FACTORS AFFECTING BRAND EQUITY OF CARBONATED SOFT DRINKS INDUSTRY: A STUDY OF COCA-COLA AND PEPSI FROM MALAYSIAN YOUTH PERSPECTIVE

BY

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ABSTRACT

The objective of this research is to identify the factors affecting the brand equity of carbonated soft drinks from Malaysian youth perspective in two specific cola brands namely; Coca-Cola and Pepsi. In this ongoing era, soda drinks both carbonated and non-carbonated have escalated in diverse formations coming from miscellaneous brands around the globe. However, talking about carbonated soft drinks, Coca-Cola and Pepsi have been the dominant brands across the world where civilizations exist including Malaysia where more than one in three Malaysian pupils consume at a minimum of one can of soft drink in a day. A self-administered primary data were collected through convenience sampling using questionnaire in universities and shopping malls. Data were collected from 300 respondents of different gender, educational level, different monthly income and profession who consume cola drinks in regular basis. Customer based brand equity model were used as conceptual framework and the independent and dependent variables are namely; brand loyalty, brand quality, brand awareness, brand association and brand equity. Data were analysed using descriptive and inferential analysis through Statistical Package for the Social Sciences (SPSS). From the findings of the analysis it was found that all the hypotheses are significant and are supported and accepted. The most effective factor that influence or affect brand equity was found to be the brand quality followed by brand loyalty and then brand association and brand awareness. This research will help the cola brands and the marketing managers to know about their market position and where they stand now in their consumer’s mind and how they can compete with the upcoming changes in the government rules regarding soft drinks and beverages.

خلاصة البحث

الهدف من هذا البحث هو تحديد العوامل التي تؤثر على المساواة في العلامة التجارية للمشروبات الغازية من منظور الشباب الماليزي في علامتين تجاريتين محددتين هما: كوكا كولا وبيبسي. في هذه الحقبة المستمرة، تصاعدت المشروبات الغازية وغير الغازية في تكوينات متنوعة قادمة من علامات تجارية متنوعة في جميع أنحاء العالم. ومع ذلك، عند الحديث عن المشروبات الغازية، كانت شركة كوكا كولا وبيبسي من العلامات التجارية المهيمنة في جميع أنحاء العالم حيث توجد حضارات بما في ذلك ماليزيا حيث يستهلك أكثر من واحد من كل ثلاثة تلاميذ ماليزيين على الأقل علبة واحدة من المشروبات الغازية في يوم واحد. وتم جمع بيانات أولية ذاتية الإدارة من خلال أخذ عينات من الراحة باستخدام استبيان في الجامعات ومراكز التسوق. وتم جمع البيانات من 300 من أفراد العينة من الجنس والمستوى التعليمي والدخل الشهري والمهنة الذين يستهلكون المشروبات الغازية (كولا) بشكل منتظم. وتم استخدام نموذج الأسهم القائمة على العملاء كإطار عمل مفاهيمي والمتغيرات المستقلة والتابعة هي: ولاء العلامة التجارية، وجودة العلامة التجارية، والوعي بالعلامة التجارية، والجمعيات التجارية والإنصاف في العلامة التجارية. وتم تحليل البيانات باستخدام التحليل الوصفي والاستدلالي من خلال الحزمة الإحصائية للعلوم الاجتماعية (إس بي إس إس). ومن نتائج التحليل، يجد أن جميع الفرضيات مهمة ومدعومة ومقبولة. وتم العثور على العامل الأكثر فاعلية الذي يؤثر على ملكية العلامة التجارية أو يؤثر عليها في جودة العلامة التجارية، يليه ولاء العلامة التجارية ثم الوعي بالعلامة التجارية ورابطة العلامة التجارية. وسيساعد هذا البحث العلامات التجارية لمديري الكولا ومديري التسويق في معرفة وضعهم في السوق والمكان الذي يحتلونه الآن في أذهان المستهلك وكيف يمكنهم التنافس مع التغييرات القادمة في القواعد الحكومية المتعلقة بالمشروبات الغازية والمشروبات.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion; it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing).

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

A brand is known as a product, a service or an idea that can be easily identified from other or different types of products, services or ideas which can also be promoted or marketed in a convenient method. A brand name is the name of a particular product, service or idea that makes it stand out among the other similar kinds of products, services or ideas (adapted from Aaker, 1991; Kotler, 1996). All organisations, regardless of span, size or sector, want to build or create a strong brand name in order to keep their product's name in the mind of the consumers. Out of many possibilities, a brand name can be used as a corporate identity as well as an individual product. For every brand that is created to achieve a mass demand in order to sustain in a competitive environment, it is mandatory to know how much value that the brand should have. According to Falkenberg (1996), "Developing the brand value is a key goal to be accomplished by increasing more great affiliations and sentiments of target shoppers". Thus, it is crucial to understand the procedure and application of how to measure the brand value not only within the local boundary but also across boundaries. For the past couple of decades, brand value has been playing a vital role and it has become a critical firm resource for both the management and advisors.

In the many debates that have been held on brands, the two frequently asked questions are "What makes a brand strong?" and "How do you build a strong brand?" Many researchers have attempted to answer these questions in different profound ways; however, the most prevalent is the customer-based brand equity (CBBE) model. This independent model particularly incorporates theoretical advances and managerial practices in understanding and influencing consumer behaviour. The customer-based brand equity model portrays a unique perspective to elucidate the meaning of brand equity and the way it should be constructed, evaluated, and organised.

This study is aimed at evaluating the factors that affect the brand equity of the carbonated soft drinks industry from Malaysian youth perspective. The soft drink industry faces intense competition coupled with decreasing demand for carbonates. Prominent brands in the industry are sustaining their position in this adverse scenario on the strength of the organisation's face value, product branding, and publicity tactics. Conventionally, soft drinks are commonly accepted as non-alcoholic drinks comprising syrup essence or fruit extract infused with water. Carbonated soft drinks are currently contemplated as thirst quenchers, sterilized and often indulged during joyous occasions. Traditionally, carbonated beverages are produced through the establishment of a licensing business in which the mother company imparts the formulations, reputation, expertise, and the licensing or bottling operation to the licensees for the production of the beverages for the market.

Currently, both carbonated and non-carbonated soft drinks have mushroomed in diverse forms, produced under various brands around the globe. Regarding carbonated soft drinks, Coca-Cola and Pepsi have been the dominant brands across the world including in Malaysia (Investopedia, 2019). In Malaysia, the carbonated soft drinks market has maintained increased demand throughout the years for the various types of soft drinks sold, as evidenced by the statistics from the National Health and Morbidity Survey (Adolescent Health Survey ,2017), which stated that one in three Malaysian pupils consumes at least one can of soft drinks in a day. It indicates that students, at their young age, are the main consumers of carbonated soft drinks in the country. Youth below the age of 25 years old formed a large proportion of Malaysia's population at 45% in 2015, as shown in the Food and Beverage Sector (2017/2018) report published by British Malaysian Chamber of Commerce (BMCC). It could be the primary reason for the dominance of carbonated soft drinks as the main soft drinks consumed in the country. According to the Food and Beverage Sector Report, this sector has a market size of US$6 billion globally with a growth rate of 7 percent to 10 percent in the year 2017/2018, and thereafter, the rate will remain consistent at 7 percent. There are many main manufacturers and distributors of soft drinks in Malaysia including F&N, which is a renowned processing and bottling company that distributes popular brands such as Coca-Cola, F&N Fun Flavors, 100PLUS, and Seasons & Fruit Trees. Yeo Hiap Seng is the second largest manufacturer and distributor of soft drinks in Malaysia, selling Yeo's Fizzi and Soy Rich in the soft drinks segment. Despite the presence of several local brands, Coca-Cola and Pepsi remain the leaders in the carbonated soft drinks industry.

The decision making regarding the drinks depends on various aspects. Brand equity plays an important role in purchasing soft drinks. Popular brands' face value pushes patrons towards making the final purchase decision and consumption of a particular product. This research portrays that the brand is a possible determinant of consumers' selection of soft drinks.

1.2 STATEMENTS OF THE PROBLEM

For decades, organisations have aimed to establish strong brands that will help them maintain a competitive position in the market. A firm owning a strong brand with unshaken brand equity has a huge advantage in terms of having greater customer loyalty, lower competition, critical marketing actions, higher profit margins with positive responses from consumers towards price increases or decreases, huge mutual support from trade associates or intermediaries, as well as greater efficacy of marketing communication, licensing and brand extension opportunity. In the past fifteen years, brand equity has become an intangible firm resource due to its advantages and increasing importance to managers and marketing researchers. Brands that hold a strong equity with a high level of recognition and a strong position in consumers' minds can facilitate firms in attaining excellent performance which includes greater market share, high price premiums, inelastic price sensitivity, new business expansion, higher profitability, flexible cost structures, and greater competitive advantages (Keller & Lehmann, 2003; Vazquez et al. 2002).

For companies, the main targets are to increase their sales and generate growth opportunities, and their product is the key in fulfilling these aims. A product is manufactured and marketed to fulfil consumers' needs and wants and to satisfy their expectation. A brand is a specific product under the company's name, and a strong brand is the key to increasing the value of the company (Cravens & Piercy, 2009). Recently, beverage companies like Coca-Cola and Pepsi have been triumphant in their strategic brand management. Companies are now under tremendous pressure to maintain their brand value in the market. Building brand loyalty has become a focus point to gain market share in the competitive market in the same industry. In Malaysia, the soft drinks industry is ruled by the local brands rather than the renowned international brands. Thus, it is crucial for Coca-Cola and PepsiCo to ascertain the key factors that affect their brand equity and how they can rule over the local brands. As stated in Fraser and Neave's Annual Report (2014), in the isotonic drinks category, 100PLUS is dominating the market with 90% of the market share, and its sales surpasses leading global brands such as Coca-Cola and Pepsi in the soft drinks segment. Thus this indicates the first problem to be solved by this study that is, how two leading brands namely, Coca-Cola and Pepsi can compete to increase their brand equity against the local brands.

According to Reynolds and Phillips (2005), “Over the last 15 years, brand equity has become more important as the key to understanding the objectives, mechanisms and net impact of the holistic impact of marketing”. Thus, it can be said that brand equity measures have now become crucial criteria for examining marketing performances (Ambler, 2003). Despite the numerous studies conducted in this area, no conclusion has been reached on brand equity (Berthon et al., 2001). Studies have been conducted to measure and examine the impact of brand equity dimensions on the overall brand equity in different sectors and different industries. Yoo and Donthu (2001) carried out a study to determine the relationship between brand equity dimensions and the construct’s invariances in product brands for films, jeans and athletic shoes among different cultures where they found out that brand awareness and association fell into same dimension. Subsequently, Christodoulides et al. (2006) measured brand equity dimensions for an online platform via expert interviews, and the dimensions he discovered are emotional connection, online experience, responsive nature, trust, and fulfillment where the most effective dimension was emotional connections.

Vadivelu Thusyanthy (2018) researched the impact of health consciousness on customer-based brand equity in the carbonated soft drinks industry in Sri Lanka by using health belief model theory where the result shows that, the degree of health consciousness and customer based brand equity are in low level and moderate level on the other hand health consciousness has significant positive impact on customer based brand equity.

Meanwhile, Haslenda Yosup and Norshahniza Sahari (2015) studied the correlation between brand equity dimensions and brand equity for the beverage industry in Malaysia where the study shows that out of all the dimensions of brand equity, brand awareness and brand loyalty had the maximum effect on overall brand equity. However, these studies are not specific to the soft drinks industry, particularly the cola drink category amongst Malaysian Youth indicating it as another problem to pursue this study.

This study aims to examine the impact of different factors on the brand equity of the carbonated soft drinks industry amongst Malaysian youths. It is also aimed at finding out the brand equity of two leading cola companies, namely, Coca-Cola and Pepsi, as Coca-Cola has more than 700 thousand employees and 5000 brands throughout the world, thus becoming world's leading soft drink manufacturer (The Coca-Cola Company, 2018) on the other hand PepsiCo.Inc owns 24 billion dollar brands (Ivestopedia, 2019) making it another large company worldwide.

Carbonated soft drinks are consumed by 41.66% of Malaysian consumers (Statistics Research Department, 2017). The alarming consumption of high sugar content drinks is making Malaysia one of the fattest countries in the world (World Health Organization, WHO, 2017). WHO found that the prevalence of obesity among youth in the age group of 5–19 years was 7.7% in 2006, but it had increased to 12.7% in 2017. Thus, WHO has stressed upon countries to impose tax on drinks and also to increase the price of drinks containing sugar. For brands like Coca-Cola and Pepsi, it will be an alarming situation if the Malaysian government imposes tax on soft drinks. The international survey agency, YouGov, conducted a poll among readers of the STAR, which is an online-based news portal. Their results, published in June 2019, showed that 59% of the 1022 respondents said they would drink less soft drinks and

13% said they would stop drinking sugary beverages. Among them, 25% said it will be a beneficial movement by the government to impose sugar tax on soft drinks, while 35% said imposing sugar tax will have a huge negative impact on businesses, especially the soft drinks industry. Thus, brands like Coca-Cola and Pepsi might be facing a huge obstacle to secure their business in Malaysia if the sugar tax is imposed. Therefore, these organisations need to know the factors affecting their brand equity in order to continue their business and to formulate new strategies to improve their brand value even after the implementation of the sugar tax stipulating another problem to be solved through this study. This study might provide useful information to these two organisations in addressing the potential problem by giving them insights about their own brand's brand equity dimensions.

1.3 RESEARCH OBJECTIVES

1.3.1 General Objective

The general objective of this study is to examine the effect of various factors of consumer-based brand equity — CBBE (brand loyalty, brand quality, brand awareness, and brand association) on brand equity.

1.3.2 Specific Objectives

The following specific objectives are pursued in this study:

1. To examine the impact of brand loyalty on brand equity.
2. To examine the impact of brand quality on brand equity.
3. To examine the impact of brand awareness on brand equity.
4. To examine the impact of brand association on brand equity.
5. To examine which independent variable has more effect on brand equity.

1.4 RESEARCH QUESTIONS

With these objectives in mind, this study is aimed at answering the following questions:

1. What is the impact of brand loyalty on brand equity?
2. What is the impact of brand quality on brand equity?
3. What is the impact of brand awareness on brand equity?
4. What is the impact of brand association on brand equity?
5. Which of independent variable has more effect on brand equity?

1.5 SIGNIFICANCE OF THE STUDY

Throughout the centuries, the concept of brand equity started to be used widely by advertising practitioners. They have conducted many studies in this area because of their interest in the brand equity concept. Many approaches have been used to measure the customer-based brand equity for different industries. The reason behind the measurement is the increasing demand of today's market place to gain competitive advantage by developing, maintaining, and utilising product branding. Several academicians and researchers have contributed to the field of brand equity and explored the dimensions and measures, such as Aaker (1991), Srivastava and Shocker (1991), Kaperer (1992), and Keller (1993, 1998). However, researchers are still struggling to define the brand equity concept, meaning, and the measurement techniques (Washburn, 2002). Previously, different financial techniques were used to measure the brand equity (Farquhar et al., 1991; Simon & Sullivan, 1990; Kapferer, 1997). In recent years, researchers are focusing not only on the financial perspective of brand equity but also on the customer-based perspective with attention given to the impact of brand preferences, purchase intention, purchasing behaviour, and purchase alliances (Alba, 2000; Cobb-Walgren et al., 1995).

Renowned and more established brands have a huge advantage of a high market share because they can utilise the distribution channels well. Usually, strong, well established brands have an advantage in terms of the shelf space for fast moving consumer goods (FMCG) where the competition is high, especially for beverages and the likes. For such brands, consumer demand will always be high, which in turn will influence the distributors, wholesalers, and retailers to carry those brands. They will partner with such strong brands even if the products are not purchased frequently or have a low market share because they know that the products will be sold because of the brand name. Thus, all of these factors indicate the advantages of establishing a strong brand, and the opportunity to build a competitive advantage has motivated marketers to focus their attention to the idea of brand equity.

1.5.1 Practical Significance

Malaysians are now concerned about their health, as confirmed by the survey done by YouGov (published in June 2019). From the survey, it can be seen that 64% of the respondents are well aware of the tax that will be imposed on sweetened beverages, as announced by Finance Minister Lim Guan Eng in the 2019 Budget. The survey found that 20% of the respondents consume soft drinks several times in a week or month, 6% consume them several times a day, and 8% consume them at least once a day. These low percentages could be a cause for concern for beverage companies like Coca-Cola and Pepsi. This study is aimed at helping these two companies in terms of knowing their current brand equity and the factors affecting their brand equity so that they can make insightful decision to strengthen their position among the local brands as well as ensuring their business will sustain even after the imposition of the sugar tax by the government.

1.5.2 Theoretical Significance

Thus study aims to determine the direct effects of different factors on the brand equity in the soft drinks industry context and figure out whether the outcome of the customer-based brand equity scale derived from Aaker's (2000) brand equity model is consistent in the case of the soft drinks industry from Malaysian youth perspective. From the managerial point of view, the current study facilitates researchers, wholesalers, retailers, and marketers in keeping on track and targeting their customers based on who they are, and it will help them in identifying the factors that build a strong brand and what triggers the customers to be loyal to a particular brand. Focusing on different strategies to build a brand could be a waste of money and time; rather, this study aims to guide them on how to develop strategies to strengthen their brand in consumers' mind.

1.6 DEFINITIONS OF KEY TERMS

The key terms that are used throughout the study are defined and described in order to recognize and comprehend the relevant concepts and terms utilized in the current study for better understanding. Below is the list of key terms:

Brand Equity

According to Aaker (1991), brand equity is "a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firms' customers".

Customer Based Brand Equity

According to Washburd and Plank (2002), "Customer-based brand equity is defined from the perspective of the customer and is based on consumer knowledge, familiarity and associations with respect to the brand".

Brand Loyalty

According to Solomo Marshall and Stuart (2012), "Brand loyalty is a pattern of repeat product purchases, accompanied by an underlying positive attitude towards the brand, based on the belief that the brand makes products superior to those of its competition."

Brand Quality

A brand's perceived quality can be defined as "The customer's judgement about a product's overall excellence or superiority in comparison to an alternative brand and the overall superiority that ultimately motivates the customer to purchase the product" (Aaker & Johnson, 1994).

Brand Awareness

Brand awareness is known to be a crucial determinant of brand equity that helps an individual to recall and recognise a brand (Aaker 1996; Keller 2003; Yoo & Donthu, 2001).

Brand Association

According to Aaker (1991), "Brand associations create value for the firm and its customers by helping to process/retrieve information, differentiate the brand, create positive attitudes or feelings, provide a reason to buy, and basis for extensions."