

It is difficult to make insightful conclusions out of the above researches for the reason that almost all of the studies especially those considered as milestone for this area focused on western market and most of them are product focused.

In the meantime, with growing economy, Ethiopia is having a huge market in recent years. Among many market opportunities insurance business is one of them, for the last two decades the Ethiopian financial institutions in general and insurance companies in particular have shown impressive progress in terms of number and service.

Now a day's Ethiopian insurance industry is highly growing and also attracting a number of newly launched private insurance companies. However, there is also stiff competition among these insurance companies, all the existing and new entrants fight for more market share. To win this objective each company is investing in various advertising and sponsor different events.

Even though they are making a huge effort and a lot of investment on promotional activities the major challenge is to select the right mix of promotional activities to win the market and build brand equity. As stated by Aaker and Joachimsthaler (2000) it is to be noticed, to be remembered, to change perceptions to reinforce attitudes and to create deep customer relationships. In this regard, the development of promotion activities primarily focused on building and enhancing brand equity is important in Ethiopian insurance industry. Therefore the motivation of this study is to investigate effect of selected promotional tools on brand equity in the case of Ethiopian insurance industry.

### **1.3 Objectives of the study**

#### **1.3.1 General Objective**

The main objective of this study was to investigate the effect of promotion activities on brand equity in the case of Ethiopian insurance industry.

#### **1.3.2 Specific Objectives**

- To examine the relationships of five selected promotional activities, TV Ads, Radio Ads, non-price promotion, sponsorship and Word of mouth with the four brand equity dimensions, brand awareness, brand association, perceived quality and brand loyalty.
- To identify which promotional activities are highly related with brand equity dimensions to elicit strong brand equity.

### **1.4 Research Questions**

This research deals, in identifying the effect of promotion activities on brand equity through brand equity dimensions. The basic research questions are:

- ✓ What are the relationships between promotion activities and brand equity dimensions?
- ✓ What are the relationships between brand equity dimensions and brand equity?
- ✓ Which of the promotional activities are the most influential in building brand equity?

## **1.5 Hypothesis of the Study**

The main purpose of our study is to investigate the relationships between promotional activity elements and brand equity. On the basis of the literature, we hypothesize directional relationships among promotional activities, the dimensions of brand equity, and brand equity. The following hypotheses are formulated to test and investigate the effect of promotion on brand equity. In the hypothesis brand equity is the dependent variable, while brand equity dimensions (Brand awareness, Brand association, Perceived quality and Brand Loyalty) are mediators between brand equity and promotional activities finally the promotional activities are independent variables.

1. H1 a. Brand awareness has a significant positive effect on brand equity.  
H1 b. Brand association has a significant positive effect on brand equity.  
H1 c. Perceived quality has a significant positive effect on brand equity.  
H1 d. Brand loyalty has a significant positive effect on brand equity.
2. H2 TV advertising has a significant positive effect on  
a) Brand awareness b) Brand association c) Perceived quality d) Brand loyalty
3. H3 Radio advertising has a significant positive effect on  
a) Brand awareness b) Brand association c) Perceived quality d) Brand loyalty
4. H4 Non price promotion has a significant positive effect on  
a) Brand awareness b) Brand association c) Perceived quality d) Brand loyalty
5. H5 Sponsorship has a significant positive effect on  
a) Brand awareness b) Brand association c) Perceived quality d) Brand loyalty
6. H6 Word of Mouth has a significant positive effect on  
a) Brand awareness b) Brand association c) Perceived quality d) Brand loyalty
7. H7 a. TV Ads has a significant positive effect on Brand equity  
H7 b. Radio Ads has a significant positive effect on Brand equity  
H7 c. Non price promotion has a significant positive effect on Brand equity  
H7 d. Sponsorship has a significant positive effect on Brand equity  
H7 e. Word of mouth has a significant positive effect on Brand equity

## **1.6 Significance of the Study**

This study will have prominent benefit for Ethiopian insurance industry in crafting their promotional strategy so as to enhance brand equity and profitability. Managers need to promote brand building activities and decrease or avoid brand hurting activities. Any promotional effort will be positively related to brand equity when it leads to a more favorable behavioral response to the focal product or service than to the unbranded product or service. The result of this study will give good insight to marketing managers on how to allocate efficiently their promotion budget.

The research will also enriches the literature by practically testing Aaker's and Yoo et al.'s model in Ethiopian insurance industry. In addition to this, the study will also serve as a reference for future related researches.

## **1.7 Scope and Limitation of the Study**

### **1.7.1 Scope of the Study**

The scope of this study geographically limited to Addis Ababa. Brand equity is the result of various marketing activities, however, in this study it is only limited to promotional activities which are commonly exercised by Ethiopian insurance industry. This study used only the insurance industry to examine the relationship between brand equity and promotional activities hoping that this industry could be representative to other service industries.

### **1.7.2 Limitation of the Study**

The main limitation of this study is time and resource, specially financial and material resource limitation has major role in narrowing the scope of the research. Absence of related studies and literature regarding brand equity in Ethiopian context particularly in the service industry has significantly enforced this study to build up on the concepts of other countries context.

The other major limitation is time; due to time pressure this study only considered five commonly used promotional activities among various promotional mix elements and five selected insurance companies among the seventeen currently operating insurance companies in Ethiopia.

## **1.8 Operational Definition of Terms**

*Brand equity*: A set of brand asset and liabilities linked to brand that adds or detracts the product or service value based on the customer's perspective (Aaker 1991)

*Customer based brand equity*: The differential effect that brand knowledge has on consumer response to the marketing of that brand (Keller, 2003).

*Brand awareness:* The ability of a consumer can recognize and recall a brand in different situations (Aaker 1996)

*Brand association:* consists of all brand-related thoughts, feelings, perceptions, images, experiences, beliefs, attitudes (Kotler & Keller 2006) and According to (Aaker, 1991) Brand association is anything 'linked' in memory to a brand.

*Perceived Quality:* Perceived quality is the "the customer's judgment about a product's overall excellence or superiority that is different from objective or actual quality and a judgment usually made within a consumers evoked set (Zeithaml, 1988)

*Brand Loyalty:* Linked to consumer behavior in the market place that can be indicated by number of repeated purchases (Keller 1998) or commitment to re-buy the brand as a primary choice.

## **1.9 Organization of the study**

This study will consist of five chapters excluding references and appendices list and the chapters are presented as follows.

**Chapter 1: Introduction**, it is the preliminary chapter which provide the background to the research, statement of the problem, general and specific objectives of the study, research questions, significance of the study, describe scope of the study, outlines the limitations of the research and finally it gave conceptual and operational definition that was used throughout the study.

**Chapter 2: Literature Review**, Provided details of the main concepts of this research which are: definition of brand equity brand equity perspectives, customer based brand equity, the values of brand equity, conceptual frame work of the research, the relationship between brand equity and its dimensions with related hypothesis and also the part that shows the relationship between promotional activates and brand equity dimensions.

**Chapter 3: Research Methodology**, provides the details of research methodology design, provide clear idea about data collection of the study and sampling process.

**Chapter 4: Data analysis, Result and Discussion**, showed the result of the analysis of the data collected through the surveys, including descriptive statistics on the demographics of the respondents, it also addresses normality, validity and reliability of the constructs of interest, followed by an analysis of the data and interpretation of the findings to test the hypotheses.

**Chapter 5: Conclusion and Recommendation**, provides the conclusions from the findings of this research, based on the research questions and hypotheses and lastly, the recommendations for further research provided.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 What is Brand?**

The definition of brand in various marketing literature is given from different perspective. Therefore it is difficult to find a concise definition. According to American marketing association (AMA) a brand is a name, term, sign, symbol, or design or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition. According to Choudhury (2001) a brand is essentially the sum total of the particular satisfaction that it delivers to the customer who buys that specific brand, the sum total being its name, ingredients, price, packaging, distribution, reputation and ultimately to its performance.

#### **2.2 Brand Equity perspectives**

Although brand equity has been of particular interest in the last twenty years there is still no consensus about what brand equity means and how a firm can measure the value of brand equity (Mackay 2001). There are two principle and distinct perspectives that have been taken by academics to study brand equity, they are financial and customer based. Based on their perspective the definition for brand equity is also different but complementary and both are useful in managing brand equity.

The financial perspective evaluates the asset value of a brand name that creates to the business (Farquhar et al 1991). Some of the definitions of brand equity based on these perspectives are: Keller (2003) cited the definition of (MSI 1988) it's the set of associations and behaviors on the part of a brands customers, channel members and parent corporations that permits the brand to earn greater volume or greater margins than it could without the brand name, they also insisted on the brand equity simply as the additional cash flow which can be achieved by associating a brand with the underling product or service. Similarly Motameni and Shahrkhi (1998) stated that brand equity increases the discounted cash flows and revenue when it compared to the same product or service which did not have the brand name and it consists of differential attributes underpinning a brand which gives increased value to the firm's balance sheet.

In general from this definition, it can be seen that the financial perspective of brand equity focuses on measuring the added value in terms of cash flows, revenues, market share or similar measures. For example Simon and Sullivan (1993) use financial market information to calculate incremental cash flows attributable to branded versus unbranded products as the brand equity measure, and Mahajan, Rao, and Srivastava (1994) use the purchase price when the brand is sold or acquired. Ailawadi, Lehmann and Neslin (2003) use product- market data to calculate the difference between the revenue of a branded product and that of the store brand; they call this a “revenue premium” measure of brand equity.

Financial-based measures, such as revenue premium provide a single objective number that is credible to senior management and the financial community and act as a useful guide to the value of a brand in mergers and acquisitions. For Simon C. & Sullivan M. (1993) the financial perspective is a top- down approach for measuring brand equity. It was the information that encompasses the total performance of a company, such as the firm’s historical income statements, balance sheets and statements of cash flows. A top- down approach of this nature assumes a direct relationship between the firm’s profitability, negative earnings may signal poor brand equity. In assuming this single cause-effect relationship, this approach fails to include key factors within the marketing mix that big consideration. This approach also limited by the data it considers. In order to measure brand equity it is necessary to include aspects of the marketing mix such as price and product attributes (Simon C. & Sullivan M. 1993).

The second perspective of brand equity is consumer- based which is a measure of a brand equity based on the value consumer’s derive from the brand name. The customer based brand equity definitions approach the subject from the perspective of the consumer whether it is an individual or an organization (Aaker, 1991). Researches contend that for a brand to have value it must be valued by customers, who imply that this perspective give emphasis on how the customer perceived about the brand rather than valued it through numbers

A definition of consumer-based brand equity is given by Keller (2003) among others, as the differential effect that brand knowledge has on consumer response to the marketing of that brand. Srinivasan (1997) define brand equity as the price premium that customers are willing to pay for the brand. While Kamakura and Russell (1993) tries to estimate a measure of brand equity through

what they call it 'brand value' and for them this brand value is the component of overall utility not explained by situational factors such as price and other short term marketing effort influences on choice of consumers. Other definitions like, brand equity is the customer's implicit valuation of the brand in a market with differential brands relative to a market with no brand differentiation (Swait et al 1993), for Park and Srinivasan (1994) brand equity is the component of the overall preferences not explained by objectively measured attributes; for Davis & Douglass (1995) brand equity is the differentiation that a brand has from the competition or the worth derived by a brand from consumers; for Faircloth (2001) brand equity actually represents a product's position in the mind of consumers in the market place and Erdem and Swait (1998) similarly mentioned that consumer based brand equity is the value of a brand that used as a credible signal of a product or service position. However besides availability of so many definitions regarding customer based brand equity the most accepted and regularly used definition belong to Aaker (1991) who defined the brand equity as a set of brand assets and liabilities linked to brand that adds or detracts the product or service value based on the customer's perspective.

Consumer-based brand equity has four elements: brand loyalty, brand awareness, perceived quality, and brand association. Brand loyalty is one of the most important elements in marketing, which is "a measure of the attachment that a customer has to a brand" (Aaker, 1991). According to Keller (1998), brand loyalty is often measured in a behavioral sense through the number of repeat purchases. If a customer prefers to purchase Pepsi instead of Coke, that is because the customer has brand loyalty towards Pepsi. Brand awareness is defined as "the ability of a buyer to recognize that a brand is a member of a certain product category" (Aaker, 1991). For example, recognizing Estée Lauder or Clinique as cosmetics companies is because a customer is aware of those brands as a certain product category. Ideally, brand awareness should occur regardless of environmental conditions such as time and locations. Perceived quality, which is the third element of brand equity, is defined as the customer's awareness of products' superior quality in relation to other products (Aaker, 1991).

To what extent a customer is aware of product quality of a particular brand would be depending on past experiences from the actual use and/or possible feedbacks/comments from others including those by well-known individuals (e.g., celebrities) or third-party organization endorsement of products (see Dean and Biswas, 2001). Finally, brand association is defined by Aaker (1991) as

“anything ‘linked’ in memory to a brand”. Keller (1998) noted that brand association can affect consumers’ purchasing decisions based on the recall of brand information. Consumer based brand equity can provide valuable insights and diagnostics for the marketing or brand manager concerned about a brand’s value to consumers (Marc and Mark 2009). Such measures can effectively capture the equity of strongly positioned popular brands and the equity of brands that enjoy high consumer loyalty and command a significant price premium in niche markets. While financial perspective takes top down, consumer based perspective takes a bottom up approach to measure brand equity. In applying this approach, the researcher can study the branded product in itself. This comparison highlights an estimation of the product’s marketing success or “efficiency”. In most literatures when marketing practitioners use the term brand equity, they tend to mean brand strength and what the brand means to the customer that is customer based brand equity (Marc & Mark 2009) and the same goes for this study.

### **2.3 Customer Based Brand Equity**

The concept of consumer-based brand equity has become a central marketing concept due to the increasing scientific and business interest in brands, since the approach according to which brands constitute one of the most valuable intangible assets of companies is becoming increasingly widespread (Kapferer 2008); that is why it is worth investing in developing brands. The conceptualization of consumer-based brand equity mainly derived from cognitive psychology and information economics. Brand equity research rooted in information economics draws on the imperfect and asymmetrical nature of markets (Erdem and Swait 1998). In this context, economic agents are required to transmit information about their specific characteristics by means of signals. According to Erdem et al. (2006), brand names act as signals to consumers. A brand signal becomes the sum of the brand’s past and present marketing activities.

In parallel the dominant stream of research has been grounded in cognitive psychology, focusing on memory structure (Aaker 1991; Keller 1993). Aaker (1991) identified the conceptual dimensions of brand equity as brand awareness, brand association, perceived quality, brand loyalty and other proprietary brand assets such as patents trademarks and channel relationships.

The first four dimensions of brand equity represent consumer perceptions and reactions to the brand, while proprietary brand assets are not pertinent to consumer based brand equity. This study, focus on customer mind-set equity, while Keller refers to as "customer- based brand equity"

The premises of customer based brand equity is that the power of a brand lies in what customers have seen, read, heard, learned, thought and felt about the brand over time. In other words the power of a brand lies in the minds of existing or potential customers and what they have experienced directly or indirectly about the brand (Keller, 1993). He insisted that creating significant brand equity involves reaching the pinnacle of the CBBE pyramid and will only occur if only the right building blocks are in place along with their corresponding steps.

The CBBE model has four major steps namely brand identity, brand image, brand response and brand relationship; and the six brand building blocks are brand salience, brand performance, brand imagery, consumer judgments and feelings, and consumer brand resonance. The first step is brand identity; establishment of brand identity is based on the brand salience which refers to brand awareness; which means customer is aware of the brand existence if one can recall or recognize the brand. salience represents the main building block in developing brand equity by providing important role through brand awareness to mention some brand awareness is related to the likelihood that a brand name will come to mind easily this can increase the likelihood that the brand will be included in the consideration set, having brand awareness also affect consumers' decision settings when a minimum level of brand awareness may be sufficient for brand choice and also the formation and strength of brand associations is influenced by brand awareness (Keller, 1993).

According to (Keller, 2001) the second step is the brand meaning which is divided in to brands performance and brand imagery. Brand performance as one of the building blocks refers to the basic purpose of the product or service itself, functionality, or the ability to satisfy customer's needs. This characteristic of a product or service is its intrinsic facet. The other building element, brand imagery, is developed from the extrinsic property of a product or services itself and it is connected to the possibility that the product will satisfy the customers' psychological and social needs. To create brand equity brand meaning needs favorable strong and unique association in that order.

The third step is brand responses; it is the way customers respond to a brand. Responses are divided into brand feelings and brand judgments. Brand judgment is a combination of brand imagery and brand performance in the minds of the consumers. Brand feelings are customers' emotional reactions to the social currency brand evokes. What matters is how positive these responses are which will lead to the positive and accessible reactions of consumers. (Keller 2001) Lastly, brand relationship is Keller's CBBE model is defined as the relationship between the customer and brand and it is related to level of personal identification of the customer with the brand which in other words refer to brand resonance. Brand resonance as a building block of brand relationship is defined as the depth of the psychological bond between the customer and the brand (Keller 2001). It is the most valuable building block, with true resonance customer believed to have a high degree of loyalty. Therefore based on the Keller's' model it can be calculated that the power of the brand and its ultimate value to the firm resides with customers.

## **2.4 Brand Equity Values**

According to Aaker (1996), brand equity creates value for both marketers and customers. It creates value to customers by first; it helps customers in formatting processing. A brand is useful in aiding customers in interpreting, Processing and storing information about products and brands. Since brands are taken by customers as chunks of information which are easily decoded and stored in proper order; it considerably reduces chaos possibilities that may occur in the absence of branding. Not to mention that brand equity allows customers to store greater quantities of information about brands without getting confused. In other words customers can simplifies this process by being aware of the brand and developing strong favorable unique association with the brand. To strengthen this thought for example Chernatony and Riley's (1997) research finding also suggests that brand equity reduces the difficulty of one's purchase decision by knowing the brand name one can enable to make purchase decisions with little thought.

Second brand equity enhances customer confidence in the purchase decision through reducing anticipated risk concerning a brand purchase decision (Guerrero et al. 2000; Lassar, Mittal, and Sharma 1995). At the time of uncertainty one feels more confident in purchasing a brand because of familiarity with a brand and this familiarity creates confidence and also due to the fact that brand stands for consistency and assurance it provides guarantee of promised delivery.(Aaker 1992,1996; Keller 2003)

The final value to the customer comes in form of usage satisfaction. This refers to the cognitive process by which one compares a brand's usage outcomes to one's expectations (Cadott, Woodruff, and Jenkins 1987; Oliver 1980), and their resultant psychological state of mind (Oliver 1999) if one perceived that a brand meets/exceeds their expectations, that individual will likely express feelings of satisfaction (Oliver 1999).

According to (Aaker 1996) brand equity also plays a critical role in enhancing value to the marketers through many ways: the first thing having brand equity assets is that it helps the firm to increase the effectiveness and efficiency of marketing programs.

Secondly, firms enjoy greater loyalty which is indicated by number of repeated purchases (Keller 1998) or commitment to repurchase the brand as a primary choice (Oliver 1997, 1999). consumers one way of showing loyalty is by continuing to purchase the brand even though competitors have superior prices, features, and convenience this makes the firm less vulnerable to competitive marketing actions and also a greater number of loyal customers in the basket automatically reduces the expenditure that need to be incurred in maintaining a customer. Customer loyalty also allows a firm to charge premium price once they become loyal customers tend to have more inelastic responses to price increases.

Thirdly, brand equity provides the firm greater opportunities for growth according to Aaker. Many practical business experiences can be evidences that brand equity makes growth easier for the firms through leveraging. Companies employ different strategies in leveraging their brands namely through line extension, ingredient branding and co-branding. As Taylor (2004) the existing well-known-strong brands represent a promise of quality, useful features etc. for customers. Thus, extension will benefit from this fame and this good opinion about the brand to create "a compelling value proposition in a new segment or markets"

Finally (Aaker, 1996) states that brand equity is a good source of achieving leverage in distribution channels. It is easier to get access in the distribution chain when the brand has equity. Trade partners' exhibit skepticism in dealing with a brand without equity because of the uncertainties it brings along with it. Therefore channels welcome brands with equity and give access to point of purchase displays, shelf space, which shows that brand equity is an implicit assurance of success.

## **2.5 Sources of Consumer Based Brand Equity**

The sources of Consumer Based Brand Equity as conceptualized by Aaker (1991) and Keller (1993) are: Brand Awareness, Brand Associations, Perceived Quality and Brand loyalty.

### **2.5.1 Brand Awareness**

Consumer Based Brand Equity as per Keller, 1993 is the differential effect of Brand Knowledge on consumer response to the marketing of the brand. The first dimension of Brand Knowledge is Brand Awareness. It is related to the strength of the brand node or trace in memory, as reflected by consumers' ability to identify the brand under different conditions (Rossiter and Percy, 1987). Keller (1993) had stated that, Brand awareness consists of brand recognition and brand recall performance. Brand recognition relates to consumers' ability to confirm prior exposure to the brand when given the brand as a cue. The brand recognition requires the consumers to correctly discriminate the brand as having seen or heard previously. Brand recall relates to consumers ability to retrieve the brand when given the product category, the needs fulfilled by the category, or some other type as a cue. Brand recall requires the consumers to correctly generate the brand from memory. Keller (1993) also stated that brand awareness affected consumer decision making by influencing the formation and strength of Brand Associations in the brand image prior to Keller, Aaker (1991) had defined Brand Awareness as the ability of a buyer to recognize or recall that brand as a member of a certain product category. He had also pointed out the different levels of awareness, viz., Recognition, Recall, Top-of-mind, Brand Dominance, Brand Knowledge and Brand Opinion. These are explained as follows:

Recognition - (Heard of the Brand?)

Recall - (What brands of cars can you recall?)

Top-of-mind - (the first named brand in a recall)

Brand Dominance - (the only brand recalled)

Brand Knowledge - (I know what the brand stands for)

Brand Opinion - (I have an opinion about the brand).

Measures of Brand Awareness such as recall and familiarity developed by MacKay (1998) and Agarwal and Rao (1996) are widely used in marketing research. However, the researchers were of the view that measures of awareness and especially brand recall – were not a good indicator of choice. Results of their studies showed that if the consumers know about a brand, it is not sufficient indicator of their likelihood to choose that brand and recall is irrelevant in a mature market where consumers are aware of all the main brands in the market place.

Aaker (1991) had mentioned several levels of Brand Awareness, ranging from mere recognition of the brand to dominance which refers to the condition where the brand involved is the only brand recalled by the consumer. Prior to Aaker (1991) Rossiter and Percy (1987) had defined Brand Awareness as the consumer's ability to identify or recognize the brand. It was Keller (1993) who conceptualized Brand Awareness as consisting of both brand recognition and brand recall. Brand recall refers to the consumer's ability to retrieve the brand from memory, for example, when the product category or the needs fulfilled by the category are mentioned. Keller (1993) argued that among these two, brand recognition may be more important than brand recall to the extent that product decisions are made in the store.

In this study, following Keller (1993) and Yoo and Donthu (2001), Brand Awareness is conceptualized as consisting of both brand recognition and brand recall.

### **2.5.2 Brand Associations**

In Keller's (1993) definition of Consumer Based Brand Equity, the second dimension of Brand Knowledge is Brand Image. According to him, Brand Image is the perception about a brand as reflected by the Brand Associations held in the consumer's memory. Brand Associations are the other informational nodes linked to brand mode in memory and contain the memory of the brand for the consumers. The firm's ability, strength and uniqueness of Brand Association are dimensions of Brand Image that play an important role in Consumer Based Brand Equity. Keller (1993) classified different types of Brand Associations, namely, attributes, benefits and attitudes.

Attributes are those descriptive features that characterize a product or service – what a consumer thinks the product or service is or has and what is involved with its purchase or consumption. Myers and Shocker (1981) classified attributes into product related and non-product related. Product related

attributes are defined as the ingredients necessary for performing the product or service requirements. The non-product related attributes are defined as external aspects of the product or service that relate to its purchase or consumption, and the four main types of non-product related attributes are: (1) Price promotion (2) Packaging or product appearance information (3) User imagery and (4) Usage imagery.

Benefits according to Keller (1993) are the personal value consumers attach to the product or service attributes—that is, what the consumers think the product or service can do for them. Park, Jaworski and MacInnis (1986) classified benefits into three: 1) functional benefits 2) experimental benefits and 3) symbolic benefits. Functional benefits are the more intrinsic advantages of the product or service consumption and usually correspond to the product-related attributes satisfying experimental needs such as sensory pleasure, variety and cognitive stimulation. Symbolic benefits are the more extrinsic advantages of the product or service consumption and satisfy underlying needs for social approval or personal expression and self-esteem.

Brand attitudes are consumers' overall evaluations of a brand (Wilke, 1986). Brand attitude is highly accessible and diagnostic, and therefore consumers rely heavily on it in decision making, instead of attempting to recall and process specific Brand Associations (Lynch, Marmorstein and Weigold, 1988). Fazio (1986) and Farquhar (1989) considered accessible brand attitude as one of the key elements in building strong brands which is referred to as how quickly an individual can retrieve something stored in the memory.

According to Keller (1993) favorability, strength and uniqueness of Brand Association are cardinal dimensions in Consumer Based Brand Equity. The favorability of Brand Association is reflected in the creation of favorable brand associations that the consumers believe the brand to have, viz., attributes and benefits that will satisfy their needs and wants such that a positive overall brand attitude is formed. The strength of Brand Association depends on how the information enters consumer's memory (encoding) and how it is maintained as part of the brand image (storage). The uniqueness of Brand Associations is the reflection of sustainable competitive advantage or unique selling proposition, which gives consumers a compelling reason for buying that particular brand (Rise and Trout, 1979; Aaker, 1982; Wind, 1982).

Park and Srinivasan (1994) postulated that Brand Associations can contribute to Brand Equity in two different ways. First, Brand Associations related to product attributes create an attribute based component of Brand Equity that is based on the difference between subjectively perceived attribute levels and objectively measured attribute levels. Second, Brand Associations create a non-product attribute based component of brand equity, which is a part of the brand's overall preference unrelated to product attributes.

According to Motameni and Shahrokhi (1998), Brand Association depends on value perception, organizational association and differentiation. The value perception depends on brand value which can be measured by asking customers whether the brand provides good value for money, or whether there are reasons to buy this brand over competition (Aaker, 1996). Organization associations denote how the consumers perceive the manufacturers and differentiate how the brand is different over other competing brands in the market.

Brand Associations, according to Aaker (1991) is defined as anything linked to the memory of the brand. He argued that a Brand Association has a high level of strength, and that the link to a brand (from the association) will be stronger when it is based on many experiences or exposures to communication, and when a network of other links supports it. Further, Aaker (1991) also suggested that Brand Association could provide value to the consumers by providing a reason for consumers to buy the brand and by creating positive attitudes/feelings among consumers.

While a brand may derive associations from a range of sources, brand personality and organizational associations are the two most important types of associations, which influence Brand Equity (Aaker, 1991; 1996).

### **2.5.3 Perceived Quality**

Motameni and Shahrokhi (1998) considered Perceived Quality as central to Brand Equity and it involved a competitor's frame of reference. Perceived Quality can be measured with such scales as the following: In comparison with alternate brands, does this brand have: high quality, average quality or inferior quality?

Perceived Quality is described as the consumer's judgment about a product's overall excellence, esteem or superiority of brand relative to alternative brands (Aaker, 1991; Zeithaml, 1998). It is

therefore, based on consumer's or user's (not manager's or expert's) subjective evaluation of product quality and not on the actual qualities of the products. At the same time Perceived Quality is considered to be a core/primary facet of Consumer Based Brand Equity framework (Farquhar, 1989; Keller, 1993) as it has been associated with the willingness to pay a price premium, brand purchase intent, and brand choice. Perceived Quality is at a higher level of abstraction than any special attribute, and differs from objective quality as it is more akin to an attitudinal assessment of a brand – a global effective assessment of a brand's performance related to other brands (Keller, 1993). Perceived Quality thus provides consumers a reason to buy by differentiating the brand from competing brands. It is also a component of brand value which leads consumers to select a particular brand rather than another competing brand (Yoo et al. 2000). Aaker (1991) considered perceived quality believed to result in higher brand loyalty, larger customer base and more efficient marketing programs (Aaker 1991, Tellis et 2009).

#### **2.5.4 Brand Loyalty**

Aaker (1991) explained loyalty as a core dimension of Brand Equity and defined Brand Loyalty as the attachment that a customer has to a brand. A loyal customer base represents a barrier to entry, a basis for price premium, time to respond to competitor innovations, and a bulwark against deleterious price competition. Aaker (1996) stated that the values of Brand Loyalty contain reduction of marketing costs, balance of trade leverage, and attraction of new customers and acquisition of time for responding to competitive threats. Three advantages of owning brand loyal customers were also identified by Chaudhari (1999), which were: the requirements of lesser advertising, acquisition of the greatest level of repeat purchases, and the generation of consumer's acceptance to pay premium for the service or product.

The basic indicator of loyalty is the amount a customer will pay for the brand in comparison with another brand (or set of comparison brands) offering similar benefits. The price premium measure is defined with respect to a competitor or set of competitors, which must be clearly specified. The price premium can be determined by "dollar metric" where consumers are asked how much more they would be willing to pay for the brand or conjoint analysis where all choices are analyzed together to determine the importance of different dimensions.

According to Aaker (1991), there are five kinds of consumers with different levels of Brand Loyalty: consumers with no loyalty, consumers with habitual purchase, consumers with satisfaction of transfer cost, consumers with product favorability, as well as consumers with deep commitment. Customer satisfaction is a measure of loyalty of the existing customers. The loyalty measure can be found out by asking intend-to-buy questions or by asking respondents to identify those brands that are acceptable.

Would you buy the brand on the next opportunity?

Is the brand – the only vs. one of two vs. one of three vs. one of more than three

Brands – which you buy and use?

A more intense level of loyalty would be represented by questions such as:

Would you recommend the product or service to others?

Oliver (1997; 1999) defined Brand Loyalty as a deeply held commitment to buy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having potential to cause switching behavior. Rossiter and Percy (1987) argued that Brand Loyalty is often characterized by a favorable attitude towards a brand and repeated purchase of the same brand over time. Apart from behavioral dimension of Brand Loyalty as defined by Aaker (1991) and Oliver (1997; 1999), researchers like Chaudhari and Holbrook (2001), Yoo and Donthu (2001) have an attitudinal perspective on Brand Loyalty.

Chaudhari and Holbrook (2001) argued that attitudinal brand loyalty includes a degree of dispositional commitment in terms of some unique value associated with the brand. Yoo and Donthu (2001) defined Brand Loyalty from the attitudinal perspective as the tendency to be loyal to a focal brand, which is demonstrated by the intention to buy the brand as a primary choice.

## **2.6 Promotional Activities and Brand Equity**

Marketing actions, the term Kirmani and Wright (1998) use to refer to the marketing efforts undertaken by a company, broadly correspond to marketing mix elements. The marketing mix comprises all controllable marketing actions that influence consumer brand knowledge that is consumer's psychological perceptions and result in positive or negative impact on brand equity

(Yoo and Donthu, 2001). In 2002, Keller said that "a high level of brand awareness and strong, favorable, and unique brand associations can be created in variety of different ways by making programs". This indicates that marketing efforts are key players in building brand equity.

The idea that marketing communication contribute to brand building was first presented in 1960s, when Joyce (1967) postulated the theory that advertising changes attitudes towards brands through the principle of AIDA (Awareness, Interest, Desire, Action ) model. Nowadays marketing communication is believed to contribute to building high customer- based brand equity (Vakratsas and Ambler 1999, Yoo, Donthu, and Lee 2000). These researchers explained this by saying that the overall value of brand equity is adopted as a proxy of market performance. In an overall view, brand equity is defined in terms of the marketing effects uniquely attributable to the brand. That is Brand equity relates to the fact that the different outcomes result from the marketing of a product or service because of its brand element, as compared to outcomes if that same product or service did not have that brand identification (Tuominen, 1999)

As Belch & Belch (2009) states, while implicit communication occurs through the various elements of the marketing mix, most of an organization's communication with the marketplace takes place as part of a carefully planned and controlled promotional program. Promotional activities are brand building tools which are the means of marketing communication by which companies aim to inform, persuade and remind customers directly or indirectly about its product and brands. In way, they dialog and build relationships with customers (Kotler, 2006).

Traditionally the promotion mix has included four elements: advertising, sales promotion, publicity and personal selling. In modern perspective, direct marketing and internet marketing are the major promotional mix elements. An organization uses a variety of tools and media to reach their audiences and generate brand awareness. This study will assess the following promotional activities which are frequently used in Ethiopian Insurance Industry: TV and Radio advertising, non-price sales promotion, sponsorship and word of mouth.

### **2.6.1 Advertising**

Advertising is any paid form of non-personal communication about an organization, product, service or idea by an identified sponsor (Keller, 2008). Advertising is a powerful way of communicating a brand's functional and emotional values (de Chernatony, 2006). Many advertising

researchers found advertising is successful in generating brand equity (Boulding, Lee and Stalin 1994; Chay and Telis 1991; Johnson 1984; Lindsay 1989; Maxwell 1998). Simon and Sullivan (1993) found a positive effect of advertising spending on brand equity.

The advertisements' expenditure indicate the amount of investment of the firm or company in its own brand equity and the customer holds a positive connection between the advertisements, expenditure and the quality of brand equity (Gil et al, 2007). This indicates that the higher the advertising spends, the higher the awareness levels are likely to be. Favorable, strong and unique brand associations can also be created by advertising (Cobb-Walgreen et al., 1995; Keller 2007) like brand awareness, brand associations arise from consumer-brand contact. As a result advertising can contribute to brand associations arise through its ability to create, modify or reinforce associations with each new contact. Hence, the higher the advertising spend of a brand, the stronger and more numerous will be the associations in the consumer's mind.

The positive relationships between advertising spend perceived by the customer and perceived quality; brand awareness and brand association have been empirically supported by Yoo et al (2000), Villarejo (2002) and Bravo et al. (2007). This study will examine the role of TV and Radio advertisements in creating brand equity.

**Television Advertising:** According to Keller (2008), Television is generally acknowledged as the most powerful advertising media as it allows for sight, sound, and motion and reaches a broad spectrum of consumers. The wide reach of TV advertising translates to low cost per exposure. From a brand equity perspective, TV advertising has two particularly important strengths. First, TV advertising can be an effective means of vividly demonstrating product attributes and persuasively explaining their corresponding consumer benefits. Second, TV advertising can be a compelling means of dramatically portraying non-product-related user and usage imagery, brand personality, and so on.

**Radio Advertising:** Radio advertising is available on national networks and on local markets. Radio advertising specifically has been considered important in the following regards namely cheapness, penetration, transmission times, human voice and that it does not enforce serious attention (Jenkins and Yadin 2000). Thus radio advertising is cost effective as it appeals to the mass market which results in cost economics. The ability to reach multitudes of targeted audience makes this broadcast

method economic and above all its application of the human voice has given it leverage over other passive and static media for advertising which include print, outdoor and other form of direct mail advertising. O'Guinn, Allen and Semenik (2009) argue that radio advertising has the greatest reach and frequency as it can reach customers in their homes, vehicles, offices and even when they are outside their homes. They also realized that beyond its being cheap this broadcast method has a high degree of audience selectivity which may be based on geography, demography and other socio-economic classification parameters. So as one type of advertising radio advertising has also impact on brand equity.

### **2.6.2 Sales Promotion**

According to Keller (2008) Sales promotion can be defined as a short term incentive to encourage trial or usage of a product or service. While Kotler (2002) provides various reasons for sales promotion, he says that sales promotions to end-customers increase short term sales and help building long term relationships, while trade promotions aimed on distributors and retailers so that they buy large volumes and advertise the product more.

Sales promotion is generally divided into two major categories: it is consumer oriented and trade oriented. Consumer oriented sales promotion is targeting the ultimate users of a product or service and it includes coupons, samples, premiums, rebates, contests, sweepstakes and various point of purchase materials. Trade oriented sales promotion is targeting marketing intermediaries such as wholesalers, distributors and retailers (Kotler, 2002).

Customer oriented sales promotion is also further classified as price (monetary) and non-price (non-monetary) sales promotion. Frequent use of price promotions has a negative impact on perceived quality and brand association dimensions because this tools leads consumers to think primarily about price not about brand (Yoo et a, 2000).

The focus of this study will be only on non-price sales promotion, researchers show that non-price promotion can differentiate brands and communicate distinctively brand attributes, contributing to the development and reinforcement of brand equity (Chu and Keh, 2006). While price promotion primarily related to utilitarian benefits, non-monetary promotions are more related to hedonic benefits (Chandon, Wansink and Laurent, 2000). These benefits such as entertainment and exploration are related to experiential emotions, pleasure and self- esteem. Therefore non-price

promotion can evoke more associations related to brand personality, enjoyable experience, feeling and emotions. Furthermore they link more favorable and positive brand associations to the brand (Palazon and Delgado, 2005)

### **2.6.3 Sponsorship**

Sponsorship is a business method for communication and marketing which, in the short and long term, has the aim of contributing to the sponsors brand awareness and image. As well as increasing the sponsor's sales (Mikael & Magnus, 1999). It has also a different meaning like the American Marketing Associations defines it as "advertising that seeks to establish a deeper association and integration between an advertiser and a publisher, often involving coordinated beyond-the-banner placements". This definition points out that a sponsorship is often a part of an integrated marketing activity, however, for Pickton (2005) sponsorship is rather a form of indirect advertising, which is positioned between public relations and advertising.

Sponsorship can also be regarded from the strategic perspective since "it concerns decisions about the allocation of resources to achieve organizational objectives and also because it is used to align an organization with the pressures and demands of its environment" (Slack & Bentz, 1996). Sports, arts, media, education, science and social projects, institutions and television programs can be sponsored; the most popular area targeted by sponsoring companies is sports.

Sponsorship can distinguish in to different types one is broadcast sponsorship refers to when the sponsor influence the content of a TV program, sponsorship can capitalize on the broad media coverage of sponsored events, it can be said leveraging media (Pickton and Broderick, 2005). Within the category of broadcast sponsorship, bill boarding occurs if the name of the sponsor is mentioned during a program, while product placement involves actively displaying and using the sponsors' products during the program (Clow and Baack, 2002). Another very common type of sponsorship is prize sponsorship, where the sponsoring company pays for an award or prize within a program (Clow and Baack, 2002).

Therefore sponsorship implies that the sponsor with communication objectives such as building brand awareness or reinforcing brand or corporate image. According to Keller (2000) developing successful event sponsorship involves choosing the appropriate events, designing the optimal sponsorship program, and measuring the effects of sponsorship on brand equity. Keller and

Lehmann (2002) suggested that sponsored events can contribute to brand equity by increasing to awareness of the company or product name.

#### **2.6.4 Word of Mouth**

According to scholars who have previously worked on WOM, it is defined as oral person-to-person communication between a receiver and a communicator whom the receiver perceives as non-commercial, regarding a brand, product or service (Brit, 1996; Arndt, 1967; Bayus, 1985; Bolting, 1989). Researchers indicate that WOM is different from other information sources, such as advertisement for two major reasons, one is because of people usually thinks of WOM as more credible and trustworthy when compared to others, and the other one is that social networks usually accept WOM more willingly (Liu, 2006).

Herr, et al, (1991) have suggested that the effectiveness of WOM information could be explained by the fact that the information is received in a face to face manner and this information is more accessible to the memory, rather than information received from a less vivid format, like mass media. Other researcher has further suggested that the effectiveness of WOM can be attributed to the confidence and perceived credibility the receiver has in the information received. Often the information is sought out from people in whose opinions the receiver has extreme confidence (Kapferer, 1990). In addition, Escalas and Bettman (2003) in their work stated that reference groups are a strong source of brand awareness as they are linked to one's mental representation of self to meet self-verification or enhancement goals. Furthermore, Sheth (1971) emphasized that WOM is more important than advertising in raising awareness of an innovation and in securing the decision to try the product. Similarly in line with this idea Xu & Chen (2010) were mentioned that positive WOM also affects the evaluation of a brand product because it implies that customers have a favorable and clear brand awareness of a product, strong association with it, high quality perception and are loyal to it.

### **2.7 Previous studies on brand equity**

Over the years, scholars have examined consumer-based brand equity using different models/theories by incorporating various brand equity dimensions/elements.

Rahil shams (2004) reviewed the relationship among selected marketing mix components and brand equity of mobiles in young age group of Tehran city. In conceptual framework which is proposed in

this study, first marketing components are linked to various dimensions, and then these dimensions are linked to brand equity. The results indicated positive effects of brand equity dimensions on brand equity and strong effects of marketing mix components on these dimensions.

Somayyeh Lagazian (2006) dealt with the consumer subject and the state of brand equity's evaluation (a study of hotel management industry). This research is dealt with the review of the evaluation of brand equity (perception of quality, mental image, and brand awareness) by the consumer's cognitions in hotel management industry of Mashhad city. The main issue of this research is that what factors are affected consumer's cognitions in order to show a brand in prominent form in his/her mind by this effect.

Yoo et al. (2000) investigate the relationship between selected marketing mix elements and brand equity on a perceptual level for shoes, camera film and television set brand. Their findings suggest that advertising spending and distribution intensity relate strongly to brand equity.

Hua (2005) studied the effect of marketing mix on brand equity. This study is done in three classification, razor, soap and orange juice in Australia market to show brand equity's criteria and also to examine the proposed effects. Advertising in some media are found with positive effects on brand equity and TV advertising have more effects on providing brand equity in comparison with publishing advertising. The effect of promotion on brand equity was complicated and only large promotion with negative effect on brand equity is found.

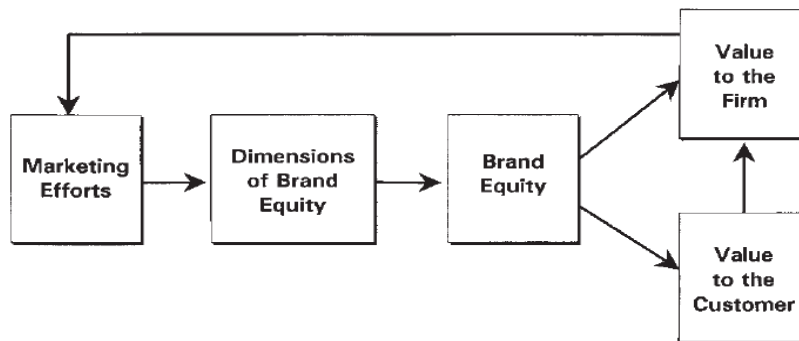
Villarejo-Ramos and Sanchez-Franco (2005) reviewed the effect of marketing communication and sales promotion on brand equity. Results indicate positive effects of marketing communication on brand equity and present strong protection from the criterion of perceived quality, brand loyalty, brand awareness and brand image as a preface of brand equity.

Seyfali Zarbi (2007) dealt with the evaluation of selected marketing mix components effect on brand equity. The data analysis results by using of structural equation model support the hypothesis of the research in the case of direct effects of parameters on each other. Results indicate the positive effect of brand equity dimensions on brand equity and strong effect of selected marketing mix components on these dimensions.

## 2.8 Conceptual Framework

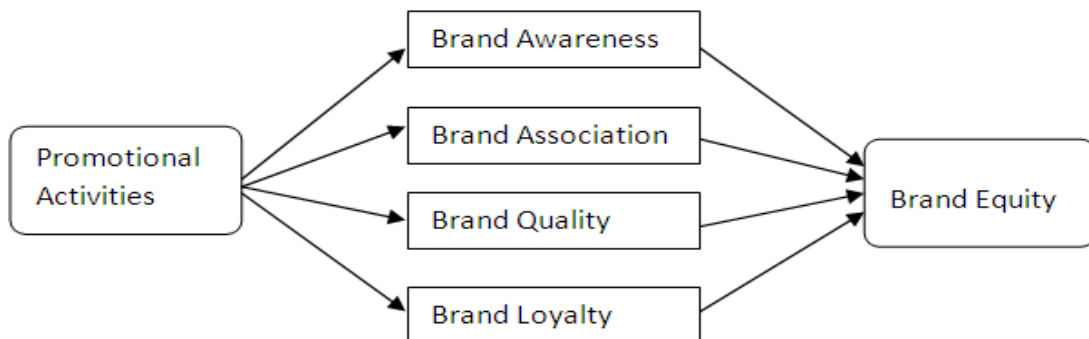
Following Aaker's (1991, 1996) and Keller's (1993) conceptualization, the four dimensions of consumer-based brand equity examined in this study are brand awareness, perceived quality, brand associations and brand loyalty. The conceptual framework of this study is based on Yoo, Donthu, and Lee (2000) hence it is psychometrically sound measure of consumer-based brand equity. The model was an extension of Aaker's proposal that indicate marketing activities have significant effects on brand equity dimensions, which in turn brand equity dimensions create and strengthen brand equity. Therefore, the relationship between marketing activities and brand equity is mediated by these dimensions. It was also assumed that significant relationships exist among the dimensions themselves. Yoo et al.'s model was built based on the following conceptual framework of BE.

**Figure1. Conceptual framework of Yoo et al. (2000)**



In this study instead of generalized marketing mix activities more detailed promotional activities will be examined in order to provide more insightful conclusion and suggestions about the effect of promotion on brand equity. The conceptual framework of this study helps to first get the relation between five selected promotional activities with the four brand equity dimensions and the brand equity dimensions in turn measures its contribution to the overall brand equity.

**Figure2. Conceptual Framework of this research**



## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Description of the Study Area**

For the two last decades, the Ethiopian financial institutions in general and insurance companies in particular have shown an impressive progress in terms of number and service which not only creates the employment opportunities but also enhances the business activities in the Ethiopian economy. The work of Hailu Zeleke (2007) explores the historical routes, examines its emergence and indicates the track that the insurance industry in Ethiopia has gone through ever since its inception in early twentieth century. It is indicated that there has hardly ever been any work in insurance business in Ethiopia that went into the historical and factual aspects of the industry.

The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. Similarly, modern insurance service, which were introduced in Ethiopia by foreigners, mark out their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company.

According to a survey made in 1954, there were nine insurance companies that were providing insurance service in the country. With the exception of Imperial Insurance Company that was established in 1951, all the remaining of the insurance companies were either branches or agents of foreign companies. In 1960, the number of insurance companies increased considerably and reached 33. At that time insurance business like any business undertaking was classified as trade and was administered by the provisions of the commercial code.

According to Hailu Zeleke (2007), the first significant event that the Ethiopian insurance market observation was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control & regulation of insurance business in Ethiopia. Consequently, it created an insurance council and an insurance controller's office; it has strange impact in the sector. The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation immediately in the year after the issuance of the law.

After four years that is after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private enterprises. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation. In the years following nationalization, Ethiopian Insurance Corporation became the sole operator.

After the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Immediately after the enactment of the proclamation in the 1994, private insurance companies began to increase. According to National Bank of Ethiopia currently, as of January, 2015 Ethiopian insurance industry comprises seventeen companies, one governmental and sixteen private insurance company they all are engaged in both general and long-term insurance business. The head office and main branches of all the companies are located in Addis Ababa, because of this and time constraint mentioned earlier the research will be conducted only in Addis Ababa.

### **3.2 Research Approach and Design**

Basically there are three types of research approach; the first one is Qualitative research which involves studies that do not attempt to quantify their results through statistical summary or analysis. In qualitative research data are often in the form of descriptions not in numbers. The other one is Quantitative research, which engages in systematic and scientific investigation of quantitative properties and phenomenon and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and hypothesis pertaining to natural phenomena. The process of measurement is central to quantitative research because it provide the fundamental connection between empirical observation and mathematical expression of an attribute (Abiy et al., 2009). The third one is mixed type which consisted of both qualitative and quantitative approach.

This particular research pursue quantitative research approach hence it involves hypothesis testing, factor analysis and other quantitative methods. This research has employed non experimental causal research design which involves studying variation in the dependent and independent variables, without any intervention of the researcher. Causality refers to the relationship between events where one set of events, the effects is a direct consequence of another set of events, which is the causes

(Bobbie, 1990). Non experimental causal research designs can be either cross-sectional or longitudinal in nature; this study is cross sectional survey research since all the data were collected at one point in time. Survey technique was selected for this study because it is useful in targeting very specific populations, identifying characteristics of a population from a small group of individuals; making standardized questions measurement more precise by enforcing uniform definitions on the participants, thereby obtaining high reliability more easily; and survey data are easily quantifiable and are responsive to different regression analysis. With the survey method, it is hoped that the findings from the sample customers could be generalized into a large target population (Bobbie, 1990)

### **3.3 Data Collection**

For this study primary and secondary data sources were used. Fin (1995) identifies four types of primary data collecting methods: self-administered questionnaires; interviews; structured record reviews; and structured observations. For this study primary data were collected using structured questionnaire because first, this method is easy to standardize and produce results that are easy to summarize, compare and generalize. Second it is easy to use with large sample by fitting diverse experience into predetermined response categories. Third, it contributes to reliability by promoting greater consistency; since every respondent is asked the same questions. The structured questionnaire will consist two parts, the first part is regarding demographical background of the respondents and the second part is related to dependent variables which are Brand Equity, independent variables which are promotional activities and mediators which are brand equity dimensions. For secondary data source, related texts, journals, and magazines were used.

The data from primary source were collected from the top five insurance companies in Ethiopia based on their Gross written premium and profitability. From this listed companies or brands, respondents were asked to select the one they are familiar and comfortable to do business with, then to answer all the statements in the questionnaire for that particular brand or company.

According to the data from corporate planning department of Nyala Insurance S.C. the following insurance companies are the top five consecutive companies in their gross written premium and profitability in the year 2013/14.

- ✓ Ethiopian Insurance Corporation (Governmental)
- ✓ Awash Insurance S.C. (Private)
- ✓ Africa Insurance S.C. (Private)
- ✓ United Insurance S.C. (Private)
- ✓ Nib Insurance S.C.(Private)

### **3.3.1 Instrumentation and Measurements**

The purpose of the instrument developed for this study is to test the formulated research hypotheses, it is important that the instruments have to accurately measure the constructs in the hypotheses. The measurement in the study is borrowed and/or adapted from previous measures.

The questionnaire designed for this study was originally drafted in English and then translated into Amharic, then back translated in to English. To insure the correct meaning of the translated version, two of my colleagues who are native Amharic speakers have reviewed the transcribed copies in English and Amharic. Their comments incorporated in to the final version of the questionnaire. The questionnaire consisted of likert type statements about which respondents were asked to indicate their degree of agreement using a five point scale from 1- strongly disagree to 5- strongly agree which is consistent with Yoo et al.(2000).

The questionnaire made up of four major parts.

- 1) Demographic questions.
- 2) Evaluation of overall brand equity.
- 3) Evaluation of selected promotional activities.
- 4) Evaluation of four dimensions of brand equity.

Yoo et al. (2000) examined what consumers perceived rather than actual marketing efforts because it is perceived marketing efforts that play direct role in consumer psychology than actual effort. Similar concept is used in selecting the five promotional activities (TV and Radio advertising, non-price promotion, event sponsorship and WOM) in view of customers during this study.

The dimensions of brand equity were structured as four parts: Perceived Quality, Brand Loyalty, Brand Awareness and Brand Association. The scales of perceived quality and brand loyalty is borrowed from Yoo et al. (2000) and Pappu, Quester, and Cooksey (2005). Perceived quality measures customer's subjective judgment about a brands overall excellence or superiority and addressed overall quality rather than individual elements of it. ("Service from company X would be of very good quality"). Brand loyalty items captured the consumer's overall commitment to being loyal to a specific brand ("I consider myself to be loyal to brand X"). The brand awareness scale borrowed from Yoo et al. (2000), measures the strength of the brand in consumer's memory as reflected by the consumers ability to identify brand elements ("I am aware of brand X"). Brand association scale is based on Aaker (1996), Keller (1993), and Pappu et al. (2005). Brand association is measured by how strong, favorable and unique the brand image was in the minds of the customer ("I like and trust the company that provide X").

The promotional activity in this study consists of five dimensions: advertising (TV and Radio), non-price sales promotion, event sponsorship and word of mouth. The effect of these promotion activities on four brand equity dimensions were measured with twenty items four items for each constructs. Non price promotion was measured as the perceived relative frequency of the non-price deals presented for the focal brand. Gifts and value added service is used to represent non price promotion. The scale was adapted from Yoo et al.'s measure. For non-price promotion terms like "gifts" is used ("in X company non-price promotion like gifts are frequently offered"). Both types of advertising (TV and Radio) were measured brand equity dimensions using the same four items such as: "brand X is frequently seen on Television, its advertising is very interesting, funny and exiting, it is very popular and easy to remember". Word of mouth also measured in similar fashion by adding phrases like "I heard from friends", "Easy to remember this brand after my friends mentioned it". Finally sponsorship were measured with the perceived relative frequency of the sponsorship presented for the focal brand such as "This brand frequently sponsors various events like, sport, music or other events".

### **3.4 Sampling**

Sampling is the selection of a fraction of the total number of units of interest for the ultimate purpose of being able to draw general conclusions about the entire body of unit (Parasurman, 2004).

There are several decisions to be made in organizing a sample such as identifying target population, selecting sampling technique and determining the sample size.

### **3.4.1 Target Population**

Population is defined as the complete set of units of analysis that are under investigation (Davis 2000). Proctor (2003) defines population as the total group to be studied. Therefore the target population for this study is customers and potential customers of the five selected insurance companies (Ethiopian Insurance Corporation, Awash Insurance S.C., Africa Insurance S.C., United Insurance S.C. and Nib Insurance S.C.) in Addis Ababa city.

### **3.4.2 Sampling technique**

Based on the literature, there are two main sampling methods, probability and non-probability sampling (Zikmund, 2000). In this study the lack of access to a list of the entire population being studied makes it difficult to use probability sampling, as a result of this two stage sampling is used. First convenience sampling technique is used to select the insurance providers branch offices, that are main branches of all the insurance companies and then systematic random sampling to select respondents by contacting every other customer visiting the branch office both customer and potential customer.

### **3.4.3 Sample Size**

The population size of this research is unknown, so unknown population sample formula is used to determine the sample size. In using the formula 95% confidence level, 0.5 standard deviation and confidence interval of +/- 5% is used. From the standard table Z- score of 95% confidence level is 1.96. The formula is as follows

$$\text{Sample size} = (Z\text{-score})^2 * \text{Std.dev} * (1 - \text{Std Dev.}) / (\text{confidence interval})^2$$

Substituting the above data in the formula

$$\text{Sample Size} = ((1.96)^2 * 0.5 * (0.5)) / (0.05)^2$$

$$\text{Sample size} = 384.16 \cong 384$$

### **3.5 Data Analysis Method**

This study employed customer survey to gather data and the quantitative evaluation of customer's attitudes and behaviors (on five point scale) was used to examine the relationships of factors under the conceptual frame work. The descriptive analysis is used to analyze the demographic data of the sample and inferential statistics which examines the relationships of the variables is done by structural equation model (SEM). The analysis has been conducted using SPSS 20.00 and AMOS 20.00 statistical package.

Structural equation modeling is a general statistical modeling technique to establish relationships between variables. According to Robert Ho (2006) structural equation model is used to describe a large number of statistical models used to evaluate the validity of substantive theories with empirical data. A key characteristic of SEM is that observed variables are conceptualized as representing a number of latent variables. These latent variables cannot be directly measured but only inferred from the relationships between measured variables. The vast majority of marketing constructs are latent variables by their nature, which are not amenable to direct measurements; examples include brand attitudes, customer satisfaction, and perceived value, repurchase intention and perceived quality (Bollen, 1989).

As a result SEM is the best method to do analysis with such type of variables since it's used to test complex relationships between observed (measured) and unobserved (latent) variables and also relationships between two or more latent variables. Structural equation modeling can simultaneously estimate all path coefficients and test the significance of each causal path, permitting the evaluation of the model performance as a whole (Robert Ho, 2006).

As per Wu, Pvi-wa and Quing (2007) confirmatory factor analysis was carried out in order to validate the reliability and statistical validity of the measurement model. So SEM uses confirmatory factor analysis (CFA) to reduce measurement error by having multiple indicators per latent variables; it has attractive graphical modeling interface; and it has the ability to test models with multiple dependents, to model mediating variables, to model error terms, to test coefficients across multiple variables between subject groups, and to handle difficult data (time series with auto correlated error, non-normal data, incomplete data).

A two-step model-building approach was used in this study, in which the measurement models were tested prior to testing the structural models:

- 1) Before testing the hypotheses, three methods- reliability analysis, validity analysis, and confirmatory factor analysis were used to select and assess constructs for the final items to be used for hypothesis testing.
- 2) The structural model will be employed to get the path estimates, and to test the hypotheses.

# CHAPTER 4

## RESULT AND DISCUSSION

### Introduction

This chapter consists of an analysis of the data and a presentation of the results from the study. Mainly SPSS 20.0 and AMOS 20.0 Graphics (SEM package) are used first to prepare the data for analysis; second, to assess the measurement model and check reliability/validity of measures; and third to analyze the structural model. SEM is statistically an extension of general linear modeling (GLM) procedures such as ANOVA and Multiple regression analysis. SEM enables researchers to test a set of regression equations simultaneously. Finally using SEM the 29 proposed research hypotheses were tested according to the result from the structural equation model. Findings are presented and discussed for each hypothesis.

### 4.1 Demographic characteristics of the respondents

All the data were examined for missing and outlier, as a result out of the 400 surveys, 364 were found valid and used in the study. The valid response rate is 91% and 36 responses (which are 9%) were canceled from the study because they were not completed and/or shows certain unrealistic systematic response patterns.

Table 4.1: Frequency Table of total samples

		Statistics						
		Gender	Age	Educational level	Marital status	Employment status	Net monthly income	Company Preference
N	Valid	364	364	364	364	364	364	364
	Missing	0	0	0	0	0	0	0

Table 4.2 Demographics of Respondents

Characteristics		Frequency	Percent
Gender	Male	211	58
	Female	153	42
Age	18-25	27	7.4
	26-35	193	53
	36-45	97	26.6
	46 and above	47	12.9
Educational Level	High School Graduate	27	7.4
	Diploma	108	29.7
	First Degree	192	52.7
	Masters and above	37	10.2
Marital Status	Single	113	31
	Married	238	65.4
	Divorce	13	3.6
Employment Status	Self-employed	217	59.6
	Employed	147	40.4
Net Monthly Income	1000-2000	02	0.5
	2001-4000	37	10.2
	4001-7000	111	30.5
	7001-10000	126	34.6
	10001 and above	88	24.2
Company Preference	EIC	63	17.3
	Awash	90	24.7
	Africa	72	19.8
	United	85	23.4
	Nib	54	14.8

## Gender

According to Table 4.2 out of the 364 valid respondents, from gender perspective 58% or 214 respondents were males and the remaining 42 % or 153 respondents were females. This implies that the number of male respondents were greater than the female counter parts.

## **Age**

All participants in the study were older than 18 years of age. Out of total valid 364 respondents the most respondent's age group was between 26 and 35, which is 53%. The age between 36 and 45 years old were ranking second who took about 26.6% followed by respondents who were with age range of 46 and above which is 12.9% and the last age group was between 18 and 25 who were about 7.4 %. This indicates that adults are the prominent customers of insurance companies or representatives of insured organizations.

## **Education Level**

From the 364 valid respondents, 27 of them or 7.4% were high school graduate; 108 of them were diploma holders which is about 29.7%. Most respondents were first degree holders they were 52.7% or 192 in number, the rest 10.2% or 37 respondents were having second degree or above.

## **Marital Status**

Most respondents of insurance customers or potential customers were married, out of 364 respondents 238 or 65.4% were found married. 113 respondents or 31% were single and the rest 13 respondents or 3.6% were divorced. This indicates that most insurance customers or potential customers are married individuals.

## **Employment Status**

About 40.4 % of the respondents or 147 were employed and the rest 59.6% or 217 respondents were self-employed. Therefore most of the customers are self-employed.

## **Income**

In this study net monthly income of the respondents were examined and presented as follows. From the total 364 respondent only 02 individuals or 0.5% reported monthly income of 1,000-2,000 ETB (Ethiopian Birr); 37 respondents or 10.2% earned monthly income of 2,001-4,000 ETB; 111 respondents or 30.5% earned monthly income of 4,001-7,000 ETB; 126 respondents or 34.6% earned monthly income of 7,001-10,000 and the rest 88 respondents or 24.2% reported monthly income of 10,001 and above. This shows that most insurance customers are earning average and above average monthly income.

## **Company preference**

In this study five insurance companies were selected and given to respondents to indicate their choice. As per the survey result out of 364 valid responses 17.3% or 63 respondents were preferred

Ethiopian Insurance corporation while 24.7% or 90 respondents were preferred Awash Insurance ; 19.8% or 72 respondents preferred Africa Insurance;the next 23.4% or 85 respondents preferred United Insurance and the rest 14.8% or 54 respondents were preferred Nib Insurance. This shows that the respondent's preference rate was not directly related with the rank of the companies.

In general as it can be seen from Table 4.2 the major insurance customers and potential customers were married, it seems reasonable since they are more responsible. Upper middle income earner which is ETB (4,000-7,000) and Lower upper income earner which is ETB (7,001-10,000) were found as major insurance customers, it indicates that insurance companies should focus the middle class and upper class income earners.

## **4.2 Normality, Reliability and Validity Tests**

### **4.2.1 Normality Test**

According to Bagozzi and Yi (1998), one of the first things that should be done in the evaluation of structural model is assessment of the adequacy of input data and statistical assumption underlying any estimation methods used in analysis. The estimation of SEM parameters requires continuous data with normal distribution. A common test for normality is to run descriptive statistics to get skewness and kurtosis. According to (Hair, et al., 1998) skewness and kurtosis should be within the range of +2 to -2 when the data are normally distributed.

Paurav Shukla (2009) stated that skewness and kurtosis test, and the low difference between mean and median is the basic way to check the normality of the data. Accordingly positive skewness values suggest clustering of data on the low value (left hand side of the bell curve) and negative skewness values suggest that clustering of data points on the high values (right hand side of the bell curve). Positive kurtosis values suggest that the data points gathered in center with long thin tails. Kurtosis values below zero suggest the distribution of data point is relatively flat. (Shukla, 2009)

Normality analysis for 10 variables was conducted with SPSS 20.0. As a result, the skewness and kurtosis of all the 10 variables in the study were found within the range of +2 to -2. Therefore the input data are normally distributed.

Table 4.3 Normality Test

Constructs	Skewness	Kurtosis
Brand Awareness	-0.569	0.971
Brand Association	-0.742	0.469
Perceived Quality	-0.881	0.801
Brand Loyalty	-1.015	1.403
TV Ads	-0.448	-0.656
Radio Ads	0.103	-0.657
Non price sales promotion	-0.460	-0.694
Sponsorship	-0.060	-1.070
Word of mouth	-0.868	-0.253
Overall brand equity	-0.926	1.087

#### 4.2.2 Reliability

The reliability of a measuring instrument is defined as its ability to consistently measure the phenomenon it is designed to measure. Reliability refers to the internal consistency exhibited by the manifest indicators of each construct in structural equation modeling Robert Ho (2006). Barclay and his colleagues (1994) recommended that a measurement of internal consistency of the construct Cronbach's alpha should be taken in to consideration, with a minimum criterion of approximately 0.70 (Hair et al. 1998). Cronbach's Alpha is a single correlation coefficient that is an estimate of the average of all correlation coefficients of the items with in the test. Robert Ho (2006). All constructs were having the highest Cronbach's Alpha between 0.822 and 0.958 therefore all constructs were accepted as being reliable for the study.

Table 4.4 Reliability Test

Constructs	Number of Items	Cronbach's Alpha
Brand Awareness	4	0.851
Brand Association	4	0.822
Perceived Quality	4	0.950
Brand Loyalty	4	0.924
TV Ads	4	0.930
Radio Ads	4	0.943
Non price sales promotion	4	0.950
Sponsorship	4	0.958
Word of mouth	4	0.899
Overall brand equity	4	0.913

### 4.2.3 Validity

Construct validity is used to ensure that the constructs or the measure is actually measures what it is intended to measure (Robert Ho, 2006). In this study two of the construct validity testing methods were used they are convergent validity and discriminant validity.

Face Validity is the extent to which the content of the items is consistent with the construct definition, solely based on the researcher's judgment and Nomological validity examines whether the correlations between the constructs in the measurement theory make sense (Paswan, 2009)

Convergent validity, according to Campbell and Fiske (1995), is when, in the presence of other scale items for other constructs, the scale item in a given construct move in the same direction for reflective measure and thus highly correlate. This differs from reliability in the tests of reliability include only the scale items for a single construct and are not compared to other constructs. Convergent validity is the extent to which indicators of a specific construct "converge" or share a high proportion of variances in common. To assess we examine using SPSS AMOS 20.0 standardized construct loadings applied and average variance extracted (AVE) should be 0.5 or higher.

In addition to convergent validity, discriminant validity analysis also needed to be considered in this study. Discriminant validity is the extent to which a construct is truly distinct from other constructs (Paswan, 2009). Discriminant validity refers to the principle that the indicators for different constructs should not be so highly correlated as to lead one to conclude that they measure the same thing. The discriminant validity measures the degree to which items differentiate among constructs or measure distinct concept and it assessed by examining the correlations between the measures of potentially overlapping constructs (Campeau, Higgins and Huff, 1999)

The thresholds given by Hair et al. (2010) states as follows: For reliability, Composite Reliability (CR) > 0.7, for Convergent validity, CR > AVE (Average variance extracted), AVE > 0.5, for Discriminant validity, Maximum shared variance (MSV) < (AVE), Average Shared Variance (ASV) < AVE. As it is showed in Table 4.5 all the constructs in this study had a good level of both convergent and discriminant validity, since all the results fulfilled the thresholds given by Hair et al.

Table 4.5 Validity Test

Constructs	Composite Reliability(CR)	Average Variance Extracted (AVE)	Maximum Shared Variance (MSV)	Average Shared Variance (ASV)
TV Advertisement	0.931	0.772	0.493	0.355
Radio Advertisement	0.944	0.810	0.493	0.288
Non price sales promotion	0.953	0.836	0.482	0.237
Sponsorship	0.959	0.854	0.450	0.305
Word of Mouth	0.908	0.713	0.482	0.274
Brand Awareness	0.866	0.623	0.567	0.377
Brand Association	0.766	0.889	0.524	0.634
Perceived quality	0.945	0.811	0.689	0.553
Brand Loyalty	0.932	0.775	0.684	0.615
Overall Brand Equity	0.918	0.738	0.669	0.566

### 4.3 Structural equation Model (SEM)

According to Robert Ho (2006) Structural equation model is used to describe a large number of statistical models used to evaluate the validity of substantive theories with empirical data. Statistically, it represents an extension of General Linear Modeling (GLM) procedures such as ANOVA and multiple regression analysis. One of the primary advantages of SEM is that it can be used to study the relationship among latent constructs that are indicated by multiple measures.

Basically SEM consists of two parts: the measurement model and the structural model. The measurement model specifies how the latent variables or the hypothetical constructs are measured in terms of the observed variables and describes the measurement properties through Confirmatory Factor Analysis (CFA) on the other hand the structural equation model specifies the causal relationships among the latent variables and describes the causal effects through Path Analysis. Robert Ho (2006)

#### 4.3.1 Measurement Model Testing (Confirmatory Factor Analysis)

Confirmatory Factor Analysis is particularly useful for testing a measurement model as it allows for correlated errors of measurement (Hair, et al., 1998). As per Wu, Pvi-wa and Quing (2007) confirmatory factor analysis was carried out in order to validate the reliability and statistical validity

of the measurement model. In this study the measurement model was set to have 40 items comprising 10 constructs. AMOS 20.0 maximum likelihood method was used to examine each construct and its standardized loadings.

Bollen (1989) suggested that standard loading and squared multiple correlations between items and constructs should be used for measurement model testing. The analysis result for this study indicates that all the 40 items were loaded highly on their corresponding construct ( $p < 0.05$  in all cases) and the t-values or critical ratio of those items were greater than 2.0 (Segar and Grover, 1993). The analysis of squared multiple correlations demonstrated that most of the items met the recommended criteria of 0.40 or higher (Taylor and Todd, 1995) except two items which belongs to awareness construct and association construct with low individual standard loading was eliminated to improve the loadings of the rest of the item. This means, overall, that the items shared substantial variance with their hypothesized constructs.

Table 4.6 Result of Parameter Estimates

Constructs	Items	Stan. Loadings	Critical Ratio	S.M. Correlations
Overall brand equity	Overall BE1	0.95	-	0.90
	Overall BE2	0.78	20.96	0.60
	Overall BE3	0.81	22.95	0.65
	Overall BE4	0.90	30.00	0.79
Brand Awareness	Awereness1	0.90	-	0.87
	Awereness2	0.80	18.51	0.86
	Awereness3	0.84	20.56	0.97
	Awereness4	0.60	12.45	0.90
Brand Association	Association1	0.71	-	0.88
	Association2	0.72	13.87	0.92
	Association3	0.81	15.51	0.93
	Association4	0.64	12.30	0.91
Perceived Quality	P.Quality1	0.94	-	0.90
	P.Quality2	0.87	27.33	0.94
	P.Quality3	0.94	34.41	0.94
	P.Quality4	0.85	25.77	0.93
Loyalty	Loyalty1	0.90	-	0.67
	Loyalty2	0.79	19.92	0.84
	Loyalty3	0.90	26.09	0.79
	Loyalty4	0.95	30.51	0.78
TV Ads	TV Ads1	0.75	-	0.56
	TV Ads2	0.89	18.49	0.78

	TV Ads3	0.99	21.01	0.98
	TV Ads4	0.88	18.37	0.78
Radio Ads	Radio Ads1	0.90	-	0.82
	Radio Ads2	0.97	33.31	0.93
	Radio Ads3	0.86	24.54	0.74
	Radio Ads4	0.87	24.90	0.74
Non price sales promotion	Non price1	0.91	-	0.84
	Non price2	0.93	30.72	0.86
	Non price3	0.92	30.77	0.85
	Non price4	0.88	26.59	0.77
Sponsorship	Sponsorship1	0.93	-	0.86
	Sponsorship2	0.94	33.03	0.87
	Sponsorship3	0.94	34.24	0.88
	Sponsorship4	0.90	29.08	0.80
Word of mouth	WOM1	0.78	-	0.60
	WOM2	0.79	16.86	0.62
	WOM3	0.84	18.27	0.70
	WOM4	0.67	13.70	0.44

### **Fitness of the Measurement Model**

According to Robert Ho (2006) Goodness-of-fit measures can be classified into three types: (1) absolute fit measures, (2) incremental fit measures, and (3) parsimonious fit measures.

Among these measures the first, absolute fit indices determine how well a proposed model predicts (fits) the sample data (Mc Donald and Ho, 2002). These measures provide the most fundamental indication of how well the proposed theory fits the data. Measures included in this category are Chi-Squared test, Goodness of fit (GFI), Root mean square error of approximation (RMSEA) and Root mean square residual (RMR).

The second, incremental fit measure includes Normed Fit Index (NFI), Incremental Fit Index (IFI), Tucker-Lewis Index (TLI) and Comparative Fit Index (CFI). Hu and Bentle (1999) suggested that GFI, NFI, IFI, CFI and TLI values above 0.90 are generally interpreted as representing a good fit whereas a value of RMSEA below 0.10 indicates a good fit and value of RMR below 0.09. Chi-square ( $X^2$ ) in case of large sample size cannot indicate fitness properly.

In terms of model fitness, the test of the measurement model for this study demonstrated that it had a good fit to the data. The data shown in table 4.7 suggest that, except for Chi square ( $X^2$ ), all other criteria met the recommended values suggested by Hu and Bentle (1999) and Robert Ho (2006). Chi-square p value was equal to 0.00, which does not meet the criteria for a fit model, however, it

was accepted that ( $X^2$ ) is not an appropriate criterion for a study that has a large sample size (Browne and Cudeck, 1993; Marsh, 2004) and ( $X^2$ ) becomes more sensitive as the number of indicators rises (Hair et al., 1998). This study had a large sample size (364 valid responses) and large number of indicators (40 items) therefore Chi-square was not an appropriate testing criterion for model fit to this study. Other fitness indices meet the recommended minimum values:

Table 4.7 Result of Model Fit for Measurement Model

Fit Measures	Recommended Values	Values from the model	Conclusion
Chi-square ( $X^2$ )	$P \geq 0.05$	0.00	Not fit
Chi-square ( $X^2$ )/df	$\leq 5.00$	2.88	Fit
Goodness of Fit (GFI)	$\geq 0.90$	0.90	Fit
Normed Fit Index (NFI)	$\geq 0.90$	0.91	Fit
Tucker-Lewis Index (TLI)	$\geq 0.90$	0.93	Fit
Comparative Fit Index (CFI)	$\geq 0.90$	0.94	Fit
Root Mean square Residual (RMR)	$\leq 0.09$	0.05	Fit
Root Mean Square Error of Approximation	$\leq 0.10$	0.07	Fit

### 4.3.2 Structural Model Testing

The structural equation model is a flexible, comprehensive model that specifies the pattern of relationships among independent and dependent variables, either observed or latent (Robert Ho, 2006). A measurement model is used for defining the relations between observed and unobserved variables, whereas a structural model is employed to examine the relations among latent variables in a proposed model (Byrne, 1998).

SPSS AMOS 20.0 Graphics was used to develop and run the structural model and test the hypothesized relationship between constructs. Maximum likelihood estimation was used to test the structural model, since this estimation provides an output with the maximum possible impact of exogenous variable on endogenous variable.

The structural model of this study includes all variables from the measurement model, since all of them had significant factor loadings. The structural model specified the perceived promotional efforts as exogenous variables and they were related to the endogenous variables of brand equity dimensions and the brand equity dimensions in turn were related to overall brand equity which is the ultimate endogenous variable. The Model fit criteria used in testing the measurement model were employed to test the structural model and goodness of fit statistics indicated that the structural

model also found fit as the measurement model. Therefore, the next step was to test the relationship between constructs included in the structural model.

Table 4.8 Result of Model Fit for Structural Model

Fit Measures	Recommended Values	Values from the model	Conclusion
Chi-square (X2)	$P \geq 0.05$	0.00	Not fit
Chi-square (X2)/df	$\leq 5.00$	2.88	Fit
Goodness of Fit (GFI)	$\geq 0.90$	0.90	Fit
Normed Fit Index (NFI)	$\geq 0.90$	0.91	Fit
Tucker-Lewis Index (TLI)	$\geq 0.90$	0.93	Fit
Comparative Fit Index (CFI)	$\geq 0.90$	0.94	Fit
Root Mean square Residual (RMR)	$\leq 0.09$	0.05	Fit
Root Mean Square Error of Approximation	$\leq 0.10$	0.07	Fit

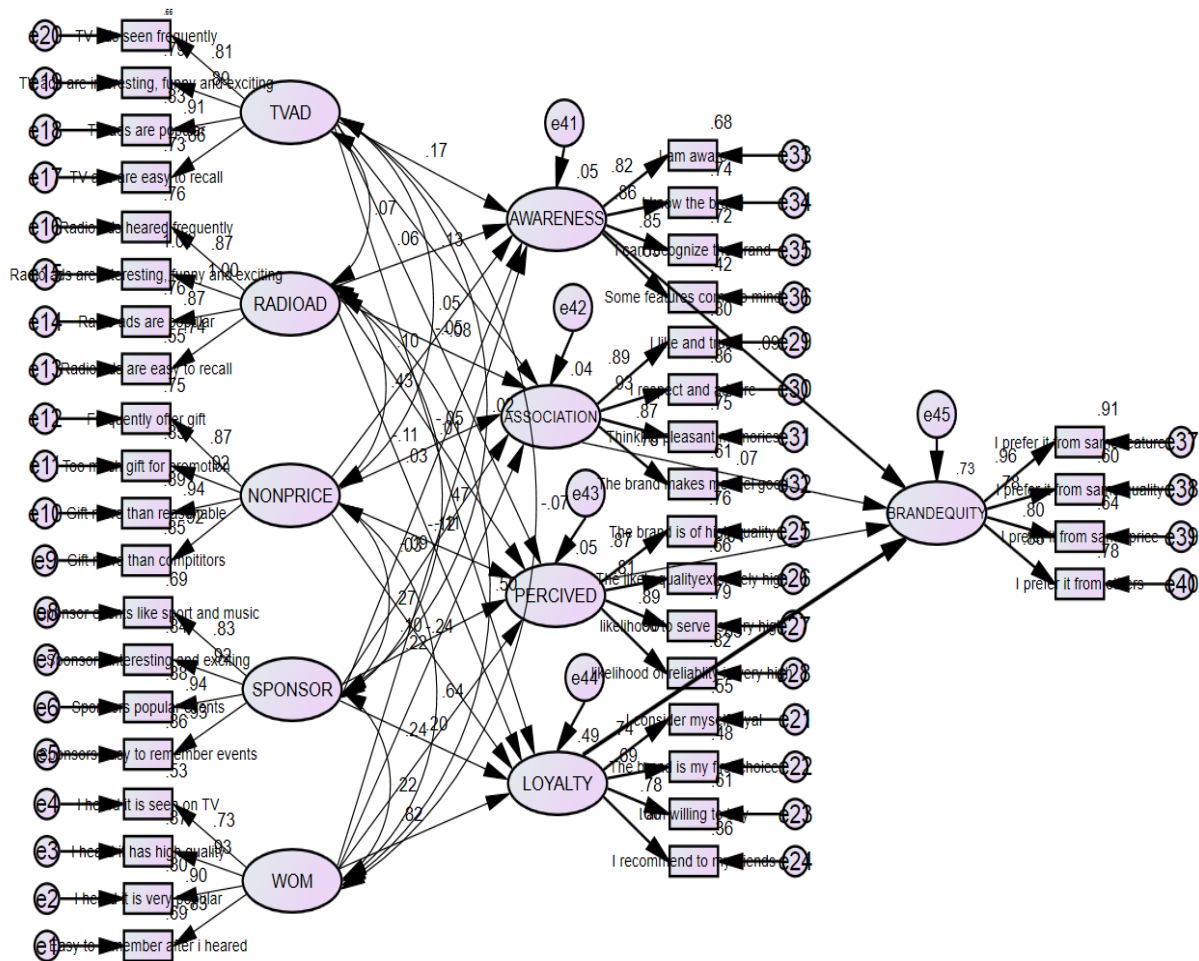


Figure3. SPSS AMOS Graphics of the Structural Model of the stud

#### **4.4 Result and Discussion of the Hypotheses**

The study has examined ten latent variables, five exogenous variables and five endogenous variables included in the proposed model of the research. The five exogenous variables are the selected marketing activities or promotional efforts and the other five endogenous variables are one overall brand equity and the four brand equity dimensions. All the twenty nine hypotheses of the study were tested by structural equation model through path analysis outputs. Among this hypotheses four of them addresses the relationship between brand equity and brand equity dimensions and the other twenty hypotheses addressed the relationship between promotional activities and brand equity dimensions and the rest five hypotheses belongs to the relationship between promotional activities and overall brand equity.

Testing the hypotheses is done using the rule of 1.96 Critical ratios at significance level of 0.05. According to Ho Robert (2006) **Estimates** are the regression weight coefficient estimates, **Standard error (S.E)** are the standard error of the coefficients that represent the expected variation of the estimated coefficients and **critical ratio (C.R)** value is obtained by dividing parameter estimate by its respective standard error, and it is distributed approximately as Z. A critical ratio that is more extreme than  $\pm 1.96$  indicates a significant path ( $p < 0.05$ ). Therefore for significant path we will reject the null hypotheses and accept the alternative hypotheses, otherwise we will accept the null hypotheses and reject the alternative hypotheses.

Based on the above rule out of the 29 hypotheses in the study, only 11 were supported and the rest 18 was rejected. All the hypotheses were developed and the questionnaires adapted from western resources, therefore most of the hypotheses were not supported in Ethiopian insurance market. It is expected, because there are a huge cultural, social, economic and marketing infrastructure differences, this and other effects make the customers of Ethiopian insurance market to respond in different way. The following section, then present and interprets the result from the structural equation model and discusses the hypotheses.

##### **Test of Hypotheses H1a to H1d**

Hypotheses 1a to 1d were formulated to determine whether there is significant positive relationships existed between brand equity dimensions and brand equity in Ethiopian Insurance Industry. From the four hypotheses two of them were supported while the rest two rejected.

In testing H1a standard coefficient estimate of brand awareness (S.C= 0.70 and C.R= 2.42) and H1d brand loyalty (S.C= 0.85 and C.R= 14.69), it is evident that they had significant influence on brand

equity. As it was stated in the literature brand awareness is the foundation in building brand equity and it is proven in this study also. The result also showed brand loyalty positively related to brand equity. It was in fact found the most influential among other dimensions of brand equity. This finding is consistent with previous conceptualization of Mari nova et al. (2011); Yoo et al. (2000); and Erenkol and Duygun (2010).

The result of H1b and H1c shows brand association (S.C= 0.43 and C.R= 1.82) and perceived quality (S.C= 0.34 and C.R= 1.19) had a positive influence on brand equity even if they were not significant at  $p= 0.05$ . Which is consistent with previous findings of Swait, Erdem, Louviere and Dubelar (1993); Tong, X. and Hawley, J.M. (2009). The two hypotheses were empirically unsupported in the Ethiopian insurance market. However, according to Yoo and Donthu (2002) it is possible that perceived quality and brand association might affect brand equity by influencing brand loyalty. Previous researchers claimed that among the constructs loyalty is a more holistic construct, which is closer to brand equity itself, whereas perceived quality and association are specific evaluative constructs. This could be also the case in this study since the result from structural equation model found that there was a positive significant relationship between brand loyalty and brand association and between brand loyalty and perceived quality.

Table 4.9: Hypotheses test result of Brand Equity Dimensions and Brand Equity

Hypotheses	From	To	Standard Coefficient	Critical Ratio	Result
H1a	Brand Awareness	Brand Equity	S.C= 0.70	C.R= 2.42	Null Hypotheses H <sub>0</sub> Rejected
H1b	Brand Association	Brand Equity	S.C= 0.43	C.R= 1.82	Null Hypotheses H <sub>0</sub> Accepted
H1c	Perceived Quality	Brand Equity	S.C= 0.34	C.R= 1.19	Null Hypotheses H <sub>0</sub> Accepted
H1d	Brand Loyalty	Brand Equity	S.C= 0.85	C.R= 14.69	Null Hypotheses H <sub>0</sub> Rejected

H1 a. Brand awareness has a significant positive effect on brand equity. H<sub>A</sub> Accepted

H1 b. Brand association has a significant positive effect on brand equity. H<sub>A</sub> Rejected

H1 c. Perceived quality has a significant positive effect on brand equity. H<sub>A</sub> Rejected

H1 d. Brand loyalty has a significant positive effect on brand equity. H<sub>A</sub> Accepted

## Test of Hypotheses H2a to H2d

Hypotheses H2a to H2d hypothesized that TV advertisements is likely to influence positively brand awareness, brand association, perceived quality and brand loyalty. The proposed relationships were supported only for the first and second hypothesis which state the positive impact of TV Ad on brand awareness (S.C= 0.16 and C.R= 2.94) and brand association (S.C= 0.14 and C.R= 2.21). The rest two were not supported, the result for perceived quality indicates negative impact (S.C= - 0.07 and C.R= - 1.39) so trying to persuade quality through TV Ads results negative result. The last hypothesis on TV Ad was relation with brand loyalty (S.C= 0.01 and C.R= 0.15) the result shows a very weak positive relation so the hypotheses were not supported.

The above result suggest that TV advertisements in Ethiopian insurance market can influence customer's awareness and association with the brand but not perceived quality and brand loyalty. XIAO TONG (2006) found similar result in Chinese market, as he stated this might be due to TV Ads is losing its effectiveness in promoting brand image and high quality perception in Chinese market. Even if it is difficult to conclude that TV Ads are losing its effectiveness in Ethiopian market where other modern Medias are not yet well developed as the Chinese market. However, it can be said that once viewers becomes aware of particular brand it becomes common to switch the channel when repeated commercial breaks are on air.

Table 4.10: Hypotheses test result of TV Advertisements and Brand Equity Dimensions

Hypotheses	From	To	Standard Coefficient	Critical Ratio	Result
H2a	TV Ad	Brand Awareness	S.C= 0.16	C.R= 2.94	Null Hypotheses H <sub>0</sub> Rejected
H2b	TV Ad	Brand Association	S.C= 0.14	C.R= 2.21	Null Hypotheses H <sub>0</sub> Rejected
H2c	TV Ad	Perceived Quality	S.C= - 0.07	C.R= - 1.39	Null Hypotheses H <sub>0</sub> Accepted
H2d	TV Ad	Brand Loyalty	S.C= 0.01	C.R= 0.15	Null Hypotheses H <sub>0</sub> Accepted

H2 a. TV advertising has a significant positive effect on Brand awareness H<sub>A</sub> Accepted

H2 b. TV advertising has a significant positive effect on Brand association H<sub>A</sub> Accepted

H2 c. TV advertising has a significant positive effect on Perceived quality H<sub>A</sub> Rejected

H2 d. TV advertising has a significant positive effect on Brand loyalty H<sub>A</sub> Rejected

### Test of Hypotheses H3a to H3d

H3a, H3b, H3c and H3d hypothesized that Radio advertisement was likely to increase brand awareness, brand association, perceived quality and loyalty. However in the result, it is found out a reverse relationship; Radio advertisements had negative effect on all brand equity dimensions except brand awareness even the positive relation of this dimension is very weak that cannot support the hypotheses. Result of brand awareness (S.C= 0.07 and C.R= 0.84), brand association (S.C= - 0.06 and C.R= - 0.67), brand's perceived quality (S.C= - 0.05 and C.R= - 0.67) and brand loyalty (S.C= - 0.10 and C.R= -1.95). This result might be due to, radio advertisement may not be appropriate for some brands or marketers may not use it in a manner that can affect brand equity dimensions. The result of this study indicates that brand information carried in radio advertisements could not really influence customers mind favorably to the contrary it might irritate listeners. Hence, all hypotheses were unsupported and it is tabulated as follows.

Table 4.11: Hypotheses test result of Radio Advertisements and Brand Equity Dimensions

Hypotheses	From	To	Standard Coefficient	Critical Ratio	Result
H3a	Radio Ad	Brand Awareness	S.C= 0.07	C.R= 0.84	Null Hypotheses H <sub>0</sub> Accepted
H3b	Radio Ad	Brand Association	S.C= - 0.06	C.R= - 0.67	Null Hypotheses H <sub>0</sub> Accepted
H3c	Radio Ad	Perceived Quality	S.C= - 0.05	C.R= - 0.67	Null Hypotheses H <sub>0</sub> Accepted
H3d	Radio Ad	Brand Loyalty	S.C= - 0.10	C.R= - 1.95	Null Hypotheses H <sub>0</sub> Accepted

H3 a. Radio advertising has a significant positive effect on Brand awareness H<sub>A</sub> Rejected

H3 b. Radio advertising has a significant positive effect on Brand association H<sub>A</sub> Rejected

H3 c. Radio advertising has a significant positive effect on Perceived quality H<sub>A</sub> Rejected

H3 d. Radio advertising has a significant positive effect on Brand loyalty H<sub>A</sub> Rejected

### Test of Hypotheses H4a to H4d

Hypotheses H4a to H4d states that non price sales promotion is likely to strengthen brand awareness, brand association, perceived quality and brand loyalty. A path on the structural model from non-price promotion to brand awareness were (S.C= 0.09 and C.R= 1.32) indicated positive relation but not strong enough in generating interest to enhance brand awareness in Ethiopian

insurance market. Furthermore, the results reveals that non price sales promotion could not add positively to brand association (S.C= - 0.11 and C.R= - 1.45), perceived quality (S.C= - 0.10 and C.R= - 1.53) and brand loyalty (S.C= - 0.15 and C.R= - 3.73). Therefore all the hypotheses on non-price promotion were not supported as tabulated on table 4.11.

Table 4.12: Hypotheses test result of Non price sales promotion and Brand Equity Dimensions

Hypotheses	From	To	Standard Coefficient	Critical Ratio	Result
H4a	Non price sales promotion	Brand Awareness	S.C= 0.09	C.R= 1.32	Null Hypotheses H <sub>0</sub> Accepted
H4b	Non price sales promotion	Brand Association	S.C= - 0.11	C.R= - 1.45	Null Hypotheses H <sub>0</sub> Accepted
H4c	Non price sales promotion	Perceived Quality	S.C= - 0.10	C.R= - 1.53	Null Hypotheses H <sub>0</sub> Accepted
H4d	Non price sales promotion	Brand Loyalty	S.C= - 0.15	C.R= - 3.73	Null Hypotheses H <sub>0</sub> Accepted

H4 a) Non price promotion has a significant positive effect onBrand awareness. H<sub>A</sub> Rejected

H4 b) Non price promotion has a significant positive effect Brand association. H<sub>A</sub> Rejected

H4 c) Non price promotion has a significant positive effect Perceived quality. H<sub>A</sub> Rejected

H4 d) Non price promotion has a significant positive effect Brand loyalty. H<sub>A</sub> Rejected

### **Test of Hypotheses H5a to H5d**

H5a to H5d hypothesized that sponsorship has a significant positive relation with brand awareness, brand association, perceived quality and brand loyalty. However even if all the hypotheses have positive relations only one dimension, that is brand loyalty found to have strong relation to be supported on the path analysis of the structural model. A path on brand awareness were found to be (S.C= 0.03 and C.R= 0.49), brand association were (S.C= 0.03 and C.R= 0.46), perceived quality (S.C= 0.08 and C.R= 1.61) and brand loyalty (S.C= 0.13 and C.R= 3.79). Currently marketers of Ethiopian insurance industry sponsoring different events, however, the above result indicated that focusing on selected events where customers and other stakeholders who are well aware of the company or the brand could make sponsorship more effective in building brand loyalty. Moreover, when customers exposed too many sponsored messages they could perceive it as a regular advertisement and might ignore it instead of associating the event with the brand.

Table 4.13: Hypotheses test result of Sponsorship and Brand Equity Dimensions

Hypotheses	From	To	Standard Coefficient	Critical Ratio	Result
H5a	Sponsorship	Brand Awareness	S.C= 0.03	C.R= 0.49	Null Hypotheses H <sub>o</sub> Accepted
H5b	Sponsorship	Brand Association	S.C= 0.03	C.R= 0.46	Null Hypotheses H <sub>o</sub> Accepted
H5c	Sponsorship	Perceived Quality	S.C= 0.08	C.R= 1.61	Null Hypotheses H <sub>o</sub> Accepted
H5d	Sponsorship	Brand Loyalty	S.C= 0.13	C.R= 3.79	Null Hypotheses H <sub>o</sub> Rejected

H5 a) Sponsorship has a significant positive effect on Brand awareness. H<sub>A</sub> Rejected

H5 b) Sponsorship has a significant positive effect on Brand association. H<sub>A</sub> Rejected

H5 c) Sponsorship has a significant positive effect on Perceived quality. H<sub>A</sub> Rejected

H5 d) Sponsorship has a significant positive effect on Brand loyalty. H<sub>A</sub> Accepted

### Test of Hypotheses H6a to H6d

H6a to H6d hypothesized that word of mouth could positively influence brand awareness, brand association, perceived quality and brand loyalty. The proposed relationships were fully supported with the result of this study. The path of brand awareness were (S.C= 0.14 and C.R= 2.12), brand association (S.C= 0.27 and C.R= 2.69), perceived quality (S.C= 0.25 and C.R= 3.00) and brand loyalty (S.C= 0.64 and C.R= 9.92) indicates the strong relation between word of mouth and brand equity dimensions. As acknowledged by Ilfeld and Winer (2002) word of mouth communication had biggest influence on brand equity along with advertising, it is found to be true especially in the Ethiopian market where culture and strong social life is in favor of word of mouth communication. Ethiopians are socially tied between families and friends, the life style put into effect to consider opinion of others. Therefore all the hypotheses proposed by word of mouth communication were supported as tabulated on Table 4.13.

Table 4.14: Hypotheses test result of Word of mouth and Brand Equity Dimensions

Hypotheses	From	To	Standard Coefficient	Critical Ratio	Result
H6a	Word of Mouth	Brand Awareness	S.C= 0.14	C.R= 2.12	Null Hypotheses H <sub>0</sub> Rejected
H6b	Word of Mouth	Brand Association	S.C= 0.27	C.R= 2.69	Null Hypotheses H <sub>0</sub> Rejected
H6c	Word of Mouth	Perceived Quality	S.C= 0.25	C.R= 3.00	Null Hypotheses H <sub>0</sub> Rejected
H6d	Word of Mouth	Brand Loyalty	S.C= 0.64	C.R= 9.92	Null Hypotheses H <sub>0</sub> Rejected

H6 a) Word of Mouth has a significant positive effect on Brand awareness. H<sub>A</sub> Accepted

H6 b) Word of Mouth has a significant positive effect on Brand association. H<sub>A</sub> Accepted

H6 c) Word of Mouth has a significant positive effect on Perceived quality. H<sub>A</sub> Accepted

H6 d) Word of Mouth has a significant positive effect on Brand loyalty. H<sub>A</sub> Accepted

### **Test of Hypotheses H7a to H7e R/ship between Promotion Activities and Brand Equity**

The relationship of each promotion activity element to brand equity is mediated by brand equity dimensions. Since every brand equity dimension contributes positively to brand equity, if a promotion activity element affects brand equity dimensions positively, it is also expected to persuade brand equity in a similar pattern. Therefore, these hypotheses were evaluated through an indirect analysis of effects of promotion activities on brand equity. In the structural model, there is no direct path between promotional activity variables and brand equity. Instead as conceptualized earlier, brand equity was indirectly affected through the mediating brand equity dimensions.

The result found were consistent with the previous findings that revealed the effect of promotion activities on each brand equity dimensions. As it is tabulated on Table 4.14 only TV advertisements and word of mouth had a significant positive effect on brand equity in Ethiopian insurance industry. Sponsorship had moderate positive effect on brand equity but not significant. Radio Ads and Non price sales promotion had a reverse impact on brand equity from the hypotheses, it indicates that if the above two promotional activities is not well crafted it might cause negative influence on brand equity rather than strengthening.



## **CHAPTER 5**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Conclusion**

The main objective of this study was to investigate the effect of promotion on brand equity through the mediating role of the four brand equity dimensions. To achieve this objective a research model consisting of ten variables with 29 hypothesized relationships were proposed, in general based on the analysis made the following conclusion are elicited.

A result of the hypotheses that focused on the effect of each brand equity dimensions on brand equity indicated that only brand awareness and brand loyalty had a significant positive effect on brand equity, especially brand loyalty was found to be the strongest in impacting brand equity in Ethiopian insurance market. The remaining two dimensions, brand association and perceived quality had insignificant direct effect on brand equity; however, these two dimensions might affect brand equity through affecting brand loyalty first.

From the promotional mix included in this study, word of mouth advertisements were more effective than other promotional activities in affecting significantly all the four brand equity dimensions in Ethiopian insurance industry. TV ads were found to be more appropriate in creating awareness and developing association. The other Promotion mix, Radio ads were not successful in strengthening brand equity dimensions, the result indicated that it might create negative impact if it lacks creativity to win positive attitude of customers. Similarly the finding revealed that non-price promotion unable to add significantly to any brand equity dimensions.

According to the finding of this study sponsorship in Ethiopian insurance market was not found to be effective in creating brand awareness, building brand association and communicating its quality but it can enhance brand loyalty if it is done in the right scenario.

Word of mouth was found to be the most influential among other promotional activities considered in this study in affecting brand equity dimensions. The finding is in line with Ethiopians societal culture, where there is strong social interaction between families, relatives and friends. As a whole the culture respected opinions of others, thus WOM can make difference in building brand equity.

In general, the overall findings lead to conclude that most of the promotion activities in Ethiopian insurance market did not had significant impact on brand equity as expected. Even those promotion activities which identified to significantly impact brand equity did not reflect strong enough relationship except the very few items of word of mouth constructs. Therefore the practice of promotional activities in Ethiopian insurance industry requires fundamental innovation so as to build brand equity and achieve sustainable competitive advantage.

## **5.2 Recommendations**

Based on the results, findings and the conclusion the following recommendations were forwarded,

- TV ads had relatively better relation with brand equity but requires to improve the influence on perceived quality and brand loyalty, to do this marketers need to pay attention to the content, frequency and timing of placing. The content should be more specific and strong to help target customers to perceive the brand as high quality and create loyalty. Frequency of TV ads should be critically considered because too much advertising might irritate customers and lead them to wrong connotation. Finally TV ads should run in selected time as much as possible it has to be when target audiences believed to watch TV.
- From its very nature Radio ads require audience's attention, so marketers need to make sure that their Radio ads are unique, attractive and interesting to get listeners attention. Then only they could impact customers to become familiar with the brand personality and quality then develop loyalty towards the brand.
- Marketers need to change the role of non-price sales promotion, it is only found better on awareness dimension therefore it is recommended to coordinate with other advertising so as to play the role of awareness development and reminding the brand. Non price promotion in insurance business could be exercised through providing gifts like agenda, calendar, car sun shade, key holders, caps and t-shirts.
- The result of sponsorship showed green light for the marketers in Ethiopian insurance business. It only requires improving effectiveness in enhancing the positive relations with brand equity dimensions and brand equity as a whole. Marketers should consider where their commercial sponsorship efforts should be placed, instead of sponsoring

randomly; choosing the appropriate events that could make a big impact on customers and other stakeholders will make a difference.

- Marketers of Ethiopian insurance industry should strengthen WOM, which is found a very important way of promotion. In Ethiopia it is hard to say that marketers deliberately make direct effort to develop such positive WOM influence for their brands. Marketers of a brand should create an environment that enhance favorable conversation about the particular brand through facilitating social events like insurance professionals society and developing network where individuals share their opinions and experiences preferably online for those who have internet access.
- According to the result of this study, marketers should focus on promotion activities that could strengthen brand loyalty since it is the most influential dimension in affecting overall brand equity. Focusing on promotion activities such as WOM and selective sponsorship which found to be the most effective in enhancing brand loyalty could be more helping. It is also recommended to work on other dimensions which contribute indirectly to brand loyalty like brand association and perceived quality.
- Moreover, from the general information descriptive analysis revealed that medium aged and married individuals are the major customers and potential customers of insurance business. Therefore marketers should target this group especially in their segmentation.
- Generally, marketers should consider and work on the following points:
  - Marketers of Ethiopian insurance industry should develop and implement long-term integrated marketing communication strategies as a means of avoiding myopic promotional effort. IMC will shape the firm to focus on building brand equity which increases the possibility of achieving competitive advantage and long term growth.
  - While allocating marketing budgets to individual promotion mix elements, marketers should pay attention to the potential impact of each promotional mix on building of brand equity. The strategic budget allocation should not be at the expense of short term plans and goals instead it has to be in line with them.

- Marketers should deliver valuable message which is consistent with the brand image throughout the promotion activities. The uniformity and content quality will improve the effectiveness of promotion activities, besides it avoids deterioration of the achieved brand equity.

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

As it has been mentioned earlier in the introductory chapter Ethiopia is home of many nations and nationalities with different cultures, attitudes and behaviors.

This study focused only on the capital city of the country, Addis Ababa which may not be enough to made an in depth treatment of the research findings. Consequently further studies are recommended, by using diversified samples that incorporate regional states data.

This study has used Ethiopian Insurance Industry to examine the theory, however further research has to be made to test the hypotheses between the relationship of promotional activities and brand equity on different industries and markets.

Finally, comparative study of individual brands based on the promotional budget and strategy is recommended to compare market leader brand with other brands and to see how promotion affects customer based brand equity.

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# Appendixes

## Appendix A

Dear respondents,

First I would like to say thank you, for your kind cooperation to give your honest and accurate response. Currently I am working on my master's degree in marketing management in Addis Ababa university school of commerce. This questionnaire is prepared for the purpose of my research which is used for partial fulfillment of the requirement of the degree of masters of art in marketing management.

The aim of this research is to investigate the effect of promotion on brand equity in Ethiopian Insurance Industry. The finding of this research is expected to contribute in identifying promotional activities that can be successful in building brand equity. Having the result of this research companies in Ethiopian Insurance Industry will focus on those promotional activities which are more effective in building brand equity.

Finally I would like to assure you that, this questionnaire will be used only for academic purpose and the information you provide will be kept confidential. Please make sure that you provide your response accurately and if you find any problem regarding the questions don't hesitate to contact me on +251911699214.

***Thank you in advance for your time and kind cooperation!***

## Part I: General Information

Note: For the following questions, please choose one answer that describes your current situation and mark it as (✓).

1) What is your gender? Male  Female

2) Which age category are you?

18-25  26-35  36-45  46 and above

3) Which category describes your educational level?

No education  Elementary completed  High School Graduate

Diploma  First Degree  Masters and above

4) Which category describes your marital status?

Single  Married  Divorce

5) What is your employment status?

Self-employed  Employed

6) Which category describes your net monthly income?

Birr 1,000- 2,000  Birr 2,001- 4,000  Birr 4,001- 7,000

Birr 7,001- 10,000  Birr 10,001 and above

7) From the following five insurance companies or brand, which one is most familiar and easy to do business with for you?

Ethiopian Insurance Corporation  Awash Insurance S.C.

Africa Insurance S.C.  United Insurance S.C.

Nib Insurance S.C.

Part II: Detail information about the brand or company you choose.

Please indicate your level of agreement or disagreement with each statement by circling only one that best fits with your position.

Note: In the following statements, "X" represents the brand that you choose in question 7.

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
<b>Brand Awareness</b>					
I am aware of brand "X"	1	2	3	4	5
I know what brand "X" means	1	2	3	4	5
I can recognize "X" amongst other competing company brand	1	2	3	4	5
Some features of "X" brand come to my mind quickly	1	2	3	4	5
<b>Brand Association</b>					
I like and trust the service provided by "X" brand	1	2	3	4	5
I respect and admire people who use "X" brand	1	2	3	4	5
Thinking of "X" brand brings back pleasant memories	1	2	3	4	5
"X" brand makes me feel good	1	2	3	4	5
<b>Perceived Quality</b>					
Brand "X" is of high quality	1	2	3	4	5
The likely quality of "X" brand is extremely high	1	2	3	4	5
The likelihood that "X" brand serve the function is very high	1	2	3	4	5
The likelihood that this brand is reliable is very high	1	2	3	4	5
<b>Brand Loyalty</b>					
I consider myself to be loyal to "X" brand	1	2	3	4	5
Brand "X" would be my first choice	1	2	3	4	5
I am still willing to buy "X" even if its price is a little higher than its competitors	1	2	3	4	5
I would love to recommend brand "X" to my friends	1	2	3	4	5

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
<b>TV Advertisements</b>					
TV Ads of “X” brand are seen frequently	1	2	3	4	5
TV Ads of “X” brand are interesting, funny and exciting.	1	2	3	4	5
TV Ads of “X” brand are popular	1	2	3	4	5
TV Ads of “X” brand are easy to recall	1	2	3	4	5
<b>Radio Advertisements</b>					
Radio Ads of “X” brand are heard frequently	1	2	3	4	5
Radio Ads of “X” brand are interesting, funny and exciting.	1	2	3	4	5
Radio Ads of “X” brand are popular	1	2	3	4	5
Radio Ads of “X” brand are easy to recall	1	2	3	4	5
<b>Non Price sales promotion</b>					
Brand "X" frequently offers gifts	1	2	3	4	5
Brand "X" uses gift too many times for promotional purpose	1	2	3	4	5
Brand "X" uses gifts more than seems reasonable for promotion	1	2	3	4	5
Brand "X" uses gift more frequently than competing brands	1	2	3	4	5
<b>Sponsorship</b>					
“X” brand frequently sponsors various events like sport, music and other events	1	2	3	4	5
“X” brand sponsors events that are very interesting and exciting	1	2	3	4	5
“X” brand sponsors events that are very popular	1	2	3	4	5
“X” brand sponsors events that are easy to remember	1	2	3	4	5
<b>Word of Mouth (WOM)</b>					
I heard from my friends that, “X” brand is seen frequently on TV or other media	1	2	3	4	5
I heard from my friends that, “X” brand has a high quality	1	2	3	4	5
I heard from my friends that, “X” brand is very popular	1	2	3	4	5

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
"X" brand is easy to remember after my friends mentioned it	1	2	3	4	5
<b>Overall Brand Equity</b>					
Even if another brand has the same feature as "X" brand, I prefer to buy "X"	1	2	3	4	5
If there is another brand as good as "X" brand I prefer to buy "X"	1	2	3	4	5
If there is another brand having the same price as "X" brand I prefer to buy "X"	1	2	3	4	5
If I have to choose among brands of insurance providers, "X" is my choice	1	2	3	4	5

*Thank you again!*



18-25 [ ]      26-35 [ ]      36-45 [ ]      46Š“ Ÿ³uLĀ[ ]

3) ¾fUI`f Ā[í;

ÁM}T[ [ ]¾SĚS]Á Ā[í ÁÖ“kk[ ]G<K}— Ā[í ÁÖ“kk[ ]

Ç=yKAT[ ]¾SĚS]Á Ç=Ó) [ ]      G<K}— Ç=Ó)“ Ÿ³ uLĀ[ ]

4) ¾Öw%oo G<’@{?

ÁLŇv[ ]vKfÇ` [ ]Ów,, ¾đ{[ ]

5) ¾e^ G<’@{?¾ÓM e^ [ ]      }k×[ ] [ ]

6) “G© Ňu=- u¾f—“;MM “<eØ ĀŇ—M;

w`1,000- 2,000 [ ]w`2,001- 4,000 [ ]w`4,001- 7,000 [ ]

w`7,001- 10,000 [ ]w`10,001Š“ Ÿ³ uLĀ[ ]

7) Ÿ²=I u{† œx±U±V} ~O` } ¾MÉC” eü Ÿ<v”Á< “Ā”U w^”Ě< “<eØŠ`e- uT>Ňv ¾T>Á-If” ,waKSe^f ¾T>kM-f ¾f—“< ”<;

¾fĀāÁ ¾SÉI” É`İf[ ]      ,ai ¾SÉI” É`İf[ ] ,õ]” ¾SÉI” É`İf[ ]Qw[f ¾SÉI” É`İf[ ]      ”w ¾SÉI” É`İf[ ]

ıđM G<Kf:-eKS[Ö<f w^”É ^^ S[í

šqj- Ÿ²=I u{† u}Ökc<f Gdx< LĀ U” ÁIM š”ĀT>eTS< “ĀU š”ĀTĀeTS<KSÓKê Ÿ}cÖ<f U`Y< “<eØ ¾Š`e-” ,sU ¾T>ŇMç“<IØ’ LĀ Á;wu<::

N`{c½ pN%œxK<f ØÁo< LĀ u (G) óĀM ¾;ŇKç“< Ÿ<v”Á “ĀU w^”ÉŠ`e- uØ¾o IØ` 7 LĀ ¾S[Ö<f” w^”É ¾T>”ıM ”<::

u×U »MeTTU	»MeTTU	ŠZÓÖ’ ~ĀĀEG<U	ŠeTTKG<	u×UŠeTTKG <
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<b>¾w^"É Ó"³u?</b>					
eKw^"É G Ó"³u?"< ›K~	1	2	3	4	5
w^"É G U" Š"Áj' ›:nKG<	1	2	3	4	5
w^"Æ" ÝK?KA: ]ÇÇ] Ý<v"Áw^"Ê: S"ÝM SK¾f Š†FEG<	1	2	3	4	5
›"Ç"É ¾w^"É G Ńi{-† ðØ"~< "Á ›ŠO[Á ĂMxK<	1	2	3	4	5
<b>¾w^"É I~f</b>					
w^"Æ ¾T>cÖ"~> ›ŃMÓKAfŠ!Á"EG<šxNM"u{EG<U	1	2	3	4	5
w^"Æ" KT>ÖKS< c-› ›jwaf"›É"qf ›K~	1	2	3	4	5
eKw^"É G Tcw Ø\ Ø\ f'{-†" Áe{-c—M	1	2	3	4	5
w^"É G Ø\ eT@fš"Ç=cT" ÁÁ'ÒM	1	2	3	4	5
<b>¾w^"Æ ¾{k Ø^f</b>					
w^"É G Ýö}— Ø^f ›K~<	1	2	3	4	5
w^"É G Ýö}— Ø^f ÁK~< ¾SeLM	1	2	3	4	5
w^"ÆöLÔf" ¾T"~f ›"TT>Á"~<Ýö}— "~<	1	2	3	4	5
¾w^"Æ ¾e}TT"~f ›"TT>Á Ýö}— "~<	1	2	3	4	5
<b>Kw^"Æ ÁK" {T"~f</b>					
ŠX] & Kw^"É G {N« Á"u— ›É'Ń@ ›evKG<	1	2	3	4	5
w^"É G ¾SĚS]Á U'YÁ "~<	1	2	3	4	5
¾w^"Æ G °Ö ÝK?KA‡ w^"Ê: uSÖ'<Ýö ÁK u=] Š"ε" šc<'<KSÖkuðnÁ— "~	1	2	3	4	5
ÖÁ™š w^"É G" š"Ç=Öks<SÖquš!ÇEG<	1	2	3	4	5

	u×U ›MeTTU	›MeTTU	šZÓÖ' ~ĂĂEG<U	šeTTKG<	u×UšeTTKG <
<b>¾+y= Te{~m-†</b>					
¾G w^"É ¾+y= Te{~mÁ-† u]ĂÖÒT> Ă{ÁK<	1	2	3	4	5
¾G w^"É ¾+y= Te{~mÁ-† SdB' ›"u"› ›eŃ^T> "†"~<	1	2	3	4	5
¾G w^"É ¾+y= Te{~mÁ-† u×U{"h "†"~<	1	2	3	4	5
¾G w^"É ¾+y= Te{~mÁ-† KTe{~i` fFG"†"~<	1	2	3	4	5
<b>¾]ÉĂ Te{~m-†</b>					
¾G w^"É ¾]ÉĂTe{~mÁ-† u]ĂÖÒT>ĂcTK<	1	2	3	4	5
¾G w^"É ¾]ÉĂ Te{~mÁ-† SdB' ›"u"› ›eŃ^T> "†"~<	1	2	3	4	5
¾G w^"É ¾]ÉĂ Te{~mÁ-† u×U{"h "†"~<	1	2	3	4	5
¾G w^"É ¾]ÉĂ Te{~mÁ-† KTe{~i` fFG"†"~<	1	2	3	4	5

<b>ªÒ '¡ ÁMj' ¾Te{mÁiÁß</b>					
w^"É G u}ÄÖÖT> ¾}KÁ¿ eÜ{-" Äc×M	1	2	3	4	5
w^"É G uxU w²< Ñ>²? ¾}KÁ¿ eÜ{- uTe{mÁ'fÁk'vM	1	2	3	4	5
w^"É G ¾}KÁ¿ eÜ{-" uTp[w iÁß" KTeXª"p ÿ}Ñu="<uLÁfÿ<[f ÁÁ'ÒM	1	2	3	4	5
w^"É G ÝK?KA< }"ÇÇ}-< ¾uKÖ u}ÄÖÖT>eÜ{-" uSeÖf ¾iÁß Te{!hÁ ÁÁZÒG	1	2	3	4	5
<b>¾G&lt;'„" "Ü Sgð" (ep"ç')</b>					
w^"É G u}ÄÖÖT> ¾ep'f' ¾S<²=n" ¾K?KA< G<'„" "Ü gõ* Ák'vM (ep"ç' ÁÁ'ÒM)	1	2	3	4	5
w^"É G T^ÿ=>'"" >eÑ^T> G<'„" "Ü gõ* Ák'vM (ep"ç' ÁÁ'ÒM)	1	2	3	4	5
w^"É G "Ü T>gõ"Lf"< (ep"ç' ¾T>ÁÁ'Òf"<)G<'„< uxU{ªm "f"<	1	2	3	4	5
w^"É G "Ü T>gõ"Lf"< (ep"ç' ¾T>ÁÁ'Òf"<)G<'„< ukLK< ¾T>{ç< "f"<	1	2	3	4	5

	uxU »MeTTU	»MeTTU	šZÓÖ' ~ÁÁEG<U	šeTTKG<	uxUšeTTKG <
<b>¾Uej'f nMSeÖf</b>					
w^"É G u}ÄÖÖT>u+y=" uk?KA< ¾SÑ"— w²<H" š"ÁT>}ª"p ÝÖÁ—Á cU%oKG<	1	2	3	4	5
w^"É G Ýõ}— Ø^fš"ÇK"< ÝÖÁ—Á cU%oKG<	1	2	3	4	5
w^"É G uxU{"h š"Áj' ÝÖÁ—Á cU%oKG<	1	2	3	4	5
ÖÁ—Á Ý'Ñ[~ uŠF A rX"É" ukLK<Te{!' †ÁEG<	1	2	3	4	5
<b>»ÖnLÄ ¾w^"É Ñu= UMÿ{</b>					
U"U š"É" Ý G w^"É Ò' }SXXÁ ¾} SÑKÝ ÁLf"< K?KA< w^"É: u=ª\U š"@ G w^"É" SÖkušš'×KG<	1	2	3	4	5
š"Á G w^"É Ø\ ¾} K?L w^"É u=ª\U š"@ G w^"É" SÖkušš'×KG<	1	2	3	4	5
œ G w^"É Ò' }SddÁª Ö ÁK"< K?L w^"É u=ª\U š"@ G w^"É" SÖkušš'×KG<	1	2	3	4	5
ÿ}KÁ¿ SÉI" cÜw^"É: S"ÝM SU[Ø "Kw~	1	2	3	4	5

uš`ÓÖ~f U`YÂ w^"É G " <					
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uÉÒT@ ›ScÓ“KG<!