PRICE PROMOTIONS AND BRAND EQUITY: THE CASE OF LUXURY BRANDS

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Abstract

This study aims to investigate the effects of price promotions on the perception of a brand in the mind of consumers in luxury markets. This study extends the previous literature on price promotional strategy and brand equity (brand awareness, brand image, and brand loyalty) by focusing on how a consumer perceives functional value and psychological value to create brand equity in luxury products. The sample size was 445 luxury products consumers.

The findings indicated that a change in price leads to a change in consumer expectation of a brand due to the change in the associative information in their memory. This suggested that the price adjustment due to the promotion should be carefully measured according to the evolution and development of brand perception in luxury market. The results of this study highly suggested that the price promotion activities are not an appropriate activity for boosting the sale volume especially when the company cannot sell the products or services. This would highly damage the brand equity.

The findings also support the idea that price promotion might also create a loss of brand image due to the loss of functional benefits and emotional benefits in the minds of consumers. However, the findings suggest that consumers' brand awareness can be developed by implementing price promotion activities for a luxury product.

Key Words; Brand Strategy, Brand Equity, Brand, Price, Promotions, Marketing Strategy, Strategic Brand Strategy, Strategic Marketing, Brand Management, Luxury Brands, Luxury Products, Brand Image, Brand Awareness, Brand Loyalty.

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Chapter 1: Generalities of the Study

1.1   **Introduction to the Study**

Brand, as an asset of a firm or company, does not serve only an identification purpose, but also offers the firm legal protection for unique features or aspects of the product or service. brand also offers additional value to the firm performance (Simon & Sullivan, 1993). In addition, brand is a major valuable factor that influences consumer behavior, and provides the security of sustained future revenues (Hunt & Keaveney, 1994; Kevin & John, 1999; Sloot & Verhoef, 2008). Therefore, brands have an enormous impact on both marketing performances, and financial performances (Baldauf, Cravens, & Binder, 2003; Rajagopal, 2009; Rust, Lemon, & Zeithaml, 2004; Simon & Sullivan, 1993).

Brand-related research has been of interest to both marketing practitioners and academic researchers during the past two decades. In brand-related literature, brand equity and its value have been the main streams of study and research for many years (e.g. Wood, 2000; Keller & Lenman, 2002; Raggio & Leone, 2006). The concept of brand equity and its sources have been discussed both in terms of academic and commercial contexts(Aaker, 1996; Keller, 2001). Many researchers have studied the phenomenon of brand equity, its causes and effects (Cravens & Guilding, 2000; Wood, 2000; Keller and Lenman, 2002), measurements (Aaker, 1991; Keller, 1993; Simon & Sullivan, 1993), and influences related to marketing and financial performance (Simon & Sullivan, 1993; Woo Gon & Hong-Bumm, 2004; Yoo, Donthu, & Lee, 2000).

Marketing mix activities are considered to be an instrument that influence and create brand equity(Yoo, et al., 2000). The tools of marketing mix; product, price, distribution channel, and promotion, can be exploited to create equity for a brand (Aaker, 1996; Yoo, et al., 2000). However, little empirical research has studied the impact of marketing activities on brand equity; particularly, the way marketing activities psychologically place the concept of a brand in the consumers' mind.

Keller (1993) pointed out that marketing activities can change the view of a consumer on a brand. He also mentioned that price promotion activities, such as price discounting may create or strengthen the knowledge of a consumer on a brand. He conceptualized that the

pricing benefits for consumers influence their attitude to the brand and might also change their perception of the brand. Previous literature has studied the relationship between some marketing activities and brand equity as Keller (1993) suggested. For example, Cobb-Walgren et al. (1995) found that a higher advertising budget contribute the higher levels of brand equity. However, they did not study whether different marketing activities influence each brand differently. In other words, they did not investigate whether particular marketing mix activities affect brand equity differently. Furthermore, the work of Keller and Lehman (2006) confirmed that literature on brand and branding in the past has reported mixed results of the relationship between marketing mix activities and consumer perception on a brand. They also suggested that the study of particular marketing mix activities should be more focused and should be introduced and measured in terms of customer mindset.

From an academic point of view, therefore, there is a need to extend the research in this area. There is little research that has examined the relationship between a particular marketing activity and branding. The results assist marketing practitioners to understand more about the consequences of marketing activities on brand equity.

The next section presents global brand value and how top executive managers or officers focus on the branding activities, and why they think it matters.

1.1.1 Global Brand Value

Today, the primary asset of many companies is their brand(s). The value of a company is normally measured in terms of its financial report, which is tangible. However, it has recently been recognized that a company's intangible value also resides in the mind of its potential consumers(Aaker, 1991, 1992). For many companies, the premium price of a strong brand that customers pay is clearly justified by the value of the brand, which is placed in the consumers' mind. This allows strong brands to enjoy extra profit through the higher prices that customers are willing to pay. Therefore, most companies, especially strong brand companies, send the message of their brands through a variety of company activities. Every year, top global brands invest enormous amounts of budget to put their brand at the top of its market, or to sustain their brand leadership and brand positioning.

Interbrand, a global branding consultancy, has analyzed the value of brands and annually publishes the rank of global brands. *Interbrand* applies a financial and economic approach to rank the global brands from 1-100;

Figure 1-1: Top 5 Most Valuable Global Brands 2012
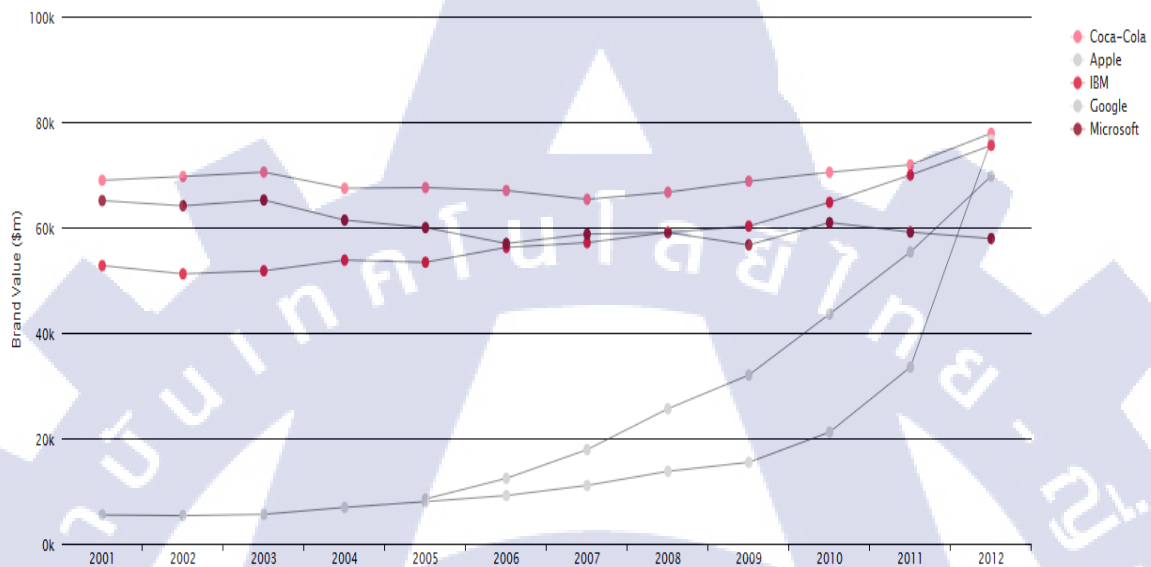
Source: Best Global Brands 2012 (2012), *Interbrand 2012, p 24-70*

For Figure 1-1, Coca-Cola, Apple, IBM, Google and Microsoft, and GE are ranked as the top five Global Brands 2012. In 2012, their brand values were financially measured and estimated at $77.8 billion, $76.5 billion, $75.5 billion, $69.8 and $57.8 billion, respectively. This report indicated that brand, as an intangible asset of a firm, does not only affect the marketing performance, but also affects the stock prices of the firm by influencing the perception of investor and financial analysts (Simon & Sullivan, 1993). This can be seen in Figure 1-1. The brand values of Google and Apple have been up-trend reports since 2002. Apple Inc. has made a giant leap from ranking No.17 in 2010 to No.8 in 2011 and to No.2 in 2012 as well as an increase in total revenue.

This confirms that brand is one of the most valuable assets which a company invests in and develops over time. Although product design, the manufacturing process, or a business idea can be duplicated, the way consumers hold knowledge in their minds often cannot be easily

restored or reproduced(Kevin & John, 1999, p. xvii). For these reasons, most companies increasingly invest in brand building programs. This management imperative of building, maintaining, or enhancing the brand is one of top management's major goals at the present time.

1.2 Statement of the Problem

Previous literature shows that there is a need for marketing practitioners to understand how particular marketing activities influence brand and branding performances(Keller & Lehmann, 2006). There is a need to examine the impact of marketing activities on the brand and branding context. Academic evidence may determine the extent to which marketing activities are conceptually related to building and maintaining the brand, especially in the mind of a consumer.

Previous literature found that price and promotional strategies have an enormous impact on brand perception for Thai consumers (Gupta, 1993; Krishna, Currim, & Shoemaker, 1991). Chiaravutthi (2010) suggested that a price premium of ICT products indicates the brand position in the market for Thai consumers. The study also suggested that, in general, Thai consumers focus their purchasing decision for a particular brand on its basic or core product attributes.In addition, Anuwichanont (2011) reported that price and quality perception play a significant role on customer loyalty, brand affect, and brand trust for Thai consumers. The empirical results of his study on the airline industry revealed that price and product quality influence the perception of brand on Thai consumers. This shows that, for Thai consumers, price and product features or product quality are a part of brand meaning.

Aside from the above reasons, most marketing managers or practitioners implement price promotions or price deal activities to gain short-term sales revenue without regarding the long-term impact on branding perspective(Keller, 1999). Although previous research has reported the consequences of price promotions or price deals in terms of many aspects, there is little research focusing on the brand and branding context, especially in terms of luxury brands on consumer level.

This study aims to investigate and determine the effects of price promotion on the perception of a brand in the mind of consumer in luxury brands. According to luxury brands, they

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always enjoy the price premium which offers by the perception of the brands in the mind of consumers, which calls brand equity (Aaker, 1996; Holbrook, 1992; Keller, 1993). Moreover, consumers perceive price and a cue to determine product quality and its attributes (Zeithaml, 1988) and to evaluate their both functional benefits and emotional benefits (Cobb-Walgren, et al., 1995). Therefore, price promotion should have a large impact on the perception of a consumer in order to make a brand evaluation, especially in luxury product industry.

1.3   Research Objectives

The main of objective of this study is to empirically examine the effects of price promotion on the brand knowledge structure and brand equity from the consumer point of view. The brand level of this study is to focus on luxury brands. The conceptual framework illustrates that the relationship between price deals and brand equity are mediated by perceived values in terms of functional value and psychological value of a consumer.

The research objectives can be specified as follows:

1.   To empirically determine the extent to which price promotions relates to consumers' perception of brand value (functional value and psychological value) for luxury brands.
2.   To empirically determine the extent to which price promotions relates to brand equity in luxury brands (brand awareness, brand image and brand loyalty)
3.   To empirically determine the relationship between consumers' perception of brand value (functional value and psychological value) and brand equity (brand awareness, brand image and brand loyalty) for luxury brands.
4.   To investigate the role of luxury brands in the mind of consumers in the relationship between price promotions and brand equity.

1.4   Research Questions

Price promotion activities have long been a tool of marketing practitioners to create and drive short-term sales volume. Although the price promotion activities can improve the financial performance, there might be effects on the mind of consumers, especially on the brand perspective. The change of price due to price promotions (e.g. price-cut, coupon, rebate, and so on) might change the perception of the brand in the consumers' memory. Therefore, it raises major questions in this study as to how price promotions influence brand equity from

the consumer's view point, and how price deals or price promotion activities create or reduce the strength of brand equity in the consumers' mind and memory, especially in luxury brands.

The research questions of this study can be summarized as follows;

1.   Do price promotions lead to negative perceptions of product quality in a luxury brand?

2.   Do price promotions psychologically affect customer value for a luxury brand?

3.   How does a consumer's perception of quality affect brand awareness, brand image, brand loyalty in a luxury brand?

4.   Do price promotions offer similar effects to brand equity as in other brand level?

5.   Do perceived brand values (functional value and psychological value) have an effect on the creation of brand equity under the influence of price promotions in luxury brands?

1.5   **Scope of the Research**

This study focuses on the consumer level of brand equity. The research framework is developed to measure the impact of pricing activities on consumers' minds. The dynamics of marketing environments, such as competitors' price and promotions, consumers' purchasing power, or other external reference prices are beyond the scope of this research.

The research is conducted in Bangkok, Thailand. The main respondents are the consumers who live in Bangkok and are 20 years and older. The sampling method is limited by the timing and budget of the study. The sampling method of the products selected is subjected to be controlled.

This study focuses only on a particular brand level. The variation of the level of brand might be a subject of further study.

In addition, this study does not consider the dynamics of competitive market environments. The prices of competitors in the same product category, so called external reference prices, are not in the scope in the research.

1.6 **Limitations of the Research**

Firstly, this study does not consider the effects of the market environment of a brand. The actions of competitors of the brand and the economic conditions during the study survey are not included. Secondly, all the respondents of the study are consumers who live in the Bangkok area. The need for a greater variety of respondents is required to enhance the generalizability of the study.

Thirdly, the study focuses on a particular product category. Hence the results may not be generalized to other product class. Fourthly, this study focuses on an individual brand in a particular period of time. The price promotion activities are implemented and offered to consumers in a certain period of time. Hence, the generalizability of the results may be restricted to brands with the same market environment as this study.

1.7 **Definition of Terms**

This section defines the terms for clarity and correct understanding. Some terms are adopted from previous literature as shown in references as follows:

Brand Association - The network memory of a consumer which stores information associated with a brand (from Keller, 1993).

Brand Awareness –The ability of a consumer to recall and recognize a certain product (from Aaker, 1991 and Keller, 1993).

Brand Equity - Different responses of consumers between a focal brand and an unbranded product when they acknowledge the marketing activities of that brand (Yoo, et al., 2000).

Brand Image –The consumer perceptions about a brand as reflected by the brand associations held in a consumer's memory (Keller, 1993).

Brand Knowledge - Personal meaning of a brand which is stored in a consumer's memory (Keller, 1993).

Brand Loyalty - Brand loyalty is a key to determine the value of a brand because future sales and profits can be expected from highly loyal consumers (Aaker, 1991).

Consumer-Based Brand Equity (CBBE) - The measurement of brand equity on the consumer level equity which determines the brand effects on the individual consumer (Keller, 1993).

Perceived Quality - The customer's perception of the overall quality or superiority of the product or service with respect to its intended purpose, relative to alternatives(Aaker, 1991).

Perceived Functional Value - The consumer's overall assessment of the utility of a brand based on perceptions of what is received and what is given (adapted from Ziethaml, 1998)

Perceived Psychological Value - When a consumer perceives the benefits in experiential consumption, fun, pleasure, excitement, and other affective factors.(Virtsonis & Harridge-march, 2009)

Price Deals – Price deals are a price promotion offer on a product or service (adapted from(Bawa & Shoemaker, 1987).

Chapter 2: Literature Review

This chapter summarizes the literature on brand equity, perceived brand value, brand knowledge, brand associations, perceived quality, and price deals.

2.1   Brand

A brand is a collection of symbols, experiences, associations or a set of them intended to identify the goods and services of one seller from a group of sellers and to differentiate them from competitors(Kevin & John, 1999). Aaker (1996) argued that a brand is intangible and invisible but itis critical to what a company should provide to consumers. A brand is a set of promises which implies trust, consistency, and a defined set of expectations. In general,aconsumer creates a relationship with a brand, not with a seller or producer. Branding is commonly defined as a set of activities of creating added value the consumers' mind, which includes building perceived value beyond the observable physical value of products or services (Aaker, 1991, 1996; Kevin & John, 1999; McEnally & De Chernatony, 1999). A branding objective is to create added value for customers by placing the psychological thoughts of the brand in the memory of a consumer, which is widely called "brand awareness" (Aaker, 1996; Keller, 1993).

2.2   Brand Equity

As mentioned in the previous section, this value added of a brand has long been recognized as brand value or brand equity (Raggio & Leone, 2007). Brand equity provides the primary point of differentiation among products and services. Building brand equity empowers companies to achieve negotiation power, increase effective marketing communication and enhance marketing mix performance (Yoo, et al., 2000). In addition, strong brand equity offers an opportunity to implement the brand extension strategy. The concept of brand equity has been discussed, debated and argued for decades from various perspectives (Keller, 1993; Leuthesser, Kohli, & Harich, 1995; Simon & Sullivan, 1993). It was a main area of marketing research according to the shift in the marketing paradigm and changes in consumer behavior (Aaker, 1991; Christopher, 1996; Doyle, 1990; Keller, 1993; Leuthesser, et al., 1995). Many marketing scholars have tried to define the terms brand equity and brand value and proposed a domain for these constructs (Aaker, 1996; Cobb-Walgren, et al., 1995; Keller, 1993; Park &

Srinivasan, 1994; Simon & Sullivan, 1993; Winters, 1991; Yoo, et al., 2000). All of them defined brand equity in terms of an intangible asset or the added value of a brand, and in terms of marketing effects attributable to the brand.

Aaker (1996) stated that "brand equity is the set of assets and liabilities linked to a brand that add to or subtract from its value to the consumers and business". Simon and Sullivan (1990) viewed brand equity as "the incremental discounted future cash flows that would result from a product having a brand name, as compared to the proceeds that would accrue if the same product did not have that brand name". Rust, Zeithaml, and Lemon (2004) viewed brand equity as "customers' subjective and intangible assessment of the brand, above and beyond its objectively perceived value". They also proposed three sources of brand equity, which are customer brand awareness, customer brand attitudes, and customer perception of brand ethics.

Therefore, there are variations in terms of the definitions and conceptualizations of brand equity depending on the researchers' perspectives. Keller et al. (2006) summarized the research on brand equity into three categories with respect to the level of the study; consumer-level, product-market level, and financial-level. These levels of study are viewed by how the researchers measured and defined brand equity.

2.2.1 Consumer level of brand equity

From the consumer point of view, consumers perceive the attributes of the product beyond the objective features of the product. Brand equity, for this level, can be measured to assess the awareness, attitudes, associations, attachments (loyalty), and activities (consumption frequency, or involvement) as shown in Figure 2-1.(Keller & Lehmann, 2006). Brand equity can be captured significantly in hierarchy, which is from brand awareness (the lowest level) to brand activities (the highest level). The company develops a combination of attachments and associations in the consumers' mind over time through marketing activities. This level of study concentrates on the consumer mind-set of brand equity and the perception of consumers on brand equity which influences their purchasing decision and other consumer responses. The hierarchy model of customer mind-set can be explained as brand awareness, which supports brand associations, and drives brand attitudes that lead to brand attachment

and brand activities. This customer mind-set of brand equity, conceptually, is the result of marketing activities.

To capture the consumer mindset, brand equity can be built from "objective" parts of the product offered (such as product attributes, product qualities, or product performance) and "non-objective" parts of the product offered (such as experience, advertising) (Hoeffler & Keller, 2003). This is similar to literature which indicated that brand equity consists of functional and experiential components (Keller 1993, 2002; Zaltman 2003). The functional components reflect a brand's more intrinsic, objective, utilitarian, and tangible aspects (Keller 1993, 2002; Zaltman 2003). The functional components refer to perceive performance and quality (Elliott 1994; Erdem 1998; Zeithaml et al 1985). The experiential components include the brand's perceive resonance and brand imagery (Keller, 2001).

Many marketing researchers have proposed how brand equity can be operationalized and conceptualized (Aaker, 1996; Keller, 1993; Lassar, Mittal, & Sharma, 1995; Park & Srinivasan, 1994; Ravi, Pascale, & Ray, 2005). However, there are two studies in consumer level research of the conceptualization of brand equity which are widely accepted by academic scholars; the works of Aaker (1991) and Keller (1993).

Figure 2-1: Five Sources of Brand Equity in Hierarchy
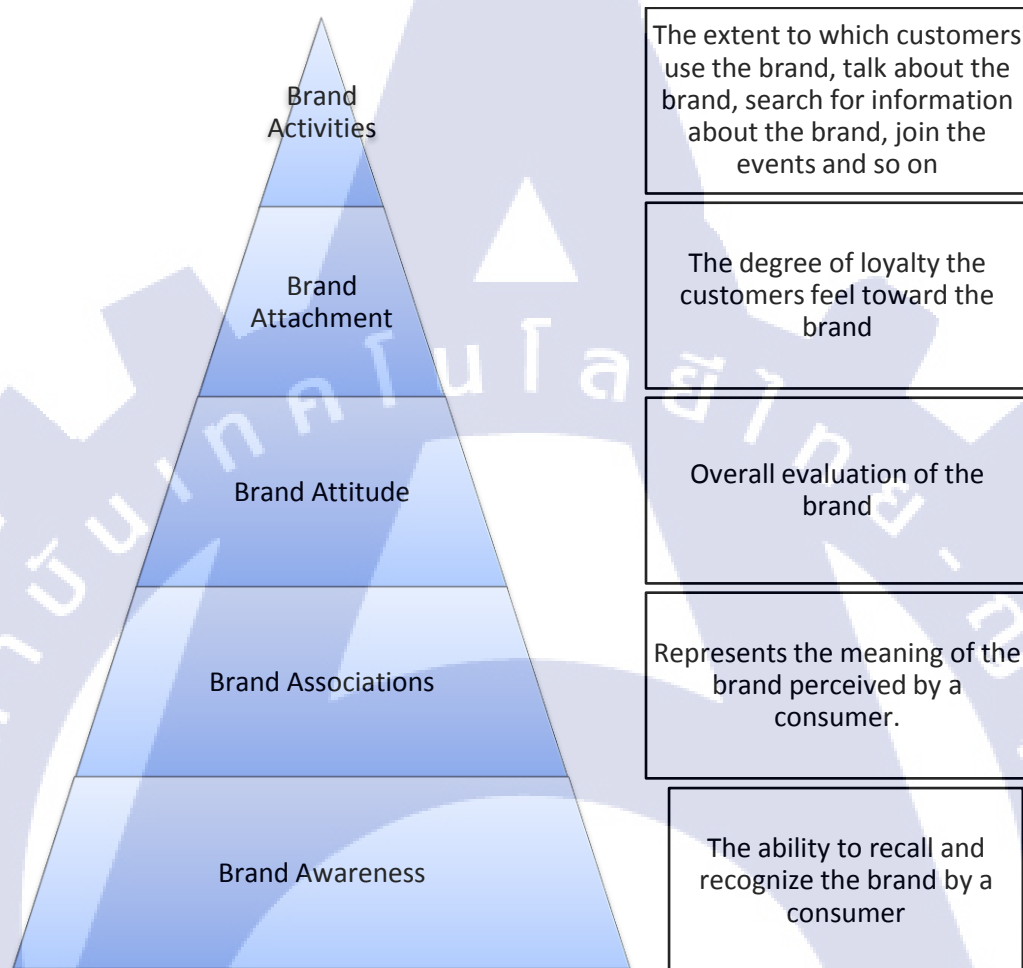
Source: Keller & Lehman (2006), Brands and Branding: Research Findings and Future Priorities. *Marketing Science, 25*(6), 740

Aaker's works of Brand Equity

Aaker (1991) summarized brand equity into five categories: brand loyalty, name awareness, perceived quality, brand associations and other proprietary brands as shown in Figure 2-2.

In Figure 2-2, there are five dimensions of brand equity which Aaker (1991) described as the following:

Brand Associations – Brand associations refer to a set of associations or images which differentiate the product or service from competitors. Brand associations play a major role in driving brand identity and brand personality. In addition, brand associations stand for what a company wants to present in the minds of consumers.

Perceived Quality – Perceived quality is the association of overall quality which a consumer perceives. It is normally based on the knowledge of a consumer about a product or service. The quality perception may have a different form which depends on the type of industry. Perceived quality drives the financial performance of the brand.

Brand Awareness – Brand awareness refers to the strength of a brand's presence in the consumer's mind. Brand awareness is an undervalued component of brand equity due to the intangibility of its measurement. Brand awareness can affect perception and attitude. The level of brand awareness is based on the ability of recognition of a consumer.

Brand Loyalty – Brand loyalty is a key to determine the value of a brand because future sales and profits can be expected from highly loyal consumers.

Other Proprietary Brand Assets – These assets represent customer perceptions and reactions to the brand such as patents, trademarks, and channel relationships. These assets must be tied to the brand, not to the company or the firm.

Figure 2-2: The Determinants of Brand Equity
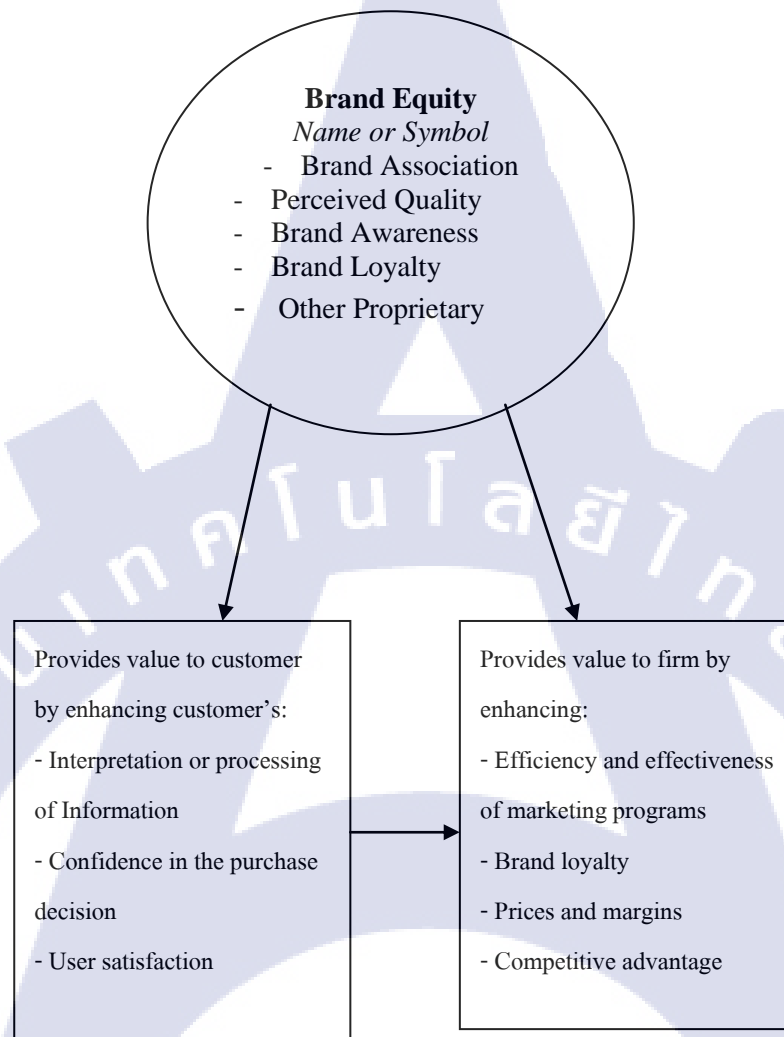
Source: Aaker, D. A. (1991). *Managing Brand Equity*. New York, NY: The Free Press.

These dimensions of brand equity have positive impacts on offering value to customer and to the firm (Aaker, 1991, 1996; Baldauf, et al., 2003; Yoo, et al., 2000) as shown in Figure 2-2.

Figure 2-3: Antecedents and Consequences of Brand Equity
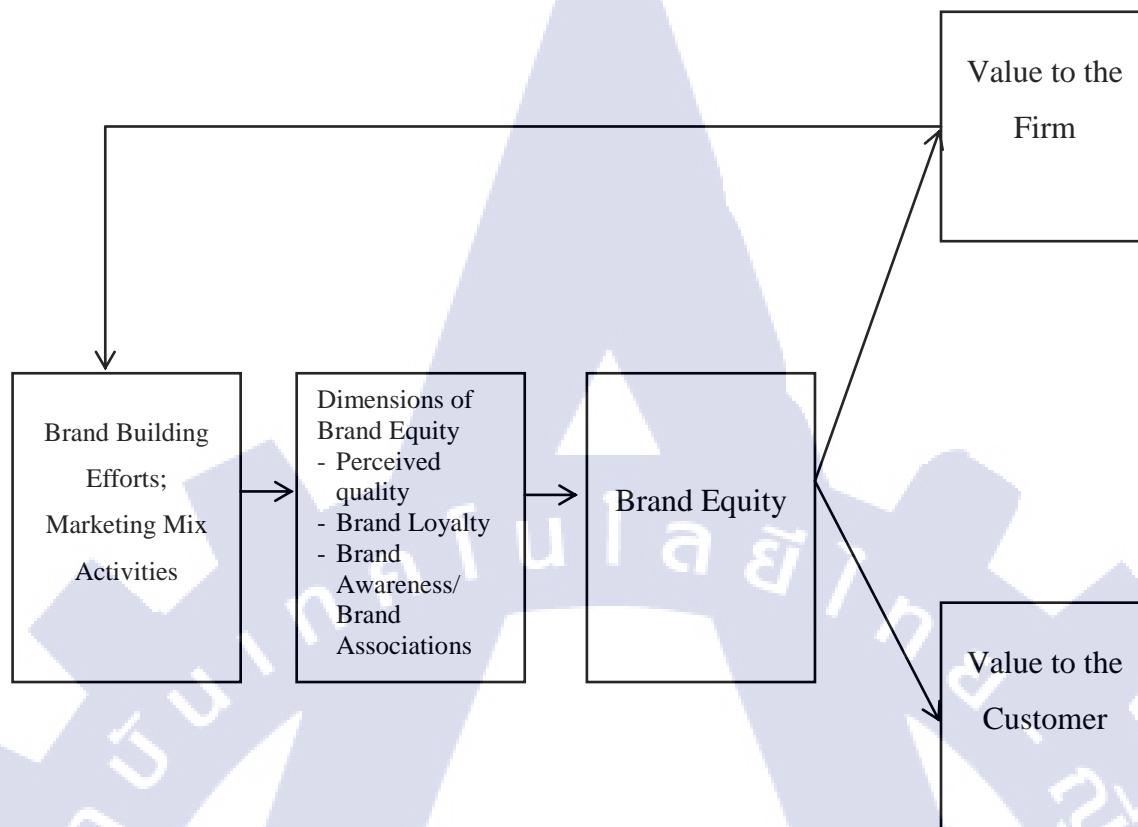
Source : Yoo, B., Donthu, N., & Lee, S. (2000). An examination of selected marketing mix elements and brand equity. *Academy of Marketing Science. Journal, 28*(2), 195.

For Figure 2-3,Yoo et al. (2000) developed a brand equity conceptual framework based on Aaker's (1991) model of brand equity. Their model shows the relationships of brand-building efforts which influence the various dimensions of brand equity and also provide value to the firm. The brand equity framework of Yoo et al. (2000) focuses only on three dimensions of brand equity which are perceived quality, brand loyalty, and brand awareness, which they argued are common dimensions of brand equity. These are represented by the empirical investigations of brand-building efforts such as the effects of price, store image, distribution intensity, advertising spending, and price deals. The result shows that the brandbuilding efforts through marketing mix activities are related to the determinants of the brand equity of a strong brand.

Aaker's (1991) definition of brand equity and its measurement concept have been utilized in much empirical marketing research (Baldauf, et al., 2003; Cobb-Walgren, et al., 1995; Rosa

& Hernan, 2008; Tolba & Hassan, 2009; Tong & Hawley, 2009; Woo Gon & Hong-Bumm, 2004; Yoo, et al., 2000). Some marketing scholars also applied these dimensions to measure brand equity and to hypothesize the impact of brand equity on the value of the firm and the value to the customer.

Table 2-1: Summary of literature which examines the outcomes of brand equity

Value to the Firm	Value to the Customer
Profitability Performance (Baldauf, et al., 2003)	Customer Value (Baldauf, et al., 2003; Lassar, et al., 1995; Parasuraman, 1997; Zeithaml, 1988)
Market Performance (Baldauf, et al., 2003; Tolba & Hassan, 2009)	Customer Satisfaction (Kolar, 2007)
Market Share (Chaudhuri & Holbrook, 2001)	Confidence of purchasing decision (Cobb-Walgren, et al., 1995; Tolba & Hassan, 2009)
Brand Extension (Mandic, 2009)	
Competitive Advantage (Parasuraman, 1997; Woodruff, 1997)	
Price Premium (Aaker, 1991; Park & Srinivasan, 1994; Suraksha, Susan, & Melewar, 2008)	
Brand Loyalty (Aaker, 1991; Keller, 1993; Tolba & Hassan, 2009)	
Marketing Advantage (Hoeffler & Keller, 2003)	

Brand equity has been tested as to how it provides value to the firms and customers as summarized in **Error! Reference source not found.**. Therefore, brand equity is significantly related to both firm and customer aspects.

Aaker further developed a valid brand equity measure and proposed it in 1996, called"the Brand Equity Ten". It is structured and motivated by four dimensions of brand equity which he proposed in 1991.He argued that the Brand Equity Ten measurement concept could be applied to evaluate a brand across markets and products.

The Brand Equity Ten consists of ten sets of measurements which are grouped into five categories. Four categories are from four dimensions of Aaker's brand equity which represent

the consumer perceptions of the brand. The fifth category represents the market perspective of brand equity, which includes two sets of market behavior measures:

Brand Loyalty

1.   Price premium – The amount that a customer will pay for the brand in comparison with another brand (or set of comparison brands) offering similar benefits. Aaker (1996) mentioned that price premium is the best single measure of brand equity.

2.   Customer satisfaction or loyalty – Satisfaction can be an indicator of loyalty for a certain product class. The direct measures of customer satisfaction and loyalty can be applied to existing customers, who have used the product or service within a certain period.

Perceived Quality

3.   Perceived quality – It is one of the key dimensions of Aaker's brand equity concept. Perceived quality is focused on the functional benefits of a product or service. It is meaningful to differentiate the brand from rivals.

4.   Leadership or popularity – This indicates the leading role of a brand. It reflects the innovation, acceptance and popularity of the brand.

Brand Association

5.   Perceived value – Brand can generate value. The value measure offers a summary indicator of the brand's success at creating that value proposition. It is the brand-as-a-product perspective of Aaker's (1991, 1992) brand equity concept.

6.   Brand personality – It is based on brand-as-a-person perspective. Brand personality can show a connection to the brand's emotional and self-expressive benefits. In addition, it is also related to customer-brand relationships and differentiation. Brand personality somehow indicates how customers have an image of a brand in their mind.

7.   Organizational associations – This is a brand-as-an-organization perspective of brand equity measurement. It views how an organization lies behind the brand. It measures if the brand represents more than products or services. This also shows how an organization's reputation links to or is a part of the brand.

Brand Awareness

8.　Brand awareness – brand awareness reflects the salience of the brand. It involves the recognition ability of a consumer. It has power in influencing purchasing decisions. It is a major key of consumer's brand equity measurement.

Market behavior

9.　Market share – This is a brand performance view of a product or service. Market share shows how brand equity can provide a competitive advantage over other brands. This is based on the concept that brand equity creates a competitive advantage and stimulates the market share of a company.

10.　Market price and distribution coverage – The relative marketing price is an important measure when the marketing share is too dynamic and deceptive when the company implements price promotions. The relative market price is defined as the average price at which the brand is sold during the month divided by the average price at which all brands in that product class are sold.

It is also summarized in Figure 2-4.

Figure 2-4: Brand Equity Ten

The Brand Equity Ten

- **Brand Loyalty**
  - Price Premium
  - Satisfaction/Loyalty
- **Brand Awareness**
  - Brand Awareness
- **Perceived Quality**
  - Perceived Quality
  - Leadership
- **Market Behavior**
  - Market Share
  - Price and Distribution Indices
- **Brand Association**
  - Perceived Value
  - Brand Personality
  - Organizatioal Associations
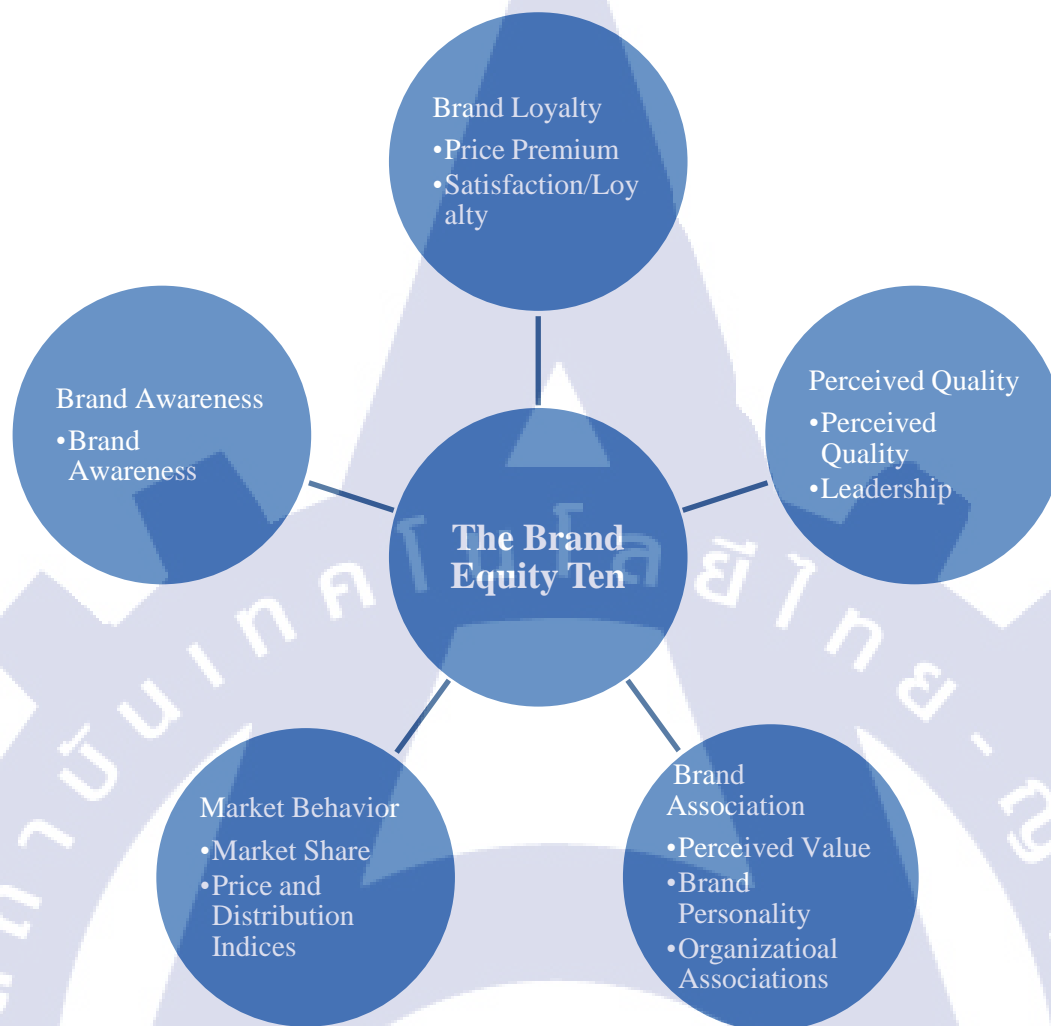
Source: Aaker, D. A. (1996). Measuring brand equity across products and markets. *California Management Review, 38*(3), 102.

Keller's works on Brand Equity

Keller (1993) conceptualized brand equity, which determines the brand effects on the individual consumer, called "Consumer-Based Brand Equity (CBBE)". He defined brand equity as "the differential effect that brand knowledge has on customer response to marketing activity with respect to that brand". He also mentioned three key concepts which are included in the definition. From Keller's point of view, brand equity includes differential effects which are determined by comparing consumer response to marketing programs for the brand with unbranded versions of the product or service. The accumulation of these brand effects

comprises brand knowledge. Keller (1993) also conceptualized brand knowledge in terms of brand awareness and brand associations. Therefore, brand associations and brand awareness are the consequences of marketing activities according to how consumers respond to the brand. He argued that this perspective of brand equity concept allows managers to specifically determine how their marketing actions distribute the value of a brand for consumers.

Figure 2-5: Consumer-Based Brand Equity
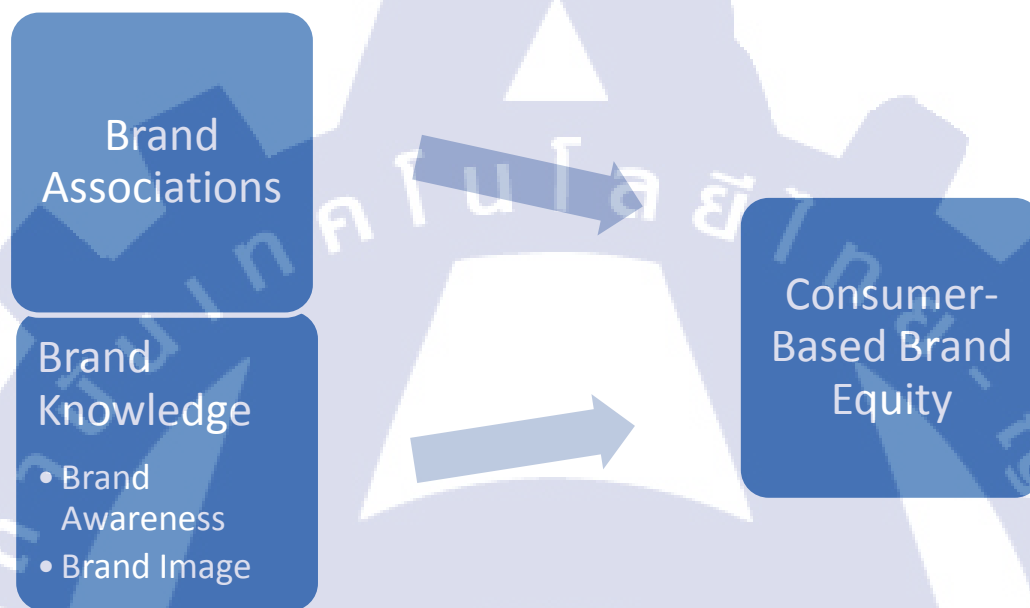
Source: Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing, 57*(1), 1.

As shown in Figure 2-5, Keller (1993) introduced the Consumer-Based Brand Equity model (CBBE), to measure brand equity in terms of the differences that arise in customers' responses to marketing activity as a result of the knowledge that customers have about the brand. CBBE relies on the memory of customers about the brand and how they build it. Keller (1993) suggested that customers attach and store the associative memory of the brand into the node of memory and it can be activated.

There are two approaches for measuring CBBE: direct and indirect approaches(Keller, 1993). For the direct approach, brand equity can be measured directly by assessing the actual impact of brand knowledge on consumer response to different elements of the marketing program

and activities. On the other hand, for the indirect approach, brand equity can be measured by assessing the potential sources of CBBE. This can be studied by identifying and tracking consumers' brand knowledge structures in terms of brand identity, brand meaning, brand response, and brand relationship. Therefore, the measurement of brand identity, brand meaning, and so on, is an indirect approach for measuring CBBE.

In summary,consumer knowledge of a brand could reveal the sources of brand equity. This concept will assist market practitioners to examine the impact of marketing activities on the brand more precisely. The concept of CBBE offers understanding about how customers recall and recognize the brand and how such information can be created in the customer's mind.

Aaker and Keller's Brand Equity Concepts

Aaker's Brand Equity Ten model does not weight its determinants; it is varied due to the product and market segment. Brand equity in terms of Aaker is more like a "system view" as it is developed to measure the brand equity across all products and markets (Woodruff). Academic marketers adapted this set of measures to evaluate brand equity, but not to find the source of brand equity. In addition, market behavior measurement of the Brand Equity Ten is not based on a consumer's perspective, and it is related to competitor actions and the short-term marketing activities of the company. On the other hand, Keller's CBBE is focused on individuals' mindset on a brand, which is based on the theory of memory.

For this study, the concept of brand equity based on the Keller's work is appropriatebecause CBBE focuses on the mind of consumers as the source of brand equity. Moreover, the conceptualized model of brand equity from Keller's works was developed based on the response to marketing activities. More details about brand knowledge will be discussed in a later section of this chapter.

2.3 Brand Image

Brand image has been conceptualized by different marketing researchers (Aaker, 1991; Biel, 1992; Bird, Channon, & Ehrenberg, 1970; Joffre & Tulin, 2002; Keller, 1993; Pauwels, Hanssens, & Siddarth, 2002) and has been recognized as an important concept in marketing. From a financial perspective, brand image is an equity or asset which is excess of conventional assets or added value (Raggio & Leone, 2009; Simon & Sullivan, 1993). In

terms of the consumer memory perspective, brand image is defined as " consumer perceptions about a brand as reflected by the brand associations held in consumers' memory" (Keller, 1993) and "a cluster of attributes and associations that consumers connect to the brand name" (Biel, 1992). Aaker (1991) suggested that brand image is conceptually based on brand association, which is a function of how memory is linked to a brand. According to Nandan (2005), brand image refers to "the sum of impressions that consumers receive from many sources, all of which combine into brand personality and brand identity". Ditcher (1985) defined brand image as "describing not individual traits of the product but the total impression in the minds of the consumers". Therefore, brand image describes the way a consumer perceives the product or service, which allows a particular brand to position itself in the market. In addition, it is clear that consumers form an image of a brand based on the associations that they remember or have stored with respect to that brand.

For this study, in accordance with the work of Keller (1993), Aaker (1991), and Park et al. (1986), the definition of brand image, which is consistent with the study framework, is that brand image is a set of associations linked to the brand that consumers hold in their memory. Therefore, creating brand image relates to the associative network of brand in a consumer's memory.

Biel (1992) suggested that brand image consists of three elements; the image of the corporate, the image of the product/service, and the image of the user, as shown in Figure2-18. However, the contributions of these three components of brand image vary by product category and product involvement. For some products or services, the major brand image originates from the corporation itself, like Marlboro. The reputation of Philip Morris, as a corporate image, does not play any role in forming the brand image of Marlboro. The product image itself or the impression people as users have, determines the brand image(Biel, 1992).

Figure 2-6: The Three Components of Brand Image
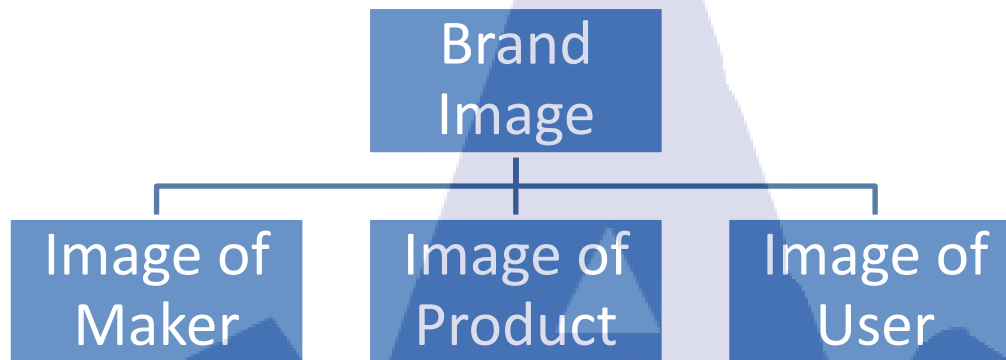
Park et al. (1986) introduced a framework which suggested that a brand can be built through the functional, symbolic, or experiential concepts. However, Lawson and Balakrichnan (1998) argued that a brand develops its image through the perceived benefits of consumers. Managers should focus on generating potential brand images by matching the consumers' needs for a product and what the brand can deliver.The process of delivery of an abstract brand concept (functional, symbolic, and experiential concepts) will then be operated.

The modification of brand image was reviewed by the work of Biel (1992). Biel (1992) argued that there are many obvious direct and indirect sources of brand image which an individual can experience (i.e. word of mouth, offline and online media reports, advertising, etc.). This significantly supports the idea that it is impossible to maintain a brand image concept over time. This is opposite to the suggestion of Park et al. (1986) who argued that the most effective brand image or positioning strategy is to maintain and stabilize the concept of brand image over time. Lawson et al. (1998) disagreed with Park et al. (1986) by arguing that a brand image concept abstraction must take place at a level that allows for interesting variations. However, it should not be so abstract as to fail to convey the brand's essential meaning. Therefore, past literature shows that brand image can be modified over time to

respond to the consumers' need. This is supported by the work of Biel (1992) which showed that a change of brand image drives the change in brand share.

2.4 Brand Awareness

Brand Awareness has been considered as the key to a brand building program, or a brand extension program (e.g. (Banerjee, 2009; Doyle, 1990; Jones, 2008). Marketing researchers have determined that brand awareness is the dominant selection process among consumers that influences the purchasing and repurchasing intentions(Cobb-Walgren, et al., 1995; Franz-Rudolf, Tobias, Bernd, & Patrick, 2006). Previous literature shows that the greater the brand awareness, the greater the brand familiarity, brand loyalty and reputation (Chaudhuri & Holbrook, 2001; Cobb-Walgren, et al., 1995; Mariola & Elena, 2009; Xavier & David, 2003). Hence, brand awareness indicates the strength of a brand and is related to brand choice and performance.

Aaker (1991) defined brand awareness as a potential buyer's ability to recognize or recall that shows a brand to be a member of a certain product category. This is similar to how Keller (1993) defined brand awareness, which also consists of brand recognition and brand recall. Brand awareness is concerned with the associations of a brand name which are in the mind of consumers. It also represents the strength of the node of memory; the stronger the node of memory, the easier it is for a consumer to recognize or recall (Keller, 1993).

Brand recognition is the consumer's ability to confirm prior exposure to the brand when given the brand as a cue. On the other hand, brand recall is the ability of consumers to retrieve knowledge about a brand when given the product category or some other probe as a cue (Keller, 1993; Keller, 2003). The similarity of brand recognition and brand recall is that they both need a cue to activate the memory in the node. Hence, consumers must store the knowledge of a brand before it can be retrieved or activated. The information about the products or services can be stored in the consumers' memory through marketing activities such as advertising, event marketing, or sales promotion (Begoña Alvarez & Rodolfo Vázquez, 2005; Graham, 1994; Itamar, Ziv, & Suzanne, 1994; Narayana & Raju, 1985; Park & Lennon, 2009). The sources of information that are stored in the memory are attributes, experiences, attitudes, and other brand-related information. Memory-based research stated

that recall correlated with attitude when judgments are made at the same time the stimulus attributes are being processed(Campbell & Diamond, 1990).

The major distinction between brand recognition and brand recall is that brand recognition needs a brand-related message as a cue such as music, logo, motto, or noticing products on the shelf (e.g. "When you see the 'Just do it' message, what brand comes to your mind?"). Brand recall, on the other hand, is a the cue where a need is identified at the product category level (e.g. "When you think of a car, what brands come to your mind?") (Neeraj & Ty, 2007). This is supported by Percy and Rossiter (1992) who indicated that brand recognition and brand recall are two separate types of brand awareness. They concluded that the difference is the communication effect that occurred first in the consumers' mind; brand or product category.

Hutchinson (1994) argued that there are two approaches of the brand recall model which are the economic approach and the psychological approach. The economic approach of brand recall applies the utility-maximizing concept for the availability of alternatives. It is concerned largely with the optimal search in the memory for economic decision making, while the psychological approach unifies the relationships among various memory tasks and concerns the externalities imposed by the human memory. Although the economic approach of brand recall is important in consumer decision making, it is beyond the scope of the study's framework.

The brand recall model of Hutchinson (1994) suggested that brand can sometimes be ignored completely, especially when consumers focus on other product categories. For example, when consumers think about soft drinks, the soft drinks are a cue for brand recall. Other types of beverage are effectively screened out of the consumers' mind. This is confirmed with Keller's (1993) concept of brand recall by which the cue of brand recall is the product category. However, Hutchinson (1994) studied only television advertising that can improve brand recall. Other marketing communication activities have also been identified, such as event marketing or pricing promotional activities. Keller (1993) suggested that all kinds of marketing activity must somehow relate to brand awareness due to the information process of the consumers' memory.

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Aaker (1996) argued that brand recognition is important for niche brands or new brands. It is the very first step of building a new brand program for marketers. This is because niche brands and new brands need consumers to acknowledge the existence of the brand and be able to recognize the attributes of the brand in the market. Brand recall, on the other hand, is important for leading brands which are already in the mind of consumers, indicating the strength of the brand to their competitors.

Aaker (1991) proposed levels of brand awareness, as shown in Figure 2-7. He argued that the role of brand awareness for brand equity depends on the level of brand awareness that consumers perceive. The bottom of the pyramid represents a level of brand awareness where consumers do not acknowledge the existence of the brand in the market. The third level is brand recognition, which is based upon an aided recall test. Aaker (1991, p.62) claimed that it is not as strong as brand recall as it needs a link between brand and product category. It is particularly important when a consumer chooses a brand at the point of purchase. The next level, brand recall, involves more difficult tasks than brand recognition in terms of the cognitive process. Finally, at the top of the pyramid is the top of mind level. It is a special position of brand awareness. Consumers have a very real sense of brand at this level. It is the very first name that is retrieved from a consumer's mind every time that he/she thinks of the product category. This could be supported by previous literature which argued that the level of brand awareness is influenced by the product category association (Kevin & John, 1999; Neeraj & Ty, 2007; Percy & Rossiter, 1992). The strong product category association (e.g. automobile industry) presents a small distinction between brand recognition and brand awareness.

Figure 2-7: The Level of Brand Awareness

Source: Aaker, D. A. (1991, p.62). *Managing Brand Equity*. New York, NY: The Free Press.

In summary, previous literature shows that brand awareness is an important element of brand equity (Aaker, 1996; Keller, 1993). However, recently literature has found that brand awareness does not empirically show direct casual effect on brand equity (Rosa & Hernan, 2008; Tong & Hawley, 2009). This may because the literature attempted to hypothesize a positive relationship between brand awareness and brand equity while, in fact, it might have a negative relationship to brand equity (Walters & MacKenzie, 1988).

For this study, the psychological approach of brand awareness is the scope of the study. Therefore, the two components of brand awareness, brand recall and brand recognition, are focused. The top of mind level of brand awareness is beyond the scope of the study because it is too specific and to avoid the halo effect (Leuthesser, et al., 1995) that might yield biased results.

2.5 Price

Zeithaml (1988) conceptualized price, from the customer's point of view, as a "give" component in the mean-end model. From this perspective, price might not be the objective

price (the price that a customer actually pays for a product or service), but it is the price that a customer has encoded in their mind in a subjective sense. It is the so-called perceived price. Zeithaml (1988) pointed out that the objective monetary price may not be the price that a customer remembers, but he or she may encode the price as "cheap" or "expensive". In other words, customers do not always remember the objective monetary price or actual price that they paid, they memorize in a way that is meaningful to them (Xavier & David, 2003).

From the information theory perspective, price is stored in the customer's memory in the form of information that can be retrieved (María Pilar Martínez & Alejandro Mollá, 2008). Price acts as stimulus information in information processing and activates the degree of association of human behavior. Monroe et. al. (1986) suggested that price awareness is the result of memory trace when consumers are exposed to a price, and process it in a form of information and then store in the memory. Therefore, the role of price in the information processing theory workssignificantly as a retrieval cue in the memory network.

Monroe et al (1986) found that customers do not always purchase lower-price alternatives, and they also do not always buy less at a higher price. Monroe et. al. (1986) took a sample of 500 customers to test whether they could remember the actual price that they just paid for a certain product. The results showed that the frequency of the correct recollection of the actual price was below 50 percent. This supports the price concept of Zeithaml (1988) that customers recall or recognize the price in the form of meaning, not the actual or objective price. Therefore, price discounts or increased activities will significantly influence customers' awareness or decision when the amount of discount or increase is meaningful to them.

Consumers usually use price as one aspect of product purchasing decision (Sloot & Verhoef, 2008; Somjit & Audhesh, 2005; Xavier & David, 2003). For the Marshallian demand concept, consumers consider price to specify what they would buy to solve their utility maximization problems. Beside brand name, store name, package, and size, price is one of extrinsic cues that influence product evaluation and a consumer's willingness to buy and purchasing intention (Luk & Yip, 2008; Sloot & Verhoef, 2008). Therefore, consumers perceive price as one kind of information to evaluate the products or services. In other words, when the price has changed, the consumers also change their perception on price and begin to change their perceived value, which affects their purchased intention (Hunt & Keaveney, 1994; Zeithaml, 1988).

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Companies may face several circumstances which lead to implementing a pricing strategy (inventory overload, price war situation, or generating sales volume). The target of pricing activities is the end customers and is designed to change their behaviors. Customers may change the quantity or timing of product purchases (Andrew, 2003; Papatla & Krishnamurthi, 1996). When pricing activities, such as price-cut or coupon promotions, begin, it is most difficult to stop customers thinking about waiting for the next promotion cycle to begin again. This shows that the pricing promotions significantly affect the attitude and choice of the customers toward the brand.

Marketing research has conceptualized the role of price on the perceived quality and perceived value of a product. Monroe and Krishnan (1985) illustrated that the perception of price for a consumer is positively related to the perceived quality of a product. This relationship is supported by the studies of Zeithaml (1988), Dodds, Monroe, and Grewal (1991). Dodds et al. (1991) found empirical evidence on the relationship between the price and perceived quality. The results of their work indicated that price has a positive effect on perceived quality. Furthermore, they also found that price has a negative effect on perceived value and willingness to buy. Brand name and store name also function as an extrinsic cue for product quality. Monroe (1976) summarized the previous studies on price-quality relationship that consumers preferred higher priced products when:

1.   Price was the only information available,

2.   The price differences between choices were large,

3.   There was a prior belief that quality of available brands differed significantly.

Zeithaml (1988) also proposed the mean-end concept of price-quality relationship upon which the role of price as a cue for product quality depends;

1.   Availability of other cues to quality,

2.   Price variation within a class of products,

3.   Product quality variation with a category of products,

4.   Level of price awareness of consumer, and

5.   Consumers' ability to detect quality variation in a group of products.

Therefore, within this boundary of the price-quality relationship concept, the perception of a consumer of price acts as a quality signal for a product or service. Jacoby, Olson, and Haddock (1971) argued that quality perception had a strong effect on brand image, particularly or brands with strong positive image. Similarly, Aaker (1991) suggested that perceived quality is one dimension of brand equity. Therefore, pricing activities might influence the consumer perceived quality and change the view of consumers on the brand.

Price is also a part of brand attributes which affect the brand image (Keller, 1993). The higher the equity of a product, the higher of price premium that the companies might quote on the product (Suraksha, et al., 2008). However, Monroe (1973) argued that consumers may apparently refrain from purchasing a product not only when the price is considered too high, but also when the price is considered to be too low. Monroe (1976) also conducted an experiment on how price and brand familiarity affect brand preferences. The experiment suggested that brand familiarity is a dominant cue on brand preference. The changes in brand preferences due to the change in price are asymmetric among housewives from two different locations. This suggested that price is an individual factor for consumers. Consumers perceived price differently, and it is similar to how consumers perceived brand (Keller, 1993).

2.5.1 Sales Promotion

Blattberg and Neslin (1990) defined sales promotion as "a key ingredient in marketing campaigns, (that) consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or trade". Keller (2008, p256) defined sales promotion as "the short term incentives to encourage trial or usage of product or service" and he also defined the benefits of sales promotion as the perceived value attached to the sales promotion experience, which can include both promotion exposure and usage (Keller, 1993). Therefore, sales promotions are typically defined or viewed as short term or temporary incentives which stimulate or encourage the trial and purchase of a product or service (Keller, 1993; Stefan & Gerard, 2002; Yang & Fryxell, 2009).

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There have been studies of the effects of sales promotions in terms of both behavioral effects (Alvarez & Casielles, 2005; Bawa & Shoemaker, 1987; Chu-Mei, 2002; Devon, David, & Traci, 2006; Gupta, 1993; Luk & Yip, 2008; Papatla & Krishnamurthi, 1996; Pauwels, et al., 2002) and attitudinal effects (Chandon, Wansink, & Laurent, 2000; Chatterjee, 2007; Krishna, et al., 1991; Minakshi, 1999; Shukla, 2004) which confirm that there is a significant relationship between the sales promotion activities and consumer behaviors and consumer attitude. However, these studies pointed out only the positive relationships among sales promotion activities and their effects on consumer behaviors and attitudes.

Previous research in marketing has significantly implied that consumers differ in their perceptions of sales promotion offers (David, Jeongwen, & Padmanabhan, 1999; DelVecchio, Henard, & Freling, 2006). The promotion offers can be perceived differently by consumers based on the promotion type and promotion availability. DelVecchio et al. (2006) studied the literature of sales promotions on brand preference by applying a meta-analysis method with 42 studies and they presented that Coupon, Premium, and Price-Cut promotion activities were related to brand preference. They claimed that the findings fit well with an attribute-based explanation. However, the studies which pointed out this conclusion did not allow the product and brand level of consumer perception to moderate the perception process. Only a little previous literature has examined the consequences of sales promotion activities on brand preference level after the promotions end.

Therefore, there is a need to determine the extent of knowledge of sales promotion at the brand level. Most marketing practitioners focus the outcomes of a sales promotion strategy on the short-term sale volume effects, while the sales promotion strategy also produces long term effects for consumers (Chin-Tsai, Su-Man, & Huei-Ying, 2003; Pauwels, et al., 2002). In general, sales promotions are designed to change the behavior of consumers in the short-term so that they buy more of the products or services or buy it sooner or more often or they buy a brand for the first time(Andrew, Adam, & Phil, 1999; Kalwani & Yim, 1992). However, consumers who are exposed to sales promotion activities experience some negative effects on consumer attitude due to the change of brand attributes, which is the consequence of sales promotions.

Keller (1993) pointed out that "Marketers should take a long-term view of marketing decisions. The changes in consumer knowledge about the brand from current marketing

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activities also will have an indirect effect on the success of future marketing activities." He also mentioned that the use of sales promotions involving temporary price decreases may create or strengthen a discount association with the brand, with implications for customer loyalty and responses to future price changes or non-price oriented marketing communication efforts. Therefore, pricing activities are conceptually related to the brand knowledge structure and brand association structure.

2.5.2 Price Promotions

Price promotion is an offer on a product or service. Price deals save the buyers money when a product or service is purchased. The main types of price deal include price discounts, price-cut, coupon, rebates, refunds, and bonus pack. For this study, price discounts and price cut promotion are focused. Price deals are found to have a negative relationship with behavioral intention (Pauwels, et al., 2002; Yoo, et al., 2000). Price deals are usually intended to recruit new buyers for a mature product,accelerate consumer use and purchase multiple units,to encourage trial use of a new product or line extension or to convince existing customers to increase their purchases. Consumers usually evaluate price deals in relation to a reference price. The difference between the reference price and deal price produce the transaction utility of an exchange and induce the brand preference (Silva-Risso & Ionova, 2008; Sloot & Verhoef, 2008). Monroe (1976) suggested that the difference of price influences the consumers' brand preferences. The strength of consumers' brand preference increased faster when a preferred brand's price was decreasing than did their preference strength decrease when the brand's price was increasing. Grewal et al. (1998) and Chen et al. (1998) indicated that price deals cause consumers to discount the perceived quality and the internal reference price of the brand. Marketing researchers also found that price deals are also correlated with brand choice (Bawa & Shoemaker, 1987; Ching, Li-Shia, & Wen-Chun, 2007; Hyeong Min & Thomas, 2006; Koen, 2007; Papatla & Krishnamurthi, 1996; Pauwels, et al., 2002). Winer (1986) argued that price reduction can place brands in danger because that creates confusion among consumers and that the instability and variability of prices produce a perception of unstable brand quality.

Zhang, Seetharaman, and Narasimhan (2011) summarized the previous research into the effects of price deals on brands in three ways. Firstly, price deals accelerate the purchase incidence of a promoted brand (e.g. (Bucklin & Gupta, 1992a; Graham, 1994; Sloot &

Verhoef, 2008). Secondly, price deals influence brand switching toward the promoted brand (e.g. (Carpenter & Lehmann, 1985). Finally, price deals increased purchase quantities of the promoted brand (e.g. (Graham, 1994; John, Richard, & Frank, 2006; Pauwels, et al., 2002).

From the behavioral intention perspective, consumers intent to purchase a product or service is determined by considering the perceived value through their purchase goal (Swani & Yoo, 2010). From previous research, this perceived value can be a utilitarian value (e.g. (Bawa & Shoemaker, 1987; Bucklin & Gupta, 1992a; Glenn & Kathleen, 2003) or a transaction value (e.g. (Margy, Melvin, & George, 2005). This perceived value plays a significant role in brand preference and brand choice (DelVecchio, et al., 2006; Zeithaml, 1988). When the goal is satisfied, consumers will buy the brand, then become loyal to the brand, and feel the value of the brandname. Therefore, once the price deal takes place and is offered to the consumers, their perceived value will be increased through transaction value and utility value. However, price deals would lower the perception on quality of quality seeking consumers (Hunt & Keaveney, 1994; Zeithaml, 1988). Previous literature also found that the frequency and magnitude of price deals influence the future price expectation and product quality expectation (Jie & Lakshman, 2004; Kalwani & Yim, 1992; Koen, 2007).

Yoo et al. (2000) argued that consumers pay more attention to the brand when price deals are offered, and when the deals end, they lose interest in the brand. Yoo et al. (2000) also found that price deals are significantly related to brand equity through perceived quality and brand awareness. However, the study of Yoo et al. (2000) reflected the response of consumers on brand equity at the market level due to the variety of the product stimuli and the lack of investigationinto brand image at the consumer level.

2.6 Luxury Brands

Luxury has been widely used to describe goods or services that are of superior value. Most scholars agree that defining the term is rather complicated and that the perception of the luxury concept takes on different forms and depends on two main subjects: the context and the people concerned (Campbell, 1987). Vigneron& Johnson (2004) attempted to explain the complication of defining the term, saying that human involvement, limited supply, and recognition of value are the main constituents (Berry, 1994). Therefore, luxury is often considered as a subjective matter. Vigneron and Johnson (1993) suggested the definition of

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luxury as the "highest level of prestigious brands encompassing several physical and psychological values" (Berry, 1994, p.126). This definition of luxury product (Vigneron&Johnson, 1993) is found to be appropriate for this study.

Therefore, a luxury brand is perceived as a symbol or a message that shows one's social status. Because of its value, the possession of luxury goods normally identifies the owner'seconomic status. Moreover, it is very common that people simply judge others based on their perceptions. Wattanasuwan (2005) explains that one's appearance, gender, accent or outfit sends a direct and powerful image to the perceivers. Consequently, people start to employ these luxurious materials as a display of social status and their ability to afford them; they have a thought that the more they have, the higher the perceived social level they can achieve (Wattanasuwan, 2005). Dubois and Duquesne (2003) noted that the reason for consuming luxury goods is primarily for their symbolic value.

Luxury brands are presented to be sophisticated and differentiated from other markets. What a consumer expects from a luxury brand is beyond utility and quality. It is involved with exclusivity, superiority, anduniqueness. This is why luxury brands enjoy a huge amount of price premium and they do everything to maintain the position of their brand in the market. Therefore, it is important to understand how luxury consumers perceive price promotion activities and how these activities influence brand equity.

2.7 Previous Studies

This section provides the summary of previous literatures which were the key literatures of this study. The conceptualizations of these studies were contributed to the development of this study's conceptual framework and research hypotheses. Those literatures are as follows;

There are few research studies investigating the relationship between marketing activities and brand equity, especially the relationship between price promotion activities or price deals. There is only one study which empirically investigated the relationship between price deals and brand equity, which is the study of Yoo et al. (2000). This section reviews three of the previous studies which are related to this study. They are the studies of Yoo et al. (2000), Grewal et al. (1998), and Alvarez et. al. (2004).

Yoo et. al. (2000) investigated the relationship between marketing mix elements and brand equity by using some of Aaker (1996)'s dimensions of brand equity (brand awareness/brand associations, perceived quality, and brand loyalty) as the source of the creation of brand equity. Yoo et. al. suggested that their conceptual framework extends the Aaker's model of brand equity in two ways. First, the conceptual framework showed how individual dimensions are related to brand equity. This helps us understand how the dimensions contribute to brand equity. Second, the authors added the antecedents of brand equity which were price, store image, distribution intensity, advertising spending, and price deals. A total of twelve brands across products are included in the study which represents the variation of market elements and twelve versions of a questionnaire were prepared for those twelve brands. A total of 569 samples responded to the study with an average age of 23.7. The structure equation modeling was applied to analyze and examine the parameters of the conceptual model. It was found that brand equity was positively related to perceived quality, brand loyalty, and brand awareness/brand association. Hence, all brand equity dimensions contribute positively to brand equity.

The results also show that high advertising spending, high price, good store image, and high distribution intensity are related to strong brand equity, while the frequency of price promotions is related to low brand equity. There are major limitations of their study. First, there should be enhanced generalizability; more product categories should be investigated. Second, Aaker's dimensions of brand equity are not appropriate as antecedents of brand equity from the consumers' point of view. Moreover, Yoo et al. (2000) did not explain why they selected only three dimensions of brand equity while Aaker (1996) proposed five dimensions of brand equity. Finally, the study of Yoo et. al. (2000) determined the brand equity in the market level due to the variety of products categories and the pool of samples.

Grewal et al. (1998) developed a study to investigate the effects of store name, brand name, and price discounted on consumers' evaluation and purchase intention. Their conceptual model placed perceived brand quality as the mediating variable between price discount, brand name, and store name, and perceived value. Grewal et. al. (1998) suggested that perceived quality is a key determinant of consumers' judgments of value, and value is positively associated with purchase intention. A total of 309 students with an average age of 22.5 responded to the questionnaire about purchasing a bicycle from two stores, two brands, and

two price discount levels. The proposed hypotheses were examined by using maximum likelihood simultaneous estimation procedures (LISREL VII). The results showed that price discounts, internal reference price, brand name, and perceived product quality significantly influence perceived value and purchase intention. Perceived value and stored image positively influenced purchase intention. Furthermore, high knowledge respondents were more influenced by brand name, whereas low knowledge respondents were more influenced by price discounts. Low knowledge consumers were also confused between store name and brand name.

This study supports the hypothesis that price discount information plays a role in enhancing consumer knowledge about a brand. In other words, price discount information can capture the attention of low knowledge consumers to learn more about the brand. This study also indicates that price discount is connected to the perceived quality and perceived value of a brand. However, this study did not empirically investigate the relationship between price discount and brand name.

Alvarez et. al. (2004) empirically studied the influence of sales promotions on brand choice behavior. Their brand choice model consists of brand as the dependent variable and price, reference price, losses and gains, and type of sales promotions (price promotions, other product promotions, and environment promotions) as the independent variables. The authors applied the logit model for brand choice model, to facilitate a discrete dependent variable.

$$U_{iht} = \beta_{0i} + \beta_P P_{iht} + \beta_{LOSS} LOSS_{iht} + \beta_{L,LOSS}(L_h LOSS_{iht}) + \beta_{GAIN} GAIN_{iht} + \beta_{L,GAIN}(L_h GAIN_{iht}) + \beta_{PROTOT} PROTOT_{iht} + e_{iht} \qquad (2.3)$$

Where ;

U_{iht} = The utility of brand i to household h at purchase occasion t

P_{iht} = The price of brand i to household h at purchase occasion t

L_h = Dummy variable; 1 when the household is loyal, 0 when otherwise

$LOSS_{iht}$ = The difference given that the reference price is lower than the price of brand i

$GAIN_{iht}$ = The difference given that the reference price is higher than the price of brand i

$PROTOT_{iht}$ = Dummy variable indicating that brand i was subject to some type of promotion

e_{iht} = Random error of brand i to household h at purchase occasion t

The panel data of Alvarez et. al. (2004) was collected from a total of 200 consumers with 54 categories of product during a 12 month period. The study found that immediate price reduction is the technique that had the greatest influence on the brand choice process. It recommends that sales promotions significantly affect consumer behavior for a brand. The result also suggested that price promotions influence the purchasing decision of a consumer between brands. Comparing three types of sales promotion, price promotions have the greatest effectiveness.

Chapter 3: Research Frameworks

This chapter commences with the theoretical background of the conceptual framework. The following sections in this chapter are the discussion of the development of the theoretical framework, the conceptual framework, hypothesis development and the operationalization of price deals, perceived quality, brand associations (brand attributes, brand attitude, and brand benefits), brand knowledge (brand recall and brand image), perceived brand value, and brand equity constructs.

3.1 **Theoretical Background and Framework**

This section discusses the theories being used as a basis for the study which illustrate the conceptual framework. To have a better understanding of the concept of CBBE, the theories of memory and network associative theory are able to explain the phenomenon of the information processing in the mind of consumers and serve as a basis for the conceptual model to be empirically examined.

3.1.1 Theory of Memory and Network Associative Theory

The grounded theoretical supports of this study are the theory of memory and network associative theory. These theories illustrate how memory is stored and retrieved. The network associative theory is the dominant theoretical perspective dealing with the body of research which supports the explanation of how information is processed and retrieved as brand awareness and brand image.

There have been many psychological and philosophical studies since early of 20th Century which have investigated and determined the concept of memory and how it works from various perspectives. The approach regarding the concept of memory is the information processing perspective, which allows the memory to work as a function of information storage and retrieval (Papatla & Krishnamurthi, 1996; Rust, et al., 2004). The information processing approach of memory allows scoping the concept of memory as a node of information where memory is influenced by the manner and context of information that is encoded and retrieved.

The associative storage and retrieval model has been tested in a number of experiments (e.g. (Bart & Luc, 1996; Kumar & Leone, 1988; Preeta Hemang, 2005) and also has been extended and modified (e.g. (Sriram & Manohar, 2007). All of its experimental tasks and modifications were based on the same logical grounds, which is the network associative theory. The network associative theory explains that a person's memory is stored in a form of nodes of memory. These nodes of memory are linked and connected with the information which is being stored in the nodes, which is called the "Associative Network Model"(Srull, 1981).

The set of associations represent the links between nodes in the network. Each node stores a unique item of memory which is able to be simultaneously activated or retrieved. The item which is stored in each node can be mood, events, words, symbols, persons, etc. The link between each node (association) has a level of strength of association. Literature concluded that the strength of association implies the retrieval structure of memory in the cognitive process (Kirthi & Daniel, 1997; Sriram & Manohar, 2007).

There have been various models based on network associative theory that have been adopted in marketing literature (Carpenter, 1989; Glen, 1975; Keller, 1993; Nagar, 2009). Keller (1993) applied the "spreading activation" concept of Teachable Language Comprehender (TLC) to extend his brand knowledge concept. In addition, he also adopted the TLC model but added familiarity association. However, this model did not explain the distinction between the short term memory store and the long term memory store. Moreover, the TLC model did not include the mood perspective, which can also be stored in nodes. In this model, each node represents a concept and meaning only, not an implicit concept such mood, or feeling.

The most recent model of network associative theory is the Search of Associative Memory (SAM) model (Sriram & Manohar, 2007). SAM also explained how the episodic memory system is stored and retrieved. SAM implies that the structure of memory network is more like a retrieval structure rather than a storage structure. For SAM, the process of recall is not cued randomly as it is a free recall model. The retrieval process for SAM is a dependent cue and is probabilistic. It can be explain that it is necessary to have a cue to initiate the retrieval process but the selected information from memory is random. The level of probability depends on the strength of association between the cue and the item being retrieved. The

strength of the association also implies the strength of marketing activities which provide the cues of the brand attributes in the mind of consumers.

There is experimental evidence from previous research that the retrieval process of memory does not only retrieve the stories or events in the past, but also retrieves the emotional thinking, or mood at a particular moment in the past (Claes, William, & Birger, 1985; Eileen, Richard, & Chi Kin, 2006; Rust, et al., 2004). Bower (1981) selected college students as subjects and produced mood by have them watching a sad movie, listen to a comedy record, or even read a sad statement (e.g. "Things have been going badly for me lately"). The results showed that an emotion served as a memory node that can enter into association with coincident events. In another study, Baumgarther et al. (1992) found that episodic experience (autobiographical memories, or self-knowledge) are affectively related to products and influence brand evaluation. Three experiments were conducted in this study, and designed by using subjects' self-experience to evaluate the product. All three experiments were conducted in a product judgment context and in an advertising context. The results suggested that consumers' episodic memories involving products and product usage experiences often are affectively charged. The finding of this study also supported the idea that self-experience or episodic memory provides a fundamental component of brand evaluation through feelings, and emotional responses.

Therefore, the episodic memory system and network associative model are the major features of studies into how brand takes place in a consumer's mind, and how one recalls a brand. All forms of brand-related attributes that consumers have experienced can be transformed into a memory node (feeling, time, words, place, or even a brand's presenters). It is important to understand how these memories associate with the cues of a brand and how these memories are influenced by marketing activities.

3.1.2 Theoretical Framework

The theoretical framework adopted in this study is Keller's (1993,1998, 2008) brand equity framework and the Cobb-Walgren, Ruble, and Donthu (1995) brand perception framework. These brand equity frameworks focus the impact of brand equity on the consumer perspective which allows the study to examine the impact of price deals and perceived quality in the view

of consumers. The frameworks relate to the fact that different outcomes, which result from marketing activities, depend on the individual perception on

Figure 3-1: Building Consumer-Based Brand Equity

Brand Elements

- Brand Name
- Logo
- Symbol
- Character
- Packaging
- Slogan

Marketing Programs

- Product
- Price
- Distribution Channel
- Communication

Secondary Association

- Company
- Country of Origin
- Channel of Distribution
- Other Brands
- Endorser
- Event

Brand Awareness

Depth

- Recall
- Recognition

Breadth

- Purchase
- Consumption

Brand Associations
(Brand attributes, brand attitude, brand benefits)

Strong – Relevance, Consistency

Favorable – Desirable, Deliverable

Unique – Point of Parity, Point of Difference

Possible Outcomes

- Greater Loyalty
- Competitive Marketing
- Larger Margin
- Less Price sensitivity
- Possible Licensing Opportunities
- More Favorable Brand Extension Evaluation

Brand Building Tools and Objectives → Consumer Knowledge Effects → Branding Benefits (Marketing Perspective)

Source: Adapted from Keller (1993,1998)

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the brand. Knowledge-building and information processing are the main ideas of these frameworks, which illustrate that the brand building program or a sustainable brand leadership program requires creating the strength, favorability, and uniqueness of brand association. Those characteristics are the fundamentals of brand image and brand awareness. The knowledge-building of the brand equity depends on three factors as shown in **Error! Reference source not found.**.

These three factors are the building tools of the brand knowledge structure. The framework also shows how brand elements, marketing programs, and other associations of a brand affect the consumers' knowledge in terms of psychological memory and associations. The outcomes of memory effects create the competitive advantage environments to the brand.

However, this framework which was adopted from Keller (1993, 1998) did not examine how a brand is placed in the consumer's mind or the depth of the brand knowledge stored in the consumer's memory. To understand how this process works, it can be seen in the consumer-based brand building pyramid shown in **Error! Reference source not found.**, which shows the steps of how a brand is built. According to Keller (2008, p 60), the left side of the pyramid represents a more *rational route* to brand building, while the right side building blocks of the pyramid represent a more *emotional route*. Strong brands were built by proceeding up both sides of the pyramid.

The first layer represents brand salience which Keller (2008, p.61) suggested is a single building block of brand building. Brand salience can be measured by the awareness of the brand; how consumers identify the product category of a brand. Keller (2008, p.61) suggested the depth and the breadth of awareness is associated with the ability of recall and the recognition of a brand.

Figure 3-2: Consumer-Based Brand Equity Pyramid
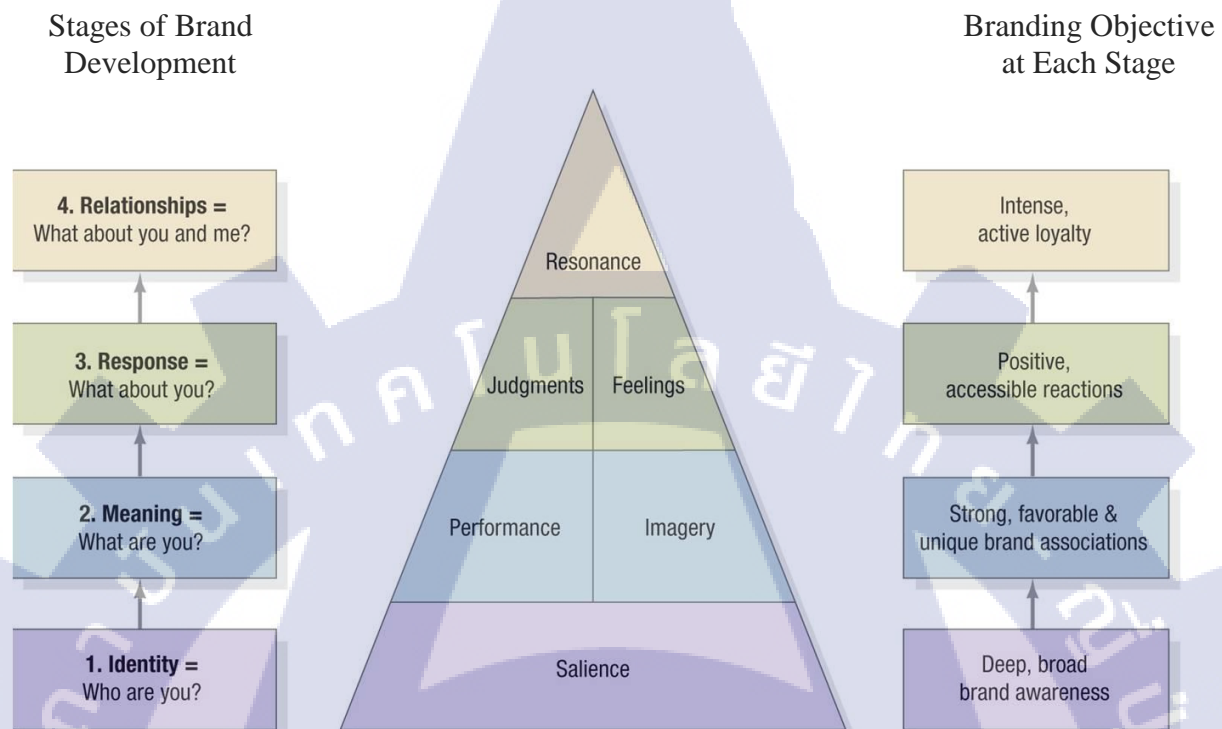
Source: Keller, K. L. (2008, p.60). *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*: Pearson

The second layer consists of brand performance and brand imagery; two building blocks of building a brand. Brand performance can be defined as how the product or service meets the consumers' functional needs.

Brand imagery deals with the way that a brand meets the psychological and social needs of consumers. It is how consumers think about a brand abstractly, rather than what it actually does. Keller (2008, p.65) suggested that consumers can form their imagery associations directly from experience or indirectly from sources of information; somehow it depends on age and income. Four main links to the brand are user profiles, purchase and usage situations, personality and values, and history, heritage, and experiences.

Brand judgments and brand feelings are in the third layer of the pyramid. They are the developed states of consumer response to the brand. Brand judgments are customers' personal opinions about evaluations of the brand (Keller, 2008, p.67).

While brand judgments are logical, physical and tangible, brand feelings are emotional responses of consumers to the brand.

For the final layer of the building block, brand resonance is at the top of the pyramid. Brand resonance deals with the relationship between the brand and consumers. Brand resonance can be explained by the intensity of the psychological bond that consumers have with the brand and their level of engagement with the brand.

In summary, a consumer perceives both functional attributes (rational route) and emotional attributes (emotional route) of a brand and both types of attributes are important to building a strong brand, sustaining brand leadership, and creating brand equity. In the theory of memory and information processing concept, these attributes are represented as intrinsic cues and extrinsic cues of a brand. This is supported by the study of Cobb-Walgren et. al. (1995) who suggested that consumers receive information of a brand in the context of psychological encoding (emotional) and physical encoding (functional) to create brand equity, as shown in **Error! Reference source not found.**.

Figure 3-3: Antecedences and consequences of brand equity
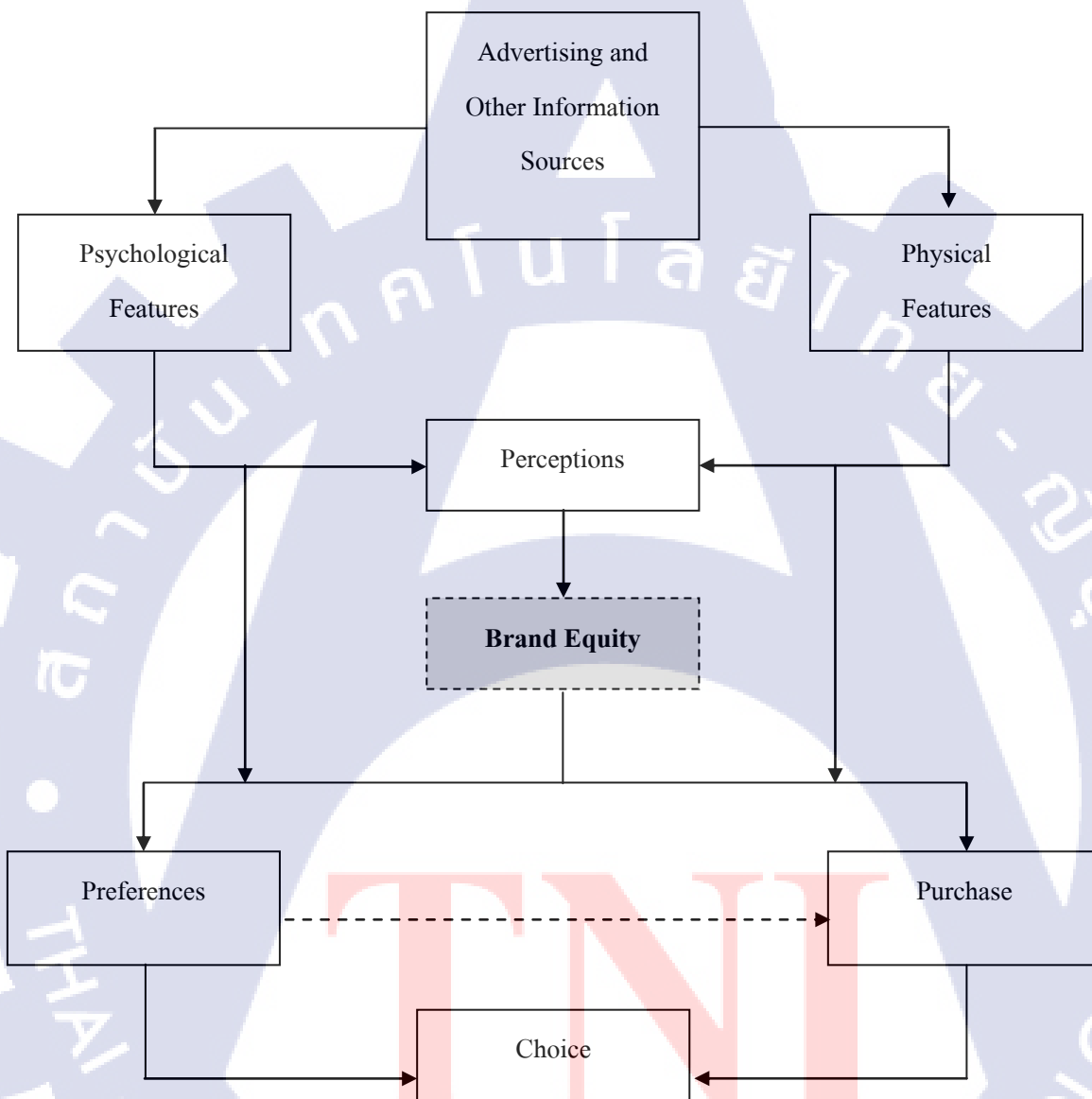
Source: Cobb-Walgren, C. J., Ruble, C. A., & Donthu, N. (1995). Brand equity, brand preference, and purchase intent. *Journal of Advertising, 24*(3), 25

Cobb-Walgren et. al. (1995) identified the antecedences and consequences in a brand equity framework. The framework places advertising as a major source of information processing which contributes to brand associations. This promotional activity influences the perceived quality and promotes the usage experience by providing objective attribute information and by transmitting emotional attributes to consumers. Cobb-Walgren et. al. (1995) suggested that the consumers form both psychological perceptions and physical perceptions from various information sources. The physical perceptions come from an objective information source, such as consumer reports, or from subjective sources, such as advertising or word of mouth. Psychological perceptions mainly come from the advertising and social appearance of a brand. These perceptions, in turn, contribute to consumers in terms of brand meaning or added value to the consumers from a brand, which is brand equity. Cobb-Walgren et. al. (1995) also indicated that brand equity influences the consumers' preferences of a brand, brand choice, and purchase intentions.

In summary, all of the mentioned frameworks of brand equity support the idea as to how marketing activities influence the perception of consumers on a brand. They share the idea that consumer perceive a brand in two ways: functional perceptions (physical attributes), and emotional perceptions (psychological attributes). Both of them contribute to consumers in the form of tangible and intangible values. Therefore, it supports the main idea of this study that consumers perceive a brand and contribute to its value to create consumer-based brand equity.

3.2 Hypotheses Construction

3.2.1 Price Promotion

Monroe et al (1986) found that customers do not always purchase lower-price alternatives, and they also do not always buy less at a higher price. Monroe et. al. (1986) took a sample of 500 customers to test whether they could remember the actual price that they had just paid for a certain product. The results showed that the frequency of the correct recollection of the actual price was below 50 percent. This supports the price concept of Zeithaml (1988) which stated that customers recall or recognize the price in the form of meaning, not the actual or objective price. Therefore, price discounts or increases will significantly influence customers' awareness or decision when the amount of discount or increase is meaningful to them.

Zhang, Seetharaman, and Narasimhan (2011) summarized the previous research regarding the effects of price promotions in three ways. Firstly, price promotions accelerate the purchase incidence of a promoted brand (Bucklin & Gupta, 1992a; Graham, 1994; Sloot & Verhoef, 2008). Secondly, price promotions influence brand switching toward the promoted brand (Carpenter & Lehmann, 1985). Finally, price deals increase purchase quantities of the promoted brand (Graham, 1994; John, et al., 2006; Pauwels, et al., 2002). However, all of these effects only induce purchasing intention and remain only in a short term.

Therefore, there is a need to determine the extent of the knowledge of price promotions at the brand level. Most marketing practitioners focus the outcomes of a price promotion strategy on short-term sales volume effects, while the price promotion strategy also produces long term effects for consumers (Chin-Tsai, et al., 2003; Pauwels, et al., 2002). In general, price promotions are designed to change the behavior of consumers in the short-term so that they buy more of the products or services or buy it sooner or more often or they buy a brand for the first time (Andrew, et al., 1999; Kalwani & Yim, 1992). However, consumers who are exposed to price promotion activities experience some negative effects on consumer attitude due to the change of brand attributes, which is along term consequence of price promotions.

Keller (1993) pointed out that "Marketers should take a long-term view of marketing decisions. The changes in consumer knowledge about the brand from current marketing activities will also have an indirect effect on the success of future marketing activities." He also mentioned that the use of sales promotions involving temporary price decreases may create or strengthen a discount association with the brand, with implications for customer loyalty and responses to future price changes or non-price oriented marketing communication efforts. Therefore, pricing activities are conceptually related to the brand knowledge structure and brand association structure.

3.2.2 Functional Value and Psychological Value

From the customer's value perspective, value is the trade-off between the quality or benefits they perceive and what they sacrifice (Yang & Fryxell, 2009; Zeithaml, 1988). Woodruff (1997) suggested that the concepts of customer value have been discussed with substantive meaning differences. The way that scholars construct the definition depends on the area of interest. They typically rely on the terms of utility, worth, benefit, and quality.

Zeithaml (1988) proposed that value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. Rust, Zeithaml, and Lemon (2001) introduced the definition of value equity as customers' objective assessment of the utility of a brand based on perceptions of what is given up for what is received. They also proposed three drivers of value equity, which are quality, price, and convenience.

Figure 1 shows the relationship of price, quality and value. Value is often used as a code word for price. Thus, value really refers to low price in many advertisements. However, this use of the word value is valid only if quality is constant.

The consequences of price promotion attributes can be in the context of customer value and benefits (Park & Lennon, 2009). There are multi-benefits from purchasing a certain product or service. Therefore, the customer value which is derived from purchasing a product or service can be distinguished in the context of "utilitarian value and hedonic value" (Virtsonis & Harridge-march, 2009). Utilitarian value is the consumer benefits which are primarily instrumental, functional, and cognitive. Hedonic value is when a consumer perceives the benefits in experiential consumption, fun, pleasure, excitement, and other affective factors. Consumers may ignore the practical purposes of purchasing a product or service to receive a pure hedonic value.

Previous research found that consumers find that shopping activities provide both utilitarian and hedonic value (Ramaseshan & Hsiu-Yuan, 2007). Price promotion activities, similarly, can provide those values by offering promotions that allow consumers to save some money, feel excited with an exclusive experience, and receive more quality and other convenience benefits. Chandon et al. (2000) conducted an experimental study to develop a benefit congruency framework of sales promotion effectiveness which suggested that sales promotions activities attribute value to the consumer. Past literature has focused on the effects of sales promotion and its utilitarian benefits on consumer behavior (Papatla & Krishnamurthi, 1996; Patrick, Vanessa Apoalaza, & Sainz, 2005; Serdar, Stephen, & Jagmohan, 2002) and also its hedonic benefits on customer perceived value (Serdar, et al., 2002). This is also supported by the work of Cobb-Walgren, Ruble, and Donthu (1995), whose studies indicated that consumers perceive both physical and psychological benefits from a brand in order to create brand equity. Keller (1993) defined functional benefits as the intrinsic advantages of product or service consumption. Experiential benefits can be defined

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as the emotional feeling when consumers use the product or service. These benefits can be satisfied through experiential need. Symbolic benefits can be defined as the extrinsic advantages of product or service consumption and relate to the underlying need for social approval or personal expression.

Therefore, in terms of functional and psychological values, there are trade-off effects between what consumers receive from a brand, both utilitarian functional (utilitarian, physical) benefits and psychological (hedonic) benefits, and what consumers sacrifice to get a brand. Since the past literature does not reveal a complete list of the antecedents of perceived functional value and perceived psychological value and the consequences of these perceived values in brand and branding aspects, this study is focused on these perceived values in terms of brand value and equity, and its influence in price promotions on brand equity. Therefore, it can be hypothesized that;

H1: Price promotion is related to the consumer's perceived functional value of a luxury brand.

H2: Price promotion is related to the consumer's perceived psychological value of a luxury brand.

Brand Equity: Brand Awareness, Brand Image, and Brand Loyalty

3.2.3 Brand Awareness

Marketing researchers have determined that brand awareness is the dominant selection process for consumers, which influences the purchasing and repurchasing intentions (Cobb-Walgren, et al., 1995; Franz-Rudolf, et al., 2006). Previous literature shows that the greater the brand awareness, the greater the brand familiarity, brand loyalty and reputation (Chaudhuri & Holbrook, 2001; Cobb-Walgren, et al., 1995; Mariola & Elena, 2009; Xavier & David, 2003). Hence, brand awareness indicates the strength of a brand and is related to brand choice and performance.

Aaker (1991) defined brand awareness as a potential buyer's ability to recognize or recall,which shows a brand to be a member of a certain product category. This is similar to how Keller (1993) defined brand awareness, which also consists of brand recognition and

brand recall. Brand awareness is concerned with the associations of a brand name that are in the minds of consumers. It also represents the strength of the node of memory; the stronger the node of memory, the easier it is for a consumer to recognize or recall (Keller, 1993).

Hutchinson (1994) argued that there are two approaches of the brand recall model, which are the economic approach and the psychological approach. The economic approach of brand recall applies the utility-maximizing concept for the availability of alternatives. It is concerned largely with an optimal search in the memory for economic decision making, while the psychological approach unifies the relationships between various memory tasks and concerns the externalities imposed by the human memory. Therefore, it can be hypothesized that;

H3: Price promotion is related to a consumer's brand awareness of a luxury brand.

H4: Perceived functional value is related to a consumer's brand awareness of a luxury brand.

H5: Perceived psychological value is related to a consumer's brand awareness of a luxury brand.

3.2.4 Brand Image

Brand image has been conceptualized by different marketing researchers (Aaker, 1991; Biel, 1992; Bird, et al., 1970; Joffre & Tulin, 2002; Keller, 1993; Pauwels, et al., 2002) and has been recognized as an important concept in marketing. From a financial perspective, brand image is an equity or asset which is in excess of conventional assets or added value (Raggio & Leone, 2009; Simon & Sullivan, 1993). In terms of the consumer memory perspective, brand image is defined as " consumer perceptions about a brand as reflected by the brand associations held in consumers' memory" (Keller, 1993) and "a cluster of attributes and associations that consumers connect to the brand name" (Biel, 1992). Aaker (1991) suggested that brand image is conceptually based on brand association, which is a function of how memory is linked to a brand. According to Nandan (2005), brand image refers to "the sum of impressions that consumers receive from many sources, all of which combine into brand personality and brand identity". Ditcher (1985) defined brand image as "describing not individual traits of the product but the total impression in the minds of the consumers".

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Therefore, brand image describes the way a consumer perceives the product or service, which allows a particular brand to position itself in the market. In addition, it is clear that consumers form an image of a brand based on the associations that they remember or have stored with respect to that brand.

For this study, in accordance with the work of Keller (1993), Aaker (1991), and Park et al. (1986), the definition of brand image, which is consistent with the study framework, is that brand image is a set of associations linked to the brand that consumers hold in their memory. Therefore, creating brand image relates to the associative network of brand in a consumer's memory.

Park et al. (1986) introduced a framework which suggested that a brand can be built through functional, symbolic, or experiential concepts. However, Lawson and Balakrichnan (1998) argued that a brand develops its image through the perceived benefits of consumers. Managers should focus on generating potential brand images by matching consumers' needs for a product with what the brand can deliver. The process of delivery of an abstract brand concept (functional, symbolic, and experiential concepts) will then be operated. Therefore, it can be hypothesized that

H6: Price promotion is related to a consumer's brand image of a luxury brand.

H7: Perceived functional value is related to a consumer's brand image of a luxury brand

H8: Perceived psychological value is related to a consumer's brand image of a luxury brand.

3.2.5 Brand Loyalty

Brand loyalty is a key to determining the value of a brand because future sales and profits can be expected from highly loyal consumers. Aaker (1996) stated that brand loyalty can be measured in terms of satisfaction with the brand. Satisfaction can be an indicator of loyalty for a certain product class. The direct measures of customer satisfaction and loyalty can be applied to existing customers who have used the product or service within a certain period.

Keller (1993) stated that "the use of sales promotions involving temporary price decreases may create or strengthen a discount association with the brand, with implications for

customer loyalty and responses to future price changes or non-price oriented marketing communication efforts". Anuwichanont (2011) investigated the impact of price perception on customer loyalty in the Thai airline industry (Thai Airways, Nokair, and Thai Air Asia). The study proposed a conceptual framework by placing the perceived price construct as the moderator for brand affect and attitudinal loyalty and for brand trust and behavioral loyalty. Anuwichanont (2011) showed that price and perceived price influence the effects of the brand on the customer loyalty of Thai customers. This confirms that the effects of low price perception and high price perception relate to the brand perception of a consumer, particularly Thai consumers. Therefore, It can be hypothesized that;

H9: Price promotion is related to a consumer's brand loyalty for a luxury brand.

H10: Perceived functional value is related to a consumer's brand loyalty for a luxury brand.

H11: Perceived psychological value is related to a consumer's brand loyalty for a luxury brand.

3.2 Conceptual Framework

Figure 3-4: Conceptual Model
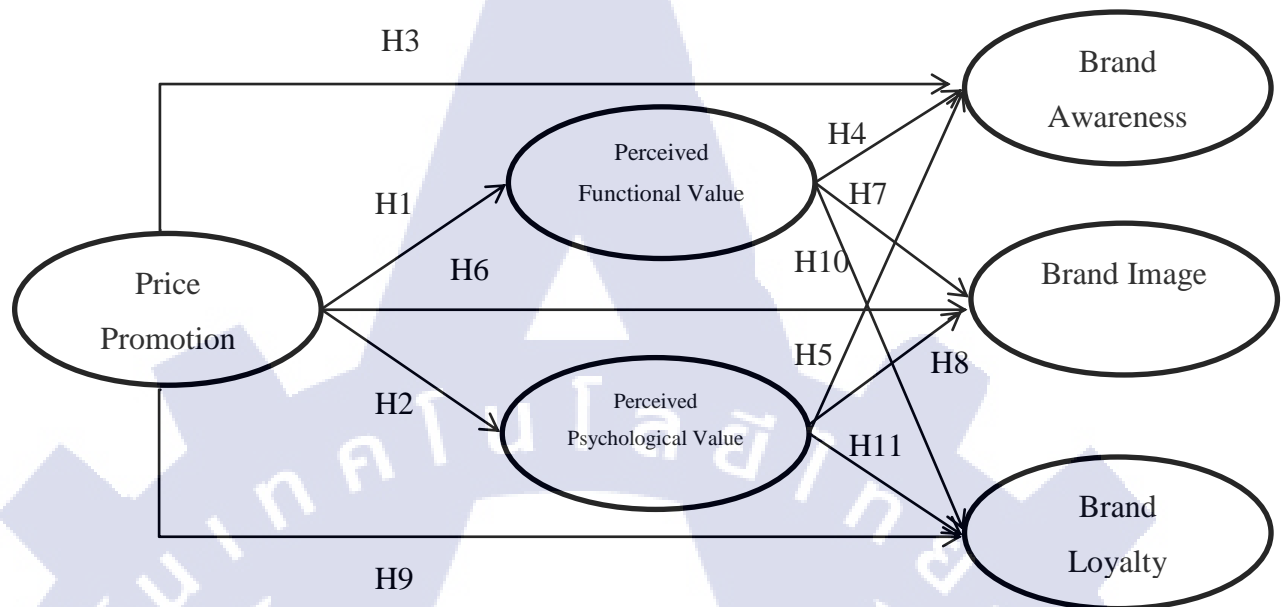
3.4 Operationalization of the Variables

This section presents the operationalization of all constructs. The measures of each variable are provided. The conceptual definitions for each variable have already been discussed in previous sections. Price deals, perceived quality, perceived brand value and brand equity are uni-dimensional measures, while brand associations, brand knowledge are multi-dimensional measures. The details of all operationalization are summarized in **Error! Reference source not found.**

Table 3-1: Constructs and Definitions

Constructs and Variable	Conceptual Definition	Operational Definition
Price Promotions	The information about the price which changes as a consequence of price promotion activities	Multiple Measure: Frequency of price deals, Deal Satisfaction, Deal Fairness(Yoo, et al., 2000)
Perceived Functional Value	The consumer's overall assessment of the utility of a brand based on perceptions of what is received and what is given	Multiple Measures: Quality, Usefulness, and functional benefits that a consumer perceived(Ziethaml, 1998).
Perceived Psychological Value	A consumer perceives the benefits in experiential consumption, fun, pleasure, excitement, and other affective factors.	Feelings, satisfaction and bad/good attitude toward the brand (Virtsonis & Harridge-march, 2009)
Brand Image	Consumer perceptions about a brand as reflected by the brand associations held in a consumer's memory (Keller, 1993)	Multiple measures: Brand Concept-Image; Functional, Symbolic, and Experiential Image (Pauwels, et al., 2002)
Brand Awareness	The ability of a consumer to recall and recognize a certain product (Adapted from Aaker, 1991 and Keller, 1993).	The ability to recall and recognize (Washburn & Plank, 2002)
Brand Loyalty	The level of loyalty of a consumer to the brand (Aaker, 1991)	The expect repurchase of a consumer. The satisfaction level and repeat consumer (Aaker, 1996)
Luxury Brand	highest level of prestigious brands encompassing several physical and psychological values (Vigneron and Johnson, 1993)	Overall luxurious level(Vigneron and Johnson ,1993)

3.5 Research Methodology

3.5.1 Methods of Research Used

The research methodology of this study consists of two stages: stage I was a qualitative study, and stage II was a quantitative analysis. The processes of the two stages are as follows:

The research methodology of this study consists of two stages: stage I is a qualitative study, and stage II is the quantitative analysis. Stage I implemented face-to-face interviews with consumers. Twenty-one face-to-face interviews were conducted to identify luxury brands. A list of luxury brands was provided to the subjects to fill out. The results indicated that Louise Vuitton, Rolex, Hermes, Channel, and Prada were luxury brands in the mind of consumers who considered them as "excellent quality", "very high price", scarce and unique", "aesthetic and polysensual", "related to ancestral and personal history", and "superfluous". These six facets of luxury were proposed by Dubois, Laurent, and Czellar (2001) and were used to determine the luxury brands and products in this study.

Stage II of the research methodology involves a large scale survey and data collection. The survey is an appropriate tool to collect data on phenomena that cannot be directly observed, such as the opinions and attitudes of a wide range of subjects or respondents (Jedidi, Mela, & Gupta, 1999). The Structural Equation Modeling technique will be applied to measure the model fit and to test the hypotheses. Four hundred and ten consumers who have experience purchasing five luxury-focused brands were asked to complete the questionnaire survey. The experience of consuming and purchasing must not be longer than 3 months ago. After the data screening process, four hundred and six sets of usable questionnaires were collected. In particular, the key informants of this study are the current consumers of the brands, who are in Bangkok. The back translation between Thai and English version of the questionnaires was performed to confirm content validity.

3.5.2 Research Instrument and Questionnaire

An English questionnaire was first developed to test the hypothesized relationship which is indicated in Chapter 3.It was then translated into Thai by the researcher and translated back to

English by a marketing practitioner and a marketing instructor. Then, the back translation method was conducted to ensure the content validity of the Thai version of the questionnaire. However, only the Thai version questionnaires were distributed to the respondents in the field study. Two marketing researchers were invited to check the content validity of the questionnaire.

3.5.3 Questionnaire Layout

The questionnaire comprised three major sections: 1) the screening questions, 2) the measurement of all major constructs as proposed in the conceptual framework, and 3) the personal data of the respondents.

Section I: Screening question.

Four screening questions were necessary in order to assess whether the potential respondents fit the target population characteristics.. The first question asks about the last time they experienced the purchase of high involvement products. If the respondents had purchased the brand more than three months ago, or never, the questionnaire would be terminated. The second question is about whether the respondent had ever heard about the price promotion activities of the brand. If the respondent had never heard about the price promotion of the brand, the questionnaire would be terminated. The third and fourth questions ask about the income and age of the respondent.

Section II: Questions respond to the measurement constructs.

This section provides the measurement items for price promotions, perceived functional value, and perceived psychological value, and brand image, brand awareness, brand loyalty. The respondents are required to fill out all of the questions in this section.

Section III: Personal Information.

3.5.4 Item Measurements

The survey instrument contained multi-item measurements of the constructs. All constructs in the questionnaire are measured by multiple-items using a seven-point Likert scale. The following presents the details of the item measurement for each construct as proposed in the

conceptual framework. A seven-point Likert scale was used to measure all measurement items in this study (1=strongly disagree and 7=strongly agree).

Price Promotions

To measure the perception of price deals, this study adopted the measurement items from the study of Yoo et al. (2000). Three of seven items were based on price promotions which measure the relative frequency of the price deals presented for the focal brand. Another two items were based on the satisfaction of consumers' on the price deals, and the last two items were based on the reasonability of the price deals. The Cronbach's alpha coefficient of this construct in the study of Yoo et al. (2000) was 0.80. For this study, some of wording required revision to fit the measurement level. Hence, all seven measurement items are applied and used in this study.

Perceived Functional Value

The concept of value associations includes four key measures which are the functional performance of the product or service, the convenience and ease of access of the product or service, the brand personality which fits the consumers, and the value proposition which the brand offers. (Keller, 2008, p.326) This reflects the multi-dimensional measurement of this construct. Therefore, there were seven candidate items which were developed to measure perceived functional value in this study. Four items were adopted from the study of Aaker (1996) representing the value proposition of the brand. The other three items were employed in this study to represent the dimension of functional performance, convenience and ease of access, and brand personality. Hence, there are seven measurement items for measuring perceived functional value.

Perceived Psychological Value

To measure perceived psychological value, this study adopted the measurement items from Spears and Singh (2004). They conceptualized perceived psychological value as a unidimensional construct. For their exploratory analysis, all five items of brand attitude: Unappealing/appealing, bad/good, unpleasant/pleasant, unfavorable/favorable, and unlikable/likable fall into one factor which had a Cronbach's alpha coefficient at 0.97. For this study, some of wording required revision to fit the measurement level and four of them

only included in items candidate. Hence, four measurement items are applied and used in this study.

Brand Image

This study adopted the measurement items of brand image from Park et. al. (1986). Park et. at. (1986) developed the concept of brand image which covers functional benefits, symbolic benefits, and experiential benefits. Functional image-benefits refer to the intrinsic features possessed by the product when consumers attempt to make purchasing decisions. Symbolic image-benefits are related to consumers' self-concept and whether the product could satisfy self-esteem needs or emotional needs. Experiential needs refer to issues of stimulation, sensory pleasure, or novelties linked to products. Hsieh and Li (2007) developed three measurement items by using the brand concept-image of Park et. al. (1986).Hsieh and Li (2007) found that the Cronbach's alpha coefficient was 0.917. Hence, all three measurement items of brand image from Hsieh and Li (2007) are applied and used in this study. The wordings were revised to fit the study.

Brand Awareness

The measurement items for brand awareness are based on the study of Yoo et al. (2000). Yoo et al. (2000) designed a multi-item scale to measure the ability of recall and recognition of brand characteristics, symbol, and logo. For their study, the reliability coefficient of the measurement item in the original construct was 0.94 which was highly acceptable. Therefore, all of four items were applied and the wordings were revised to fit the study.

Table 3-2: Measurement Items for Each Construct and Their Pertaining Variable Name

Constructs / Dimensions	Measurement Item	Source	Measurement Level
Price Promotions	I think it will be good if this brand has price promotion	Yoo et al.(2000)	Interval
	I think price promotions for the brand are more frequent than for competing brands		
	My opinion about the brand's price deals is very high		
	Price promotions for the brand are frequently offered		
	Price promotions for the brand are emphasized more than seems reasonable		
	In general, I like price promotion for the brand		
Perceived Functional Value	This brand provides very good quality products	Aaker (1996)	Interval
	This brand offers consistent quality products		
	This brand is better quality than others		
	The design of the product of this brand is good	Author adopted from Keller (1993)	Interval
	I like the design of the brand		
	I feel good with the person who uses this product of this brand		
	The product of the brand makes the users look good		
Perceived Psychological Value	I have a good attitude toward the brand	Spears and Singh (2004)	Interval
	I have a favorable attitude towards the brand		
	I like the brand		
	I feel pleasant to buy a product of this brand		

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Table 3-2 : Measurement Items for Each Construct and Their Pertaining Variable Name (Con't)

Constructs / Dimensions	Measurement Item		Measurement Level
Brand Image	I feel that the product of this brand possesses its practical function	Hsieh and Li (2007)	Interval
	I feel that the product of this brand possesses a positive symbolic meaning		
	I feel that the product of this brand can provide a pleasant experience		
Brand Awareness	I know what the brand looks like	Yoo et al.(2000)	Interval
	I can recognize the brand among other competing brands		
	I am aware of the brand		
	I can quickly recall the symbol or logo of the brand		
Brand Loyalty	If I need this kind of product, I will purchase from this brand again.	Adapted from Yoo et al.(2000)	Interval
	Even if another brand has the same features as brand x, I would prefer to buy brand x		
	If there is another brand as good as brand x, I prefer to buy brand x		
	If another brand is not different from brand x in any way, it seems smarter to purchase brand x		

Brand Loyalty

The measurement items for brand equity, for this study, are also based on the study of Yoo et al. (2000). Yoo et al. (2000) originally developed eighteen candidate items for measuring brand equity. After the reliability and validity analysis, only four items were retained. The reliability coefficient was 0.93 for their study. Therefore, these four items are used in this study to measure the brand equity construct. No wordings were revised.

Pretest

Malhotra (2000) stated that in order to conduct the pretest, the number of respondents should be at least 15-30. The questionnaire was distributed to a convenience sample of 35respondents. All the respondents were university students, company employees, freelancers, business owners, doctors, dentists, lecturers, government officers, and unemployed people. The questionnaires were filled at a convenient location. Hence, the characteristics of the pretest respondents were not too divergent from the actual respondents. The pretest offered the opportunity for the researcher to check the internal consistency and the reliability of the measurement scale, to clarify the wording of the questionnaire, and to check the timing required to complete the questionnaire(Lemon, Rust, & Zeithaml, 2001). The initial questionnaire comprised 39 items measuring nine constructs, which are price deals, perceived quality, brand attributes, brand attitudes, brand benefits, brand image, brand awareness, perceived brand value, and brand equity. In addition, the purification of the measurement items is based on the results of factor analysis.

Pretest Results

The data were coded and analyzed by SPSS program to test the reliability by using the Cronbach's alpha coefficient method. The pretest results suggested that the measurement items of all variables are reliable and internally consistent. The Cronbach's alpha coefficient of the key constructs exceeds the threshold value of 0.7 (Nunnally, 1978) as shown in **Error! Reference source not found.**3-3.

Table 3-3: Summary of Scale Reliability

Constructs	No. of Sample	No. of Item	Cronbach's Alpha
Price Promotions	53	6	0.823
Perceived Functional Value	53	7	0.902
Perceived Psychological Value	53	4	0.816
Brand Image	53	3	0.945
Brand Awareness	53	4	0.821
Brand Loyalty	53	4	0.891

Cronbach's alpha of all constructs varied from 0.81 to 0.94. The highest Cronbach's alpha is brand image and the lowest is brand awareness. All constructs in the conceptual framework

exceed the recommended level of 0.70 (David, 1972; Nunnally, 1978). This implies that they are consistent and reliable. Hence, the questionnaire items were used as the measurement items for the constructs.

3.6 Collection of Data/Gathering Procedure

This research used a personally administered survey technique. The interviewers who asked and recorded the respondents were trained. The interviewers conducted the survey and collected the data in 2015. All of the respondents live in Bangkok and have experienced the purchased focused luxury brands (Louise Vuitton, Rolex, Hermes, Channel, and Prada). The interviewers had to intercept the respondents from major shopping centers and business areas around Bangkok where the store of those brands located. The target respondents were the customers who enter the store and were intercepted for the questionnaire survey. A minimum of 400 completed sets of questionnaires was expected, to make sure that the sample size exceeds 400 after the data cleaning process. The respondents were screened by asking the questions in section one of the questionnaires. The survey process continued until 445completed questionnaires were collected.

3.7 Data Analysis Plan

The statistical analysis is mainly conducted by using IBM SPSS version 20 and SPSS Amos version 19. The data analysis plan consists of two methods; descriptive and inferential statistics. The descriptive statistics present the nature of the respondents and the hypotheses of this study are verified by using inferential statistics. The details are shown in the following sections.

Descriptive Statistics Analysis

Descriptive statistics consist of the frequency, percentage, and mean in order to describe the personal data of respondents. The characteristics of the respondents are categorized and discussed in terms of the varieties of their personal factors (gender, income, education, and age). This allows making the raw data easier to understand and interpret.

Inferential Statistics Analysis

Inferential statistics involve verifying specific statement or hypothesis statements about the population. For inferential analysis, this research utilized the Structural Equation Modeling (SEM) technique which is a multivariate technique combining aspects of multiple regression (examining dependent and independent relationships, path analysis (examining the effects of mediating variables), and factor analysis (representing measuring concept factors − with multiple variables) to estimate a series of interrelated dependent relationships simultaneously (Bucklin & Gupta, 1992b).

The abilities of SEM allows the study to investigate the effects of price deals on brand associations, brand knowledge, and brand equity simultaneously and also are able to accommodate the multiple interrelated dependent relationships in a single model. Furthermore, the abilities of SEM can investigate the representing of unobserved concepts in the model. All hypotheses in the conceptual framework can be tested by SEM and the estimated coefficients for each path of relationship represent their significance and the supportiveness of the relationship. Finally, SEM also allows the study to examine the construct validity of the measurement model.

The data were first analyzed for reliability and construct validity. The Cronbach's alpha coefficient of the key constructs exceeds the threshold value of 0.7 (Nunnally, 1978) and the results of the exploratory factor analysis show that cross loading items were eliminated and other measurement items were consistent with the construct validity.The results of the CFA show that the sample data were a favorable fit to the measurement model. Hence, the structural model was reasonably accepted.

The path model was analyzed by using the Structural Equation Modeling (SEM) technique with AMOS. Four major criteria of fit indexes were applied to check the fit of the SEM model (Kline, 2005); χ^2/df, RMSEA, CFI, and SRMR. It should be noted that GFI and AGFI are affected by sample size (Sharma, Mukherjee, Kumar, & Dillon, 2005) and TLI is highly correlated to CFI. In this study, the SEM fit indexes show that the chi-square to degree of freedom ratio (χ^2/df) was 1.216, which is a reasonable fit (Kline, 2005). CFI and GFI exceeded the acceptable fit point at 0.90 (CFI=0.934 and GFI = 0.912), RMSEA was 0.033, which considered to be a fit as well as SRMR, which was below 0.10 (SRMR = 0.062) (Ho,

2006; Kline, 2005). Thus, the model fit indexes for the path model indicated an acceptable approximation of the proposed relationship between the constructs, and the results should be meaningful.

Chapter 4: PRESENTATION OF DATA AND RESULTS

4.1 Demographic Characteristics of the Respondents

To ensure the determined sample size, the researchers organized a survey team to conduct the data collection procedure as planned. Thus, a total of 445 sets of questionnaire were collected and 25 of them were found to be unusable (last purchases more than three months ago or never heard about the product's price promotions). Then, the outliner data cleaning process was performed. Ten set of questionnaires were removed due to the high score of variance. Finally, 410 completed sets of the questionnaire were found to be usable questionnaires for this study. The demographic details of all respondents are as in the Table 4-1.

The sample consisted of 410 respondents and 154 of them are male while 256 are female. Eighty percent of the respondents were more than 31 years old, while there was only 5 samples less than 21 years old. Approximately seventy-five percent of the respondents have income per month more than 70,000 baht per month. More than ninety percent graduated with a bachelor degree or higher. The majority of the respondents were self-employ or business owner.

All respondents were consumers who had bought Louise Vuitton, Rolex, Hermes, Channel, and Pradaless than three months ago. This confirms that the data which were collected from these respondents were from the current consumers of the brand. They were able to state why they purchased these luxury brands.

Table 4-1: Summarizes the Demographic Characteristics of the Respondents

Demographic Characteristics	Frequency	Percentage
Last Purchased		
Less than three months ago	445	100
More than three months ago	0	0
Gender		
Male	105	23.60
Female	345	77.53
Age		
Less than 21 years old	8	1.80
21 - 30 years old	115	25.84
31 - 40 years old	186	41.80
Older than 40 years old	136	30.56
Income per Month		
Less than 15,000 baht	3	0.67
15,000 – 29,999 baht	12	2.70
30,000 – 69,999 baht	55	12.36
70,000 – 99,999 baht	190	42.70
More than 100,000 baht	185	41.57
Marital Status		
Single	226	50.79
Married	166	37.30
Divorced / Widowed	35	7.87
Separated	18	4.04
Education		
High School or Lower	5	1.12
Vocational Degree	35	7.87
Bachelor Degree	168	37.75
Higher than Bachelor Degree	237	53.26
Occupation		
Company Employee	159	35.73
Government Officer	55	12.36

Self Employed / Business Owner	167	37.53
Student / Housewife	43	9.66
Other	21	4.72

4.2 Exploratory Factor Analysis

Exploratory Factor Analysis(Stefan & Gerard) is a variable reduction technique which assists the researchers in determining and identifying the number of latent constructs underlying a set of items. EFA also allows researchers to test that their developing scales theoretically serve to identify a latent construct, as they conceptualized. Factor analysis and principle component analysis (PCA) are procedures of EFA. All thirty-nine measurement items for nine constructs (unobserved variables) in this study were extracted from the principle component analysis. All standardized factor loadings are shown in Table 5-2.

The KMO yielded a value of 0.889 and Bartlett's test of sphericity presented a Chi-square of 54100.6 with an associated level of significance smaller than 0.001. This indicated that the data are adequate for use with EFA. Nine Factors were extracted from the principle component analysis with a Promax rotation method (oblique rotation method). 76.56% of the total variance is attributable to these nine factors. Thus, the model is adequate to represent the data.

The coding number for measurement items are as follows;

- Six measurement items for the Price Promotions construct (PP1 to PP6),
- Seven measurement items for the Perceived Functional Value construct (PFB1 to PFB7,
- Four measurement items for the Perceived Psychological Value construct (PPB1 to PPB4,
- Three measurement items for the Brand Image construct (BI1 to BI3),
- Four measurement items for the Brand Awareness construct (BA1 to BA4),
- Four measurement items for the Brand Loyalty construct (BL1 to BL4),

All measurement items that has been grouped by using Factor Analysis method are as shows in the Table 4.2

**Table 4-2:** Standardized Factor Loadings for All Constructs (Original)

Items	Price Promotions	Perceived Functional Value	Perceived Psychological Value	Brand Image	Brand Awareness	Brand Loyalty
PP1	.879					
PP2	.818					
PP3	.756					
PP4	.853					
PP5	.566					
PP6	.356					
PFB1		.897				
PFB2		.855				
PFB3		.685				
PFB4		.518				
PFB5		.685				
PFB6		.636				
PFB7		.651				
PPB1			.752			
PPB2			.734			
PPB3			.638			
PPB4			.366			
BI1				.781		
BI2				.900		
BI3				.601		
BA1					.703	
BA2					.822	
BA3					.809	
BA4					.806	
BL1						.349
BL2						.567
BL3						.763
BL4						.375

All measurement items which were used for hypothesis testing process can be seen in Table 4-2.

4.3   The Measurement Model and Confirmatory Factor Analysis

The measurement model is commonly applied in the social research to test the consistency of the relationship between measured variables and unmeasured variables (latent variables), which was developed from previous research. Confirmatory factor analysis (CFA) allows the determination of the overall fit of the measurement model.

Figure 4-1: **Measurement Model**
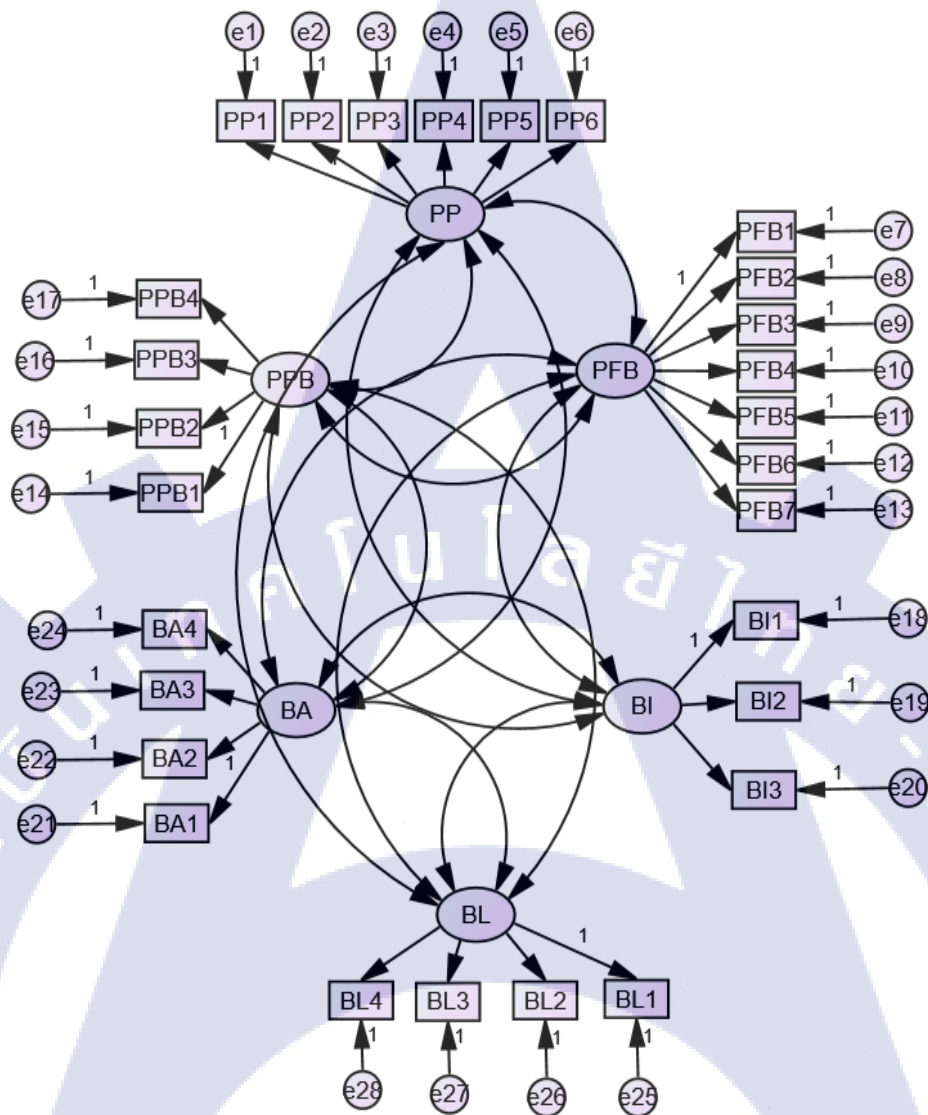
Confirmatory analysis model tests the measurement assumptions, relating the indicators of the structural equation model (SEM) to the latent variables (Hoyle, 1995, p. 135). Hence, the objective of using CFA for this study is to confirm that the conceptual framework is well supported by the theoretical concepts and the hypothesized assumptions. This can be shown by testing how the data fit to the measurement models.

Figure 4-2 shows the measurement model of the conceptual framework. Twenty-five measurement items with nine constructs (unobserved variables) were included. The results of the model fit index are as the Table 4-3

Table 4-3: The Results of Model Fit Index

χ^2/df, $p < 0.001$	GFI	NFI	RFI	IFI	TLI	CFI	RMSEA, $p < 0.001$	SRMR
2.235	0.904	0.831	0.788	0.899	0.870	0.897	0.057	0.0802

To reduce the sensitivity of χ^2 to the sample size, χ^2/df (so called "normal chi-square") was used to be the major criterion to test the fit of the measurement model. Bollen (1989) suggested that value of χ^2/df less than 5.0 is recommended as indicating a reasonable fit. For Root Mean Square Error of Approximation(RMSEA), it has been suggested that a value between 0.05 and 0.08 suggests a reasonable error of approximation, and if it exceeds 0.10, it suggests a poor fit (Bollen, 1989; Kline, 2005). Thus, the value of RMSEA at 0.057 is considered as a reasonable fit. Standardized Root Mean Square Residual (SRMR) presented a value at 0.0802 which is less than 0.1. It is considered to be generally favorable (Kline, 2005). GFI index is more than 0.90 which is above the recommended level is indicated the good fit of the measurement model (GFI = 0.904). Other incremental fix indexes suggest a marginally acceptable fit for the measurement model as it is very close to the recommended level at 0.90.

In summary, Kline (2005) suggested a minimal set of fit indexes that should be presented and interpreted when reporting the results of SEM analyses. This includes the model chi-square, RMSEA with its 90% confidence interval, CFI, and SRMR. Thus, the measurement model was found to have a favorable fit to the data.

4.4 Path Model Analysis

Four major criteria of fit indexes were applied to check the fit of the SEM model (Kline, 2005); χ^2/df, RMSEA, CFI, and SRMR (GFI and AGFI are affected by sample size (Sharma, Mukherjee, Kumar, & Dillon, 2005) and TLI is highly correlated to CFI). For this study, the SEM fit indexes show that the chi-square to degree of freedom ratio (χ^2/df) is 2.516 which is a reasonable fit (Kline, 2005). CFI was exceeded the acceptable fit point at 0.90

(CFI=0.915), RMSEA was 0.063 which considered to be reasonable fit as well as SRMR which was below 0.10 (SRMR = 0.0722).

Thus, the model fix indexes for the path model indicated an acceptable approximation of the proposed relationship among the constructs and the results should be interpreted meaningfully.

Table 4-4: The Model Fit Indexes for the Path Model

χ^2/df, $p < 0.001$	GFI	NFI	RFI	IFI	TLI	CFI	RMSEA, $p < 0.001$	SRMR
2.516	0.932	0.869	0.836	0.916	0.894	0.915	0.063	0.0722

Figure 4-2: Path Model
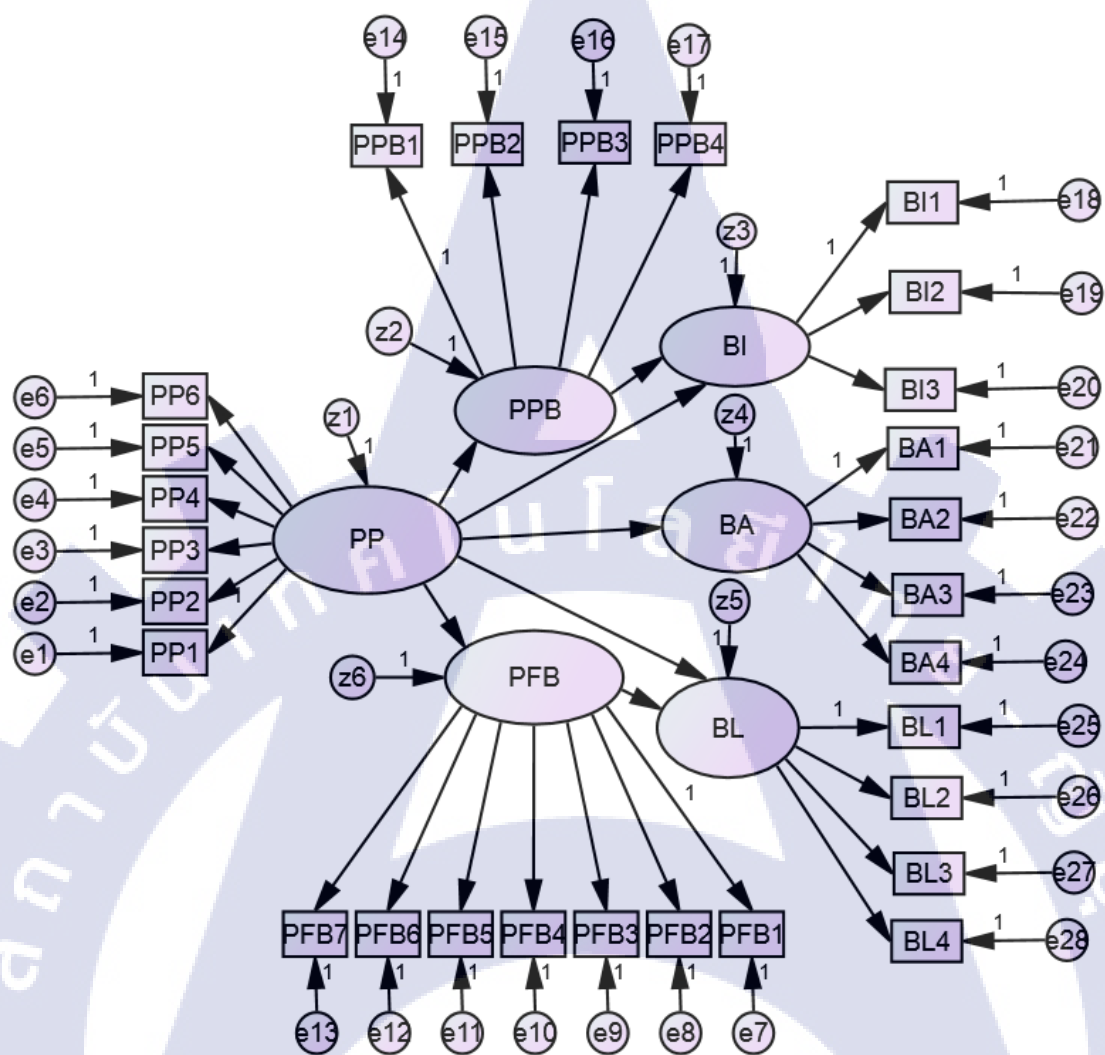
Table 4-5: The results of the path analysis for all hypothesis testing

Hypotheses and Path Analysis				Standardized Regression Weights	Critical Ratio (Z-value)	p-value	Results
H1	Price Promotions	➔	Perceived Functional Value	-1.231(-.566)	-2.864	**	Support
H2	Price Promotions	➔	Perceived Psychological Value	-1.119 (-.712)	- 6.322	***	Support
H3	Price Promotions	➔	Brand Awareness	.756 (.356)	3.945	***	Support
H4	Perceived Functional Value	➔	Brand Awareness	.0231 (.117)	4.521	***	Support
H5	Perceived Psychological Value	➔	Brand Awareness	2.66 2(.644)	3.223	***	Support
H6	Price Promotions	➔	Brand Image	-1.501 (-.869)	-3.901	***	Support
H7	Perceived Functional Value	➔	Brand Image	0.513 (.831)	2.127	*	Support
H8	Perceived Psychological Value	➔	Brand Image	3.743 (.863)	2.907	**	Support
H9	Price Promotions	➔	Brand Loyalty	-.566 (-.869)	3.611	NS	Not Support
H10	Perceived Functional Value	➔	Brand Loyalty	2.633 (.731)	2.029	*	Support
H11	Perceived Psychological Value	➔	Brand Loyalty	.333 (.563)	2.897	**	Support

Note: * shows p-value < 0.05
        ** shows p-value < 0.01
        *** shows p-value < 0.001
        NS – Not significant at a 0.05 significance level
        The standardized coefficients are shown in the blanket.

4.4 Results

The results of the path analysis for the hypothesis testing are shown in Table 1. The results indicated that ten hypotheses were supported, and one hypothesis was not supported. Seven construct relationships were found to be positive, and three relationships were found to be negative. H1 is supported as the results show a significant negative relationship between price promotion and perceived functional value ($p < 0.01$). This indicates that price promotion negatively relates to functional benefits from a customer perspective. This means that when the price is reduced, customers expect less quality from the product or service even though the quality actually remains the same.

The results of H2 ($p < 0.001$) indicated that the more respondents experience price promotions activities, the less respondents perceived psychological value from a brand. This means that consumers perceive negative emotional benefits as a result of the price promotion of a luxury product.

The results show that price promotion, functional value, psychological value, and brand awareness have significant relationships at same level ($p < 0.001$). Thus, H3, H4, and H5 are supported. This means that price promotions can create brand awareness and make the consumers remember and recall the brand once they are motivated by functional value and psychological value.

There is a significant negative relationship between price promotion and brand image ($p < 0.001$). Thus, H6 is supported. This indicates that price promotions create a negative image to consumers. However, the results also indicate that functional value and psychological value are positively related to brand image. Therefore, H7 and H8 are supported ($p < 0.05$ and $p < 0.01$ respectively).

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There is no significant relationship between price promotion and brand loyalty. Thus, H9 is not supported. The result shows the price promotion is not meaningful to brand loyalty in the mind of the consumers. Finally, H10 (p <0.05), and H11 (p < 0.01) are supported. Hence, they indicate that functional value and psychological value create brand loyalty.

Chapter 5: Discussion and Recommendations

Monroe (1973) argued that consumers often question the motivation behind price promotion. The decreasing of price can be interpreted in the following ways: the items are about to be replaced by new models; the items are defective or are not selling well; or that the quality has been reduced. The study's findings confirm that consumers experience negative impacts on luxury products regarding the loss of functional benefits when price promotional activities are implemented. Moreover, consumers also lose their emotional benefits due to the price promotions. This is because they do not feel exclusive or excited by purchasing the product, or that personal expression through the brand has reduced due to the price change. They will also feel disappoint with the brand because they already own many of brand products.

This can be summarized that a change in price leads to a change in consumer expectation of a brand due to the change in the associative information in their memory. Therefore, when the price has changed due to a price promotion, and if a consumer has experience with the product (i.e. they have sufficient knowledge about the product or service), the perception of the consumer on the brand is more or less affected in a luxury or high-end market.

This pointed out that the brand should not do price bargaining with consumers who like, and continue to like the brand, otherwise they will go for another brand. Therefore, this study suggested that the price for luxury products and services is somewhat not an adjustable factor. Since the price of these products and services has become a sensitive factor to consumers, marketing practitioners must be strict in managing it. The price adjustment due to the promotion should be carefully measured according to the evolution and development of brand perception in luxury market. The results of this study highly suggested that the price promotion activities are not an appropriate activity for boosting the sale volume especially

when the company cannot sell the products or services. This would highly damage the brand equity.

The findings also support the idea that price promotion might also create a loss of brand image due to the loss of functional benefits and emotional benefits in the minds of consumers. However, the findings suggest that consumers' brand awareness can be developed by implementing price promotion activities for a luxury product. Consumers' ability of recall and recognition is better when they have an awareness of the price, even in a high-end market. This is supported by previous literatures, which argued that price promotions create awareness for consumers (María Pilar Martínez & Alejandro Mollá, 2008). For brand loyalty, the findings indicate that price promotions do not directly create brand loyalty, but create brand loyalty through the positive change of functional value and psychological value.

Consumers' perception of greater brand awareness, brand image, and brand loyalty leads to higher brand equity(Aaker, 1991). In the luxury market or high-end market, the process of brand equity creation is different to other markets. The demand for some luxury products can increase by increasing the price, and demand can also decrease when the price is decreasing, as theoretically call "Giffen and Veblen effects". According to the findings, this can be because of the change of functional benefits and emotional benefits for high-end consumers. Hence, an increase in price can lead to enhanced brand equity in the minds of consumers in high-end markets. This study suggests that price promotion strategy plays a crucial role and is a strong information cue in a brand building and maintenance program for luxury brands. A price promotion campaign for luxury brands must be aligned to ensure quality products and services, and pleasurable purchase and consumption experiences. The results of this study show evidence regarding the advantages and disadvantages of price promotion activities for

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luxury brands, as well as the limitations and utility. Market practitioners have to be aware that, for luxury brands, if the price is set or discounted lower than consumer expectations and willingness to pay, it can potentially negatively impact brand equity.

For the limitations of the research, this study focuses on particular products and particular brands. Moreover, the samples of the study were collected only in Bangkok, Thailand. Hence, the major limitation of this study is the generalizability of the findings. In addition, this research is under a positivistic paradigm. Therefore, marketing practitioners should apply the findings of this study with care. Another limitation of this study is that the samples were mostly experienced high income consumers. Hence, this also influences the generalizability of the findings.

The amount of consumer knowledge on a brand is another limitation of this study. Different consumers have different knowledge on a brand or product, inferring different meanings and the employment of different ways. Hence, the amount of knowledge on a brand held by individual consumers, as well as the effects of other marketing activities, is not within the boundary of the study's framework. Other marketing activities could be added to the conceptual framework in order to investigate how they affect brand associations and brand knowledge. Future investigation on a variety of brands is needed with a longitudinal research on the post-promotion effects on brand equity. Such future research could allow greater generalizability of the findings and expand the knowledge of brand equity in this area.

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Appendix

แบบสอบถามความคิดเห็นทางการตลาด

เรียน ผู้ตอบแบบสอบถาม

แบบสอบถามนี้เป็นส่วนหนึ่งของงานวิจัยของสถาบันเทคโนโลยี ไทย-ญี่ปุ่น โดยมีวัตถุประสงค์เพื่อศึกษาวิจัยผลกระทบของการจัดรายการสินค้าราคาพิเศษต่อคุณค่าของตราสินค้า (แบรนด์)และปัจจัยแวดล้อมของตราสินค้าซึ่งผลที่ได้จากการวิจัยนี้จะช่วยให้ผู้บริหารหรือผู้ที่มีส่วนเกี่ยวข้องในการทำการตลาดมีความเข้าใจถึงผลกระทบทางด้านจิตวิทยาของการลดราคาและเพิ่มราคาสินค้าที่มีต่อคุณค่าของตราสินค้าในตัวของผู้บริโภคมากขึ้นรวมถึงสามารถนำผลการวิจัยยังมีส่วนช่วยในการออกแบบและปรับปรุงการสร้างและการเพิ่มคุณค่าของตราสินค้าให้ดียิ่งขึ้น

เนื่องจากท่านเป็นผู้หนึ่งที่ประสบการณ์ในการใช้สินค้าดังกล่าวผู้วิจัยจึงใคร่ขอความร่วมมือในการตอบคำถามเพื่อแสดงความคิดเห็นและให้ข้อมูลที่จะเป็นประโยชน์ต่องานวิจัยในแบบสอบถามนี้โปรดตอบคำถามให้ครบถ้วนตามข้อเท็จจริงมากที่สุดข้อมูลและความคิดเห็นของท่านจะถูกปกปิดเป็นความลับโดยไม่มีการวิเคราะห์เป็นรายบุคคลและจะนำไปใช้ในการวิเคราะห์ทางสถิติโดยภาพรวมเท่านั้น

ขอขอบพระคุณที่ให้ข้อมูลที่เป็นประโยชน์ต่องานวิจัยและความร่วมมือของท่านมาณ โอกาสนี้

ขอแสดงความนับถือ

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หมายเหตุ: หากท่านที่ข้อสงสัยเกี่ยวกับแบบสอบถาม กรุณาติดต่อผู้วิจัยได้ที่ e-mail: rachata@tni.ac.th

กรุณาตอบคำถามที่ใกล้เคียงกับความคิดเห็นของท่านมากที่สุด คำตอบของท่านจะถูกเก็บเป็นความลับและถูกใช้เพื่อ การศึกษาเท่านั้น แบบสอบถามถูกแยกเป็น 3 ส่วน

ส่วนที่ 1:

คุณเคยซื้อสินค้ายี่ห้อเหล่านี้หรือไม่	เคย	ไม่เคย
Louise Vuitton	1	2
Rolex	1	2
Hermes	1	2
Channel	1	2
Prada	1	2

คุณซื้อสินค้าจาก ยี่ห้อเหล่านี้ ครั้งสุดท้ายเมื่อไร(ถ้าไม่เคยเลย ให้สิ้นสุดการตอบแบบสอบถาม)	
ไม่เกิน 3 เดือนที่ผ่านมา	1
นานกว่า 3 เดือนที่ผ่านมา	2
ไม่เคย	3

อายุ	
น้อยกว่า 21 ปี	1
21--30 ปี	2
31-40 ปี	3
41-50 ปี	4
มากกว่า 50 ปี	5

รายได้ต่อเดือน	
น้อยกว่า 30,000 บาท ต่อเดือน	1
30,000 – 59,999 บาท ต่อเดือน	2
60,000 – 99,999 บาท ต่อเดือน	3
100,000 – 149,999 บาท ต่อเดือน	4
150,000 – 300,000 บาท ต่อเดือน	5
มากกว่า 300,000 บาท ต่อเดือน	6

ส่วนที่ 2-1: แบบสอบถามส่วนนี้ใช้เพื่อตอบคำถามเกี่ยวกับสินค้า Luxury

โปรดตอบคำถามตามความคิดเห็นของท่านที่มีต่อข้อความที่ให้ไว้ตามหมายเลข 1-7 โดยเรียงจาก เห็นด้วยอย่างยิ่งถึง ไม่
เห็นด้วยอย่างยิ่ง โปรดตอบคำถามด้วยความคิดเห็นแรกที่ท่านคิดได้ กรุณาตอบคำถามโดยสมมุติสถานการณ์ว่า **"ถ้าสินค้า
ที่คุณเลือกในส่วนที่ 1 มีการจัดกิจกรรม ลดราคา แลก แจก แถม**จะส่งผลต่อ<u>ทัศนคติของคุณที่มีต่อยี่ห้อเหล่านั้นอย่างไร</u>"

<u>คำถามด้านราคาสินค้า</u>

Code	ข้อความ	ไม่เห็นด้วยอย่างยิ่ง	ไม่เห็นด้วย	ค่อนข้างไม่เห็นด้วย	ไม่แสดงความตัดสินใจได้	ค่อนข้างเห็นด้วย	เห็นด้วย	เห็นด้วยอย่างยิ่ง
PP1	ฉันอยากให้ยี่ห้อเหล่านี้จัดรายการลดราคามาก	1	2	3	4	5	6	7
PP2	ฉันอยากให้ยี่ห้อเหล่านี้จัดรายการลดราคาสม่ำเสมอ	1	2	3	4	5	6	7
PP3	ฉันคิดว่าราคาสินค้าของ ยี่ห้อเหล่านี้ยังมีราคาสูงเกินไป	1	2	3	4	5	6	7
PP4	ฉันเห็น ยี่ห้อเหล่านี้จัดรายการลดราคาเสมอๆ	1	2	3	4	5	6	7
PP5	ราคาสินค้ายี่ห้อเหล่านี้ดูไม่สมเหตุสมผล	1	2	3	4	5	6	7
PP6	ราคาสินค้ายี่ห้อเหล่านี้แพงเกินไป	1	2	3	4	5	6	7
PP7	โดยรวมๆ ฉันชอบราคาที่ยี่ห้อเหล่านี้นำเสนอ	1	2	3	4	5	6	7

<u>คำถามด้านคุณค่าตราสินค้า</u>

Code	ข้อความ	ไม่เห็นด้วยอย่างยิ่ง	ไม่เห็นด้วย	ค่อนข้างไม่เห็นด้วย	ไม่แสดงความตัดสินใจได้	ค่อนข้างเห็นด้วย	เห็นด้วย	เห็นด้วยอย่างยิ่ง
PFB1	ฉันคิดว่าโดยรวมๆแล้ว สินค้ายี่ห้อหรูหราเหล่านี้ มีคุณภาพดี	1	2	3	4	5	6	7
PFB2	ฉันยังวางใจในคุณภาพของสินค้ายี่ห้อเหล่านี้	1	2	3	4	5	6	7
PFB3	ยี่ห้อหรูหราเหล่านี้มีคุณภาพกว่าดีกว่ายี่ห้ออื่น	1	2	3	4	5	6	7
PFB4	ฉันคิดว่ายี่ห้อเหล่านี้ออกแบบสินค้าได้ดี	1	2	3	4	5	6	7
PFB5	ยี่ห้อหรูหราเหล่านี้เป็นสินค้าที่ยังมีความโดดเด่น	1	2	3	4	5	6	7

Code	ข้อความ	ไม่เห็นด้วยอย่างยิ่ง	ไม่เห็นด้วย	ไม่ค่อยเห็นด้วย	เฉยๆ ไม่สามารถตัดสินใจได้	ค่อนข้างเห็นด้วย	เห็นด้วย	เห็นด้วยอย่างยิ่ง
PFB6	ฉันก็รู้สึกดีกับคนที่ใช้ ยี่ห้อหรูหราเหล่านี้	1	2	3	4	5	6	7
PFB7	คนที่ใช้สินค้ายี่ห้อเหล่านี้ ดูดี	1	2	3	4	5	6	7
PPB1	ถึงแม้ว่าสินค้าจะลดราคา ฉันก็มีทัศนคติที่ดีต่อยี่ห้อหรูหราเหล่านี้	1	2	3	4	5	6	7
PPB2	ถึงแม้ว่าสินค้าจะลดราคา ฉันชื่นชอบยี่ห้อหรูหราเหล่านี้เป็นพิเศษเมื่อเทียบกับยี่ห้ออื่น	1	2	3	4	5	6	7
PPB3	ฉันยังชอบยี่ห้อหรูหราเหล่านี้เหมือนเดิม แม้ว่าราคาจะถูกลง	1	2	3	4	5	6	7
PPB4	ฉันยังรู้สึกดีที่ซื้อยี่ห้อหรูหราเหล่านี้ แม้ว่าราคาจะถูกลง	1	2	3	4	5	6	7
BI1	ถึงแม้ว่าสินค้าจะลดราคา ยี่ห้อหรูหราเหล่านี้ยังช่วยส่งเสริมภาพลักษณ์ให้ฉัน	1	2	3	4	5	6	7
BI2	ยี่ห้อหรูหราเหล่านี้ ยังมีภาพลักษณ์ที่ดีแม้ว่าสินค้าจะลดราคา	1	2	3	4	5	6	7
BI3	การใช้ยี่ห้อหรูหราเหล่านี้ช่วยให้ฉันมีประสบการณ์ที่ดี	1	2	3	4	5	6	7
BA1	ฉันรู้ว่ายี่ห้อหรูหราเหล่านี้เป็นสินค้าเกี่ยวกับอะไร	1	2	3	4	5	6	7
BA2	ฉันรู้ว่ายี่ห้อหรูหราเหล่านี้แตกต่างจากคู่แข่งอย่างไร	1	2	3	4	5	6	7
BA3	ฉันตระหนักถึงการมีอยู่ของยี่ห้อนี้เป็นอย่างดี	1	2	3	4	5	6	7
BA4	ฉันจดจำตราสินค้าของ ยี่ห้อหรูหราเหล่านี้ได้เป็นอย่างดี	1	2	3	4	5	6	7
BL1	ฉันเลือกที่จะซื้อยี่ห้อหรูหราเหล่านี้อีกครั้งถ้ามีโอกาส	1	2	3	4	5	6	7
BL2	ฉันเลือกที่จะซื้อยี่ห้อหรูหราเหล่านี้อีกครั้ง ถึงแม้ยี่ห้ออื่นมีสินค้าที่มีคุณสมบัติเหมือนกันกับยี่ห้อหรูหราเหล่านี้	1	2	3	4	5	6	7
BL3	ถึงแม้ยี่ห้ออื่นมีคุณภาพดีเทียบเท่ากับยี่ห้อหรูหราเหล่านี้ฉันเลือกที่จะซื้อยี่ห้อหรูหราเหล่านี้อีกครั้ง ถ้ามีโอกาส	1	2	3	4	5	6	7
BL4	การเลือกที่จะซื้อ ยี่ห้อหรูหราเหล่านี้ดูเหมือนจะเป็นการตัดสินใจที่ฉลาดกว่า ถึงแม้ยี่ห้ออื่นจะมีสินค้าที่ไม่แตกต่างจากยี่ห้อหรูหราเหล่านี้	1	2	3	4	5	6	7

ส่วนที่ 3: ข้อมูลส่วนตัว

เพศ:

☐ ชาย ☐ หญิง

สถานะ:

☐ โสด ☐ แต่งงาน ☐ คู่สมรสเสียชีวิต/หย่าร้าง ☐ แยกกันอยู่

การศึกษา:

☐ มัธยมศึกษาตอนปลาย หรือต่ำกว่า ☐ อาชีวะ ☐ ปริญญาตรี

☐ ปริญญาโท ☐ ปริญญาเอก

อาชีพ:

☐ พนักงานบริษัท ☐ ข้าราชการ ☐ ธุรกิจส่วนตัว

☐ นักศึกษา/แม่บ้าน ☐ อื่นๆ (โปรดระบุ)...................