20th International Scientific Conference Economics and Management - 2015 (ICEM-2015)

# The Influence of Word of Mouth Communication on Brand Equity: Receiver Perspectives

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**Abstract**

This research includes theoretical analysis of the problem and explores the peculiarities of the influence of word of mouth communication on brand equity. Our empirical research results presented in this paper revealed that both vividness and usefulness of word of mouth communication message characteristics give positive impact on brand equity and its dimensions based on the context of luxury good. The statistically positive relation of average strength was determined between the characteristics of word of mouth communication (vividness, usefulness) and brand equity dimensions (brand association, brand awareness, brand loyalty, perceived quality) after having analyzed empirically the influence of word of mouth communication message on brand equity with the help of correlation and regression.

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Peer-review under responsibility of Kaunas University of Technology, School of Economics and Business

*Keywords:* Word of mouth communication; Brand equity; Brand awareness; Brand association; Brand loyalty; Perceived quality.

## Introduction

It is indeed important to remember that brand equity is no longer valued by large sums of money that companies invest; instead customers are dictating the value of brand equity by what they are saying to each other. From the company's viewpoint it is not important just to assess the word of mouth communication's influence on the consumers and their further behaviour, but it is also essential to perceive its influence on the brand equity.

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The brand equity studies cover the conceptualization and development of brand equity dimensions and their

measurement. The scientists have focused on different aspects of word of mouth communication in their studies.

Some scientists have researched the usefulness of word of mouth communication (Ennew, Banerjee, & Li, 2000; Smith, Bickart, & Schindler, 2002; Menon & Sivakumar, 2005; Mazzarol, Soutar, & Sweeney, 2007; Trusov, Bucklin, & Pauwels, 2009), others have been investigating the communication word of mouth channels (Keller, 2003), and the other scientists have been analyzing communication word of mouth factors (Anderson, 1998; Walker, 2001; Maxhmar & Netemeyer, 2002; Mazzarol, Soutar, & Sweeney, 2008; Rezvani, Hoseini, & Samadzadeh, 2012).

During the last decade the scientists have been carrying out more and more-related researches. Brown, Barry, Dacin, and Gunst (2005) have analyzed collective brands, while Veloutsou, Gioulistanis, and Moutinho (2004) have analyzed the factors, which determine the brand's usefulness. Wigley, Moore, and Birtwistle (2005) have researched the brands of luxury goods and the factors, which make the brand more attractive.

The analysis of the theoretical and empirical researches revealed the difference in the importance of brand equity dimensions. Tong and Hawley (2009) determined that brand equity is the most affected by the perceived quality and brand awareness, Buil, Chernatony, and Martínez (2013) determined that brand equity is the most affected by 3 dimensions: perceived quality, brand association and brand loyalty. Chieng and Goi (2011) noticed the major link between brand loyalty and brand association.

Numerous scientists have carried out the researches related to word of mouth communication; however the unanimous attitude towards the message characteristics of word of mouth communication is still lacking. Besides, it has been noticed that the scientists regard the importance of brand equity dimensions in different ways. Thus, *the purpose of the research* was to investigate the influence of word of mouth communication on brand equity based on the context of luxury goods (clothes) *Gucci* and *Dolce&Gabbana* brands among the customers in Lithuania. The tasks of the research are the following:

- To research empirically the influence caused by vividness of word of mouth communication characteristics on brand equity.
- To research empirically the influence caused by usefulness of word of mouth communication characteristics on brand equity.

## 1. Literature Review

### 1.1 Word of Mouth Communication Characteristics

After having performed the scientific studies Mangold, Miller, and Brockway (1999) determined that the word of mouth communication affects the decision-making process about purchase by the consumers a lot. However the antecedents of word of mouth communication distinguished by the scientists differ. Brown, Barry, Dacin, and Gunst (2005) attributed satisfaction, commitment and recognition to the antecedents of word of mouth communication, while De Matos and Rossi (2008) identified the antecedents of word of mouth communication more broadly: satisfaction, loyalty, quality, commitment, confidence and perceived value.

The scientific researches carried out by Yu and Tang (2010) revealed that the characteristics of word of mouth communication – vividness and usefulness – affect the consumers' intention to acquire the goods a lot. The characteristic of word of mouth message *vividness* covers the determination of speaking tone, richness of language, communication vividness and sender's empathy in spreading of word of mouth communication (body language and eye contact) more than the content transmitted or strength of intention to convey recommendations. The message's vividness has to be deep, intensive and rich. Yu and Tang (2010) linked the message vividness in their scientific empirical research to the resolution to convey message, richness (lavishness) of the sent message, comprehensibility of the sent message and the sender's empathy in message conveyance.

The characteristic of word of mouth message *usefulness* is linked to the aspects of the message content and used language. The strong word of mouth communication of the sender is important for usefulness because it includes the usage of persuasive words or phrases. Casielles, Álvarez, and Lanza (2013) state that this concept is defined by usage frequency, number of persons, with whom the information spreader (sender) communicates and number of information senders. The message's usefulness is related to content aspects: language usage, and usage of words, which restore or awake some feelings. Yu and Tang (2010) described the message's usefulness in their empirical research by the message usefulness, expedience, impressiveness and persuasiveness.

## 1.2 Brand Equity Dimensions

With regard to consumers, the brand equity was conceptualized as multinational construct (Sinha, Leszeczyc, & Pappu, 2000; Yoo, Donthu, & Lee, 2000; Yoo & Donthu, 2001; Washburn & Plank, 2002). The scientists Aaker (1991, 1996), Keller (1993), Aaker and Joachimsthaler (2000) have distinguished and analyzed various dimensions of brand equity.

Aaker (1991, 1996) has distinguished five dimensions describing brand equity: brand loyalty, brand association, brand awareness perceived quality and other brand equities. Other brand equities include the following: patents, company's trademark, maintenance of relations between participants in distribution channels, etc. (Aaker, 1996). Keller (1993) has determined that the brand equity perceived by consumers is formed only when the brand known to the consumer causes positive, unique and strong associations. Keller (1993) has distinguished five brand equity dimensions: brand loyalty, brand association, brand awareness, perceived quality and brand image. The brand image distinguished by Keller (1993) is a multifunctional set of material and immaterial characteristics, which allows the consumer identifying the item, i.e. it is a mode used by the consumers to perceive maturity. Meanwhile the Management Study Guide (2012) states that the item's brand image is not created; it is self-formed. This is determined by the simplicity of usage, feedbacks, functional characteristics, and product value. Brand image is the content of product (Management study guide, 2012), because when the consumer buys a product, he buys an image formed during the feedback.

After having performed the empirical research of brand equity dimensions, Chieng and Goi (2011) determined that the strongest interrelations exist between the following:

- brand loyalty and brand association;
- perceived quality and brand association;
- perceived quality and brand awareness;
- perceived quality and brand loyalty.

Aaker and Joachimsthaler (2000) were one of the first to distinguish four brand equity dimensions – brand association, brand awareness, brand loyalty and perceived quality. Yoo and Donthu (2001), Kim, Gon Kim, and An (2003), Lee and Back (2009), Kim and Hyun (2011), Chieng and Goi (2011) and other scientists were using the dimensions of brand equity distinguished by Aaker and Joachimsthaler (2000) in later theoretical and empirical researches. More thorough theoretical and empirical studies of brand equity's dimensions have been carried out by Pappu, Quester, and Cooksey (2005), Bravo, Fraj, and Martinez (2007), Tong and Hawley (2009), Yasin and Zahari (2011).

## 1.3 Proposed Conceptual Framework

Considering the fragmentary nature of studies performed in the field, based on the results of our systematic comparative scientific literature analysis, our proposed conceptual framework for this research paper has been illustrated in Fig. 1.
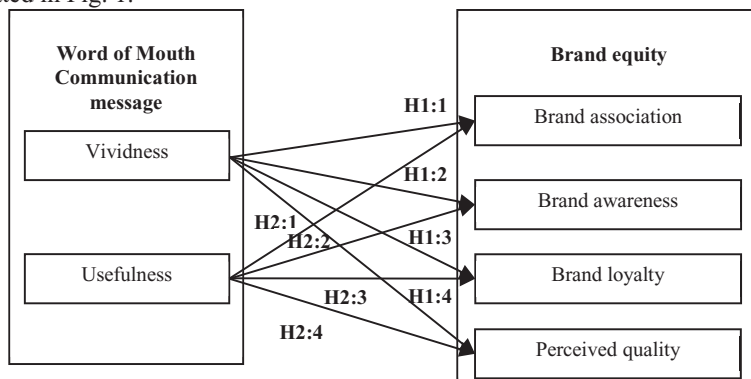


Fig. 1. Proposed Conceptual Framework

The figure illustrates the influence of word of mouth communication characteristics on brand equity dimensions.

## 2. Method

The methodological groundwork of the empirical study was formed of scientific research studies analysis in brand equity. The results of the empirical researches performed by the scientists revealed that the word of mouth communication is inseparable from brand equity. According to our analysis, the scientists conceptualize the word of mouth communication message and brand equity dimensions and their significance differently; their researches have been done only in certain areas: Internet, hotels, telecommunications, cars. We have chosen to analyze empirically the impact of word of mouth communication message on brand equity within the context of luxury goods (clothes) (*Gucci* and *Dolce&Gabbana* brands) due to the constantly increasing usefulness of word of mouth communication, if compared to other communication channels. In order to perform the research, it was decided to collect primary data because they convey the best information for us. We collected data by the primary quantitative research using the survey.

The survey's questionnaire was designed using the online system of survey creation www.apklausa.lt because of the provided technical possibilities to design questionnaires, convenience for respondents to answer and clear processing of results. The survey was confidential, while the respondents received reference to the survey by e-mail, and it was published on several websites unifying various online communities. We gathered consumers' answers via eighteen closed questions survey using a random sample of 276 respondents (N=138 men and N=138 women) from Lithuania.

In order to verify the theoretical insights there were developed and tested two main hypotheses:

*H1: The characteristic of word of mouth communication message vividness affects brand equity.*

*H2: The characteristic of word of mouth communication message usefulness affects brand equity.*

For the data analysis there was applied statistical package SPSS of version 22.0. The data were analyzed using the statistical method that examines the correlation of characteristics – principle of correlation. In order to determine the influence of word of mouth communication message on brand equity, the Spearman correlation coefficient was used. The linear regression was used to determine the character of relation between the variable, to describe the dependency of the dependent variable on values of independent variable, and to forecast the values of variable.

## 3. Results

In order to check the set hypotheses associated with the relations between variables, the correlation analysis between the word of mouth communication message and brand equity was done. Different dependency between the variables was determined during the correlation.

The research results revealed the statistically significant relation ($p<0,05$) between the word of mouth communication message and *Gucci* brand equity ($\rho=0,535$), between the vividness of word of mouth communication message and *Gucci* brand equity ($\rho=0,533$), and between the usefulness of word of mouth communication message and *Gucci* brand equity ($\rho=0,442$), although these relations are only of average strength. In case of *Dolce&Gabbana*, the word of mouth communication message is also statistically significant ($p<0,05$) and related to brand equity ($\rho=0,525$). The statistically significant relation was determined between the vividness of the word of mouth communication message and *Dolce&Gabbana* brand equity ($\rho=0,481$), and between the usefulness of word of mouth communication message and *Dolce&Gabbana* brand equity ($\rho=0,508$), although these relations are only of average strength. It was determined that approximately every third respondent, who has bought clothes of *Dolce&Gabbana* brand, has also bought clothes of *Gucci* brand. The correlation analysis revealed the links between the evaluations of respondents, who have bought clothes of *Gucci* and *Dolce&Gabbana* brands with regard to word of mouth communication message and brand equity.

The main objective of the empirical research was to determine the influence of the word of mouth communication message on brand equity, thus common analysis of correlation between word of mouth communication message and brand equity of brands *Gucci* and *Dolce&Gabbana* was done. It revealed statistically significant relations between all the variables ($p<0,05$). The Spearman correlation coefficient manifested average relation between the vividness of word of mouth communication message and brand equity ($\rho=0,504$). This allows

confirming the first hypothesis of the research*: the characteristic of word of mouth communication message vividness affects brand equity.*

Moreover, the Spearman correlation coefficient manifested average relation between the usefulness of word of mouth communication message and brand equity (ρ=0,487). This allows also confirming the second hypothesis of the research *H2: the characteristic of word of mouth communication message usefulness affects brand equity.*

In order to check the hypothetic statements set to elaborate the hypotheses H1 and H2, the correlation analysis between vividness of word of mouth communication message and brand equity dimensions and between the usefulness of word of mouth communication message and brand equity dimensions was done.

The results of correlation analysis revealed that the *vividness* of word of mouth communication message has positive relations with brand association, brand awareness, brand loyalty and perceived quality. The relations of all the variables were statistically significant (p<0,05), only the strength of their relation differed. The average relation was determined between the vividness of word of mouth communication message and brand association (ρ=0,419). The weak relation existed between the vividness of word of mouth communication message and brand awareness (ρ=0,322); between the vividness of communication message and brand loyalty (ρ=0,395); and between the vividness of word of mouth word of mouth communication message and perceived quality (ρ=0,345).

Besides, it was also determined that the *usefulness* of word of mouth word of mouth communication message has positive relations with brand association, brand awareness, brand loyalty and perceived quality. The relations of all the variables were statistically significant (p<0,05), only the strength of their relation differed. The average relations were determined between the usefulness of word of mouth communication message and brand association (ρ=0,479), the usefulness of word of mouth communication message and brand awareness (ρ=0,405); the usefulness of word of mouth communication message and perceived quality (ρ=0,423). The weak relation was encountered between the usefulness of word of mouth communication message and brand loyalty (ρ=0,217).

The regression analysis was used to determine the influence of independent variable on dependent variable. According to the research results, the determination coefficient of vividness of word of mouth communication message and brand equity ($R^2$ = 0,254) is suitable, because it exceeds 0,25, so the model of linear regression cannot be rejected as unsuitable. It was noticed that the determination coefficient is slightly higher than the acceptable norm. The vividness of word of mouth communication message explains 25,4 percent of data spread to brand equity: vividness of the word of mouth communication message causes 25,4 percent of brand equity. According to the ANOVA data, the regression straight line is suitable to forecast the value of brand equity because the F statistics is 0 (p<0,05). The standardized beta coefficient (β) coincided with vividness of word of mouth communication message and brand equity correlation coefficient (R=0,504). Its value (p=0,000) was lower than the acceptable level of significance. This allows stating that the evaluation of vividness of word of mouth communication message has influence on the prognosis of brand equity. This confirmed the *H1 hypothesis* once again*: vividness of word of mouth communication message affects brand equity.*

The calculation of linear regression between the usefulness of word of mouth communication message (independent variable) and brand equity (dependent variable) was also done in order to check the *hypothesis H2: usefulness of word of mouth communication message affects brand equity.* The analysis of regression data revealed that the determination coefficient of usefulness of word of mouth communication message and brand equity ($R^2$ = 0,251) was suitable and exceeded the acceptable norm only slightly. The usefulness of word of mouth communication message caused 25,1 percent of brand equity. According to the ANOVA data, the regression straight line is suitable to forecast the value of brand equity because the F statistics was smaller than 0,05. This confirmed the *H2 hypothesis* once again*: usefulness of word of mouth communication message affects brand equity.*

## Conclusions

The research results confirmed that both vividness and usefulness of word of mouth communication message characteristics give positive impact on brand equity and its dimensions in the case of our researched *Gucci* and *Dolce&Gabbana* brands. In the case of *Gucci* brand a positive correlation was found between the word of mouth communication message characteristic vividness and brand association, brand loyalty, perceived quality, and between the word of mouth communication message characteristic usefulness and brand association. Meanwhile, in

the case of *Dolce&Gabbana* brand, a positive correlation was found between the word of mouth communication message characteristic vividness and brand association, and between the word of mouth communication message characteristic usefulness and brand association, brand awareness, perceived quality.

The statistically positive relation of average strength was determined between the characteristics of word of mouth communication (vividness, usefulness) and brand equity dimensions (brand association, brand awareness, brand loyalty, perceived quality) after having analyzed empirically the influence of word of mouth communication message on brand equity with the help of correlation and regression.

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