A LITERATURE REVIEW ON THE IMPACT OF MARKETING MIX COMPONENTS AND BRAND EQUITY ON SERVICE MARKETING: CONCEPTUAL APPROACH

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ABSTRACT

Service brand image is most strongly affected by service company employees, while the intensity of advertising has proved to have the lowest effect. The effect that service company employees have on the service brand image indicates the importance of the role played by internal marketing in the development of strong service brands. A service company must concern itself with its employees systematically and appropriately, ensuring an adequate level of competence and job satisfaction. Also, service company employees represent a factor that may exert a positive impact on problems arising from the specific characteristics of services. Problems relating to service intangibility can be dealt with by using more personal, rather than impersonal elements. Problems related to service inseparability can be overcome by placing a greater emphasis on the recruitment and training of contact employees. Problems with respect to heterogeneity can be resolved by personalizing the services, in which employees again play an important part. The paper is focusing on marketing mix, brand equity and its impact on service marketing in broader sense.

KEY WORDS: Brand equity, marketing mix, service marketing

INTRODUCTION

In terms of the intensity of effect on brand image, the second largest influence is that exerted by two factors together - the physical surroundings in which services are delivered and the service price level. The importance of both elements derives from the intangibility of services. A pleasing appearance of the outlet makes the service more tangible. Also, the physical surroundings and price are among the rare external indicators that may be assessed by clients when deciding on the purchase of a particular service, and which they can use as the basis for forming the brand image of the respective service. Therefore, a strong intensity of the price effect on brand image is hardly surprising. Closely connected with this is the finding about the negative impact of price deals on brand image. This occurs, because price cutting causes a change in one of the few external service quality indicators that may contribute to client confusion, possibly resulting in a perceived instability of brand quality.

"Branding is a significant marketing tool and is used to differentiate an organisation's product(s) in the marketplace." (Graham et al, 1994). This is in support of Doyle (1989) who states that "a branded product distinguishes itself from the competition, enabling it to be easily recognised by consumers." Keller (2009) continues, “The brand and what it represents is the most important asset for many companies and is the basis for competitive advantage and profits”. From these opinions, it is clear to see the importance and benefits of owning a strong and memorable brand. "Some feel that brands themselves are doomed because of years of inconsistent advertising and agency management, generic marketing, look-alike advertisements, un-distinctive
products, and the proliferation of promotions.” (Wentz, 1993) However, Wentz and Suchard (1993) disagree with this when they state "brands and branding are not new ideas, and today firms are applying them to more diverse settings where the role of branding is becoming increasingly important." Graham et al (1994) is in support of Wentz and Suchard (1993) when he illustrates "the successful application of branding can create distinctiveness and value for the organisation, its product and the consumer." Graham et al (1994) is suggesting that a strong brand not only benefits the firm and the product but offers benefits to the customers also, for example, a strong brand name is usually associated with quality and trust, and therefore, a customer will feel more comfortable buying the product. Keller (2003) agrees when he states, "in essence, brand values provide a promise of sameness and predictability." This type of emotional response is normal for humans and "organisations seek ways to take full advantage of this human trait - thus the popularity of branding." (Rooney, 1995). The popularity of branding also plays an important role in the literature, as Maklan and Knox (1997) state, "traditionally, branding has been concerned with enhancing companies' products and services in the expectation that their investments in added functionality, emotional value and service would create customer value and loyalty." Dawar (2004) concludes that brands are an indispensable part of modern business and he also states that for many companies, brands are their most valuable assets.

The research findings point to the fact that the intensity of advertising tends to affect the creation of brand awareness more strongly than it does brand image, primarily because raising brand awareness is a far simpler task than creating a positive brand image. This is especially true if only the intensity of advertising is taken into account.

The effect of brand image on brand equity is almost three times stronger than the effect of brand awareness. The lower intensity of the effect of brand awareness can be explained by the fact that brand awareness is, to a large extent, only a prerequisite for brand-image building. Brand image is what gives a particular brand its distinct significance. It is, therefore, exactly what distinguishes that particular brand in the eyes of customers, from other, competing brands of similar familiarity. This is especially true for service brands, since they provide companies with the opportunity to rise above the level of generic commodities and in that way, distinguish themselves from the competition. Furthermore, more complex problems are encountered by consumers during the purchasing of services, than with physical products purchases. The purchase and use of services entail a certain risk for clients, which can be greatly reduced by the employment of brands. In this context, brands optimize customer ability to cognitively process service characteristics by increasing service tangibility.

Despite the fact that brand equity has already received considerable attention from marketing scientists, the degree to which marketing mix elements affect brand equity remains under-researched. One of the rare examples of a paper exploring this topic is Yoo et al. (2000). Furthermore, the intensity of impact of marketing mix elements on service brand equity is a completely unexplored area.

This paper presents the results of research into the strength of influences that individual marketing mix elements exert on service brand equity, with individual dimensions of brand equity constituting a mediator variable. The findings facilitate a better understanding of the degree to which particular marketing mix elements affect service brand equity. These findings are also useful to service brand managers, by enabling them to encourage marketing activities that build up brand equity, and to avoid those that undermine brand equity. In this paper, service brand equity is understood as the difference in consumer choice between the focal branded and unbranded service given the same level of other service features (Yoo et al., 2000). Also, the paper explores two variables representing different dimensions of brand equity, i.e. brand awareness and brand image (Keller, 1998). The following marketing mix elements are analyzed: price level, advertising, price deals, service delivery process, physical environment and employees.

The paper begins with an overview of the literature dealing with brand roles in the services sector, as well as on the relationship between services marketing mix elements, various dimensions of brand equity and brand equity itself.

**LITERATURE REVIEW**

Brand equity is a key marketing asset (Ambler 2003; Davis 2000), which can engender a unique and welcomed relationship differentiating the bonds between the firm and its stakeholders (Capron and Hulland 1999; Hunt and Morgan 1995) and nurturing long term buying behavior. Understanding the dimensions of brand equity, then investing to grow this intangible asset raises competitive barriers and drives brand wealth (Yoo, Donthu and Lee 2000). For firms, growing brand equity is a key objective achieved through gaining more favorable associations and feelings amongst target consumers (Falkenberg 1996). Previous research established a positive effect of brand equity on: consumer preference and purchase intention (Cobb-Walgren, Ruble, and Donthu 1995); market share (Agarwal and Rao 1996); consumer perceptions of product quality (Dodds, Monroe, and Grewal 1991);
shareholder value (Kerin and Sethuraman 1998); consumer evaluations of brand extensions (Aaker and Keller 1990; Bottomley and Doyle 1996; Rangaswamy, Burke, and Oliva 1993); consumer price insensitivity (Erdem, Swait, and Louviere 2002); and resilience to product-harm crisis (Dawar and Pillutla 2000). Over the last 15 years, brand equity has become more important as the key to understanding the objectives, the mechanisms, and net impact of the holistic impact of marketing (Reynolds and Phillips 2005). In this context, it is not surprising that measures capturing aspects of brand equity have become part of a set of marketing performance indicators (Ambler 2003). The discussion of brand equity and its measurement has a broad range of adherents, both academic and practitioner, that collectively share what can be described as a “black box” orientation (Reynolds and Phillips 2005). Evidence of the importance of brand equity for the business world is the fact that there is currently a significant number of consulting firms (e.g. Interbrand, WPP, Young & Rubicam and Research International), each with their own proprietary methods for measuring brand equity (Haigh 1999). In setting up the future research agenda for brand management, Keller and Lehman (2006) unsurprisingly identified brand equity and its measurement as a significant research topic. The literature on brand equity, although substantial, it is largely fragmented and inconclusive. As Berthon et al. (2001) put it, “perhaps the only thing that has not been reached with regard to brand equity is a conclusion.” This paper provides a systematic review of the literature on brand equity conceptualization and measurement, and concludes with some directions for future research. Although the whole purpose of setting up a brand equity monitor is to enable marketers to appreciate its key drivers, it is beyond the scope of this paper to review research on antecedents and consequences of brand equity as exemplified by Yoo, Donthu and Lee (2000). Firms however are not the only recipients of brand value. According to the literature the main recipients of brand value are either firms or customers and such a view is clearly presented in Aaker’s (1991) definition of brand equity as “a set of assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or that firm’s customers” (p.15). A similar yet more output oriented definition is that of Srivastava and Shocker (1991) who define brand equity “a set of associations and behaviors on the part of a brand’s consumers, channel members and parent corporation that enables a brand to earn greater volume or greater margins that it could without the brand name and, in addition, provides a strong, sustainable and differential advantage.” So far, the brand equity construct has been viewed from two major perspectives in the literature. Some authors focused on the financial perspective of brand equity (Farquhar et al 1991; Simon and Sullivan 1993; Haigh 1999) and others on the customer based perspective (Aaker 1991; You and Donthu 2001; Vazquez et al. 2002; Keller 1993; de Chernatony et al., 2004; Pappu et al., 2005; Christodoulides et al. 2006). The first perspective discusses the financial value brand equity creates to the business and is often referred to as firm based brand equity (FBBE). However, the financial value of brand equity is only the outcome of consumer response to a brand name. The latter, is considered the driving force of increased market share and profitability of the brand and it is based on the market’s perceptions (consumer based brand equity).

In a separate endeavor, Yoo and Donthu (2001) sought to develop an individual-level measure of consumer based brand equity that is reliable, valid, parsimonious, and draws on the theoretical dimensions put forward by Aaker (1991) and Keller (1993). Data to calibrate and validate the scale was collected from three independent samples of American, Korean American, and Korean consumers. The resultant battery measuring “multi-dimensional brand equity” consists of ten items reflecting the three dimensions of brand loyalty, perceived quality, and brand awareness/associations. To assess MBE’s convergent validity, Yoo and Donthu (2001) further developed a 4-item unidimensional (direct) measure of brand equity, which they labeled as “overall brand equity”. A strong and significant correlation was found between the two measures. Amongst the indirect approaches to consumer-based brand equity measurement, the Yoo and Donthu (2001) study arguably has the most strengths and fewest weaknesses. First, Yoo and Donthu’s (2001) adoption of an etic approach to scale development, which refers to simultaneous use of samples from multiple cultures, suggests that the scale is culturally valid. Second, the scale is applicable to various product categories without requiring further adjustments such as in the case of Vázquez et al. (2002). Third, the instrument is parsimonious and easy to administer, making it simple for brand managers to regularly assess the equity of their brands. Fourth, measurement of brand equity is made at the individual consumer level. Fifth, the authors carried out a rigorous multi-step validation process. Branding has become one of the big topics in the sector of tourism. Branding has existed for centuries as a way to distinguish the goods of one producer from those of another (Koncnek and Gartner, 2007). People are now more conscious and more concerned about brands before selecting any product. Consumer do not buy a product, rather they buy the images associated with the product (Nunkoo and Ramkissoon, 2011). Thus,
establishing a brand is an important objective of marketing. Branding is perhaps the most powerful marketing tools available to contemporary destination marketers confronted with increasing competition (Morgan et al., 2001). Marketing orientation is aware of that consumers are spoilt for choice. Thus all company decision should be made with consumer’s needs in mind (Pike and Bianchi, 2016). Competition between tourism industries branding has become an important aspect of tourism industries. The most common definition of a brand (Aaker, 1991, Pg.7) is “A brand is distinguishing name and/or symbol (such as a logo, trademark, or package design) intended to identify the goods or service of either one seller or a group of sellers, and to differentiate those goods from those of competitors”.

However, destination branding is more complex than design of product names and symbols (Pike, 2005). It has been suggested by many authors that tourism destination branding exemplify the most obvious means by which destination can distinguish themselves from the other large number of competitive destinations over the world (Huong et al., 2015). Destination branding plays vital role to overcome the challenge for destination marketers. Destination branding should feature Destination marketing organization (DMO) marketing communication that strengthens brand identity components to differentiate destination. It should be based on a set of determinant features that appeal to the need of the target segments (Pike and Bianchi, 2016). Destination branding aims to arouse the intent to visit and revisit (Pike and Bianchi, 2016). Moreover, conscious branding strategies magnetize more travelers (Huong et al., 2015). Because of Country branding concept, several countries have been successful to establish as travel destination such as New Zealand, Spain, and Yugoslavia (Huong et al., 2015). It is highly necessary for a brand manager to understand the elements of brand equity in order to compete in the market (Im et al., 2012). An attempt to define the relationship between customers and brands produce the term “Brand equity” in the marketing literature (Wood, 2000). In order to measure the pros and cons of the market perception in the relation to brand objective, CBBE measures could be evaluated from numerous ideas (Pike, 2007). Although measuring the effectiveness of destination brand equity has recently increasing attention in tourism industries (e.g., Boo et al., 2009; Konecnik and Gartner, 2007; Lee and Back, 2008; Pike et al., 2010), there still remain lack of complete theory that evaluate the applicability of brand equity in tourism context (Im et al., 2012). Surprisingly, there are limited studies which have explored the consumer based equity simultaneously in the cognitive psychology theory which is quite unexpected in the literature (Buil et al., 2013). For instance, the concept and meaning of brand equity have elicited much debate (Chaudhuri 1995). Most of researchers found that there is still more research and studies to be done in the field of brand equity which explain more about its concepts and importance (Vazquez et al., 2002). In other hand, earlier studies where research was done on the brand equity affect on consumer satisfaction and customer loyalty. Although, authors have only focus on perceived quality, brand awareness and brand image as positive drivers influencing brand equity (Farquhar, 1989; Yoo et al., 2000; Kim and Hyun, 2011). There has been limited investigation into the impact of different drivers on brand equity and only some of research has measure the brand equity in the context of destination.

Similarly, Clow and Baack, (2005) advice that brand equity is one of the features of the products which make the product stand out and attracts more users in the market with a higher price than the product without any brand. A product with a brand name is more popular and long lasting in the market then a product without any brand. Brand equity is not only giving a name to products but it also gives you the proprietorship and make realization how worth the product is in the market. At the same the value of the brand equity always remains intangible (Yoo and Donthu, 2001; Abratt and Bick, 2003). Despite, the different view, most spectators agree that brand equity includes the marketing effects uniquely attributable to a brand. In other words, brand equity explains why different outcomes result from the marketing of branded product or service than if it were unbranded (Keller, 2003). These several definitions imply that brand equity is the incremental value of a product due to brand name (Srivastava and shocker, 1991). According to Kim and Kim, (2005), there are three types of viewpoints to understand the brand equity in a better way. They are: the customer-based perspective, the financial perspective and the combined perspective. This study focuses on the customer prospective of brand equity. The customer-based brand equity (CBBE) approach is the main perspective and majority of academics and scholar has preferred in marketing research (Farquhum and Hongyi, 2015). Existing literature on brand equity has focused on the perspective of cognitive psychology (Christodoulides et al., 2015 and De Chernatony and Cottam, 2006). Moreover, Motameni and Shahrokh, (1998) stated that CBBE as marketing perspective there are always both pros and cons in everything that exist in this world. Likewise, CBBE also has its own pros and cons. The main pros of the CBBE is the long term income, pursuing of new outlets for the distribution of products by customers themselves, high price margin and better efficiency of marketing communications.
whereas, cons are that there is also chances of not getting popularity among the consumer and get satisfied with the product that does not have any brand (Keller, 2003).

Brand elements and brand identity are often used next to each other to brand the identity, to enhance brand awareness and to facilitate unique brand associations which ultimately should differentiate the brand (Keller, 2008). Conventional brand elements form the visual identity of a brand, a logo, a name, a slogan and brand stories can be addressed as the key elements. The visual identity reflects the core brand identity code and should be managed by strict visual code guidelines for long term consistency without jeopardising brand identity deviation (Kotler and Pfoertsch, 2006). Keller (2008) completes these four key elements as captured by the visual code with a set of additional trade-markable devices; URL's, symbols, characters, spokes people, packages and signage. Next to that Keller (2008) distinguishes six general criteria for brand elements, segregated in two groups in which the elements play an offensive or defensive role. Each brand element will have its own strength and weakness. Key to brand equity is the mixture and balance between the different elements in their verbal and visual context to maximise their collective contribution (Keller, 2008).

CONCLUSION

The literature review indicates that different marketing mix elements impact the creation of brand equity with different levels of intensity, as well as that some elements of marketing mix can negatively affect the creation of brand equity. This conclusion has several important implications for strategic brand management. First, the obtained research results point out very clearly to the importance of a strategic approach for brand management, with creation of brand equity, and not just brand sales, being a criterion for deciding on the application of specific marketing mix elements. If the focus of brand management is placed exclusively on sales, it may easily happen that those marketing activities are chosen (e.g. price reduction activities) which are likely to increase sales in the short run, but may deteriorate the brand equity in the long run. The research results also implicate that when allocating marketing budgets to individual marketing mix elements attention must necessarily be paid to the potential impact of a specific marketing mix element on the creation of brand equity. This further means that the potential impact of individual marketing mix elements on brand equity must be included as criterion in deciding on the allocation of marketing budgets to individual marketing mix elements.

REFERENCES