

## Designing the Model of Factors Affecting the Customer Based Brand Equity on Brand Performance in the Cosmetics Market

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**Abstract.** Over the past few years, many organizations have come to believe that the brand of their products and services is one of their most valuable assets. Therefore, it must be said that the brand is an asset that has a significant part of the value of the property of institutions and organizations. In this research, the building brand equity (BBE) from the customer's perspective and brand market performance (BMP) have been investigated and identified, selected, eventually reached the operational stage, and then evaluated how the impacts and their relationship with each other resulted in the presentation of a model that the model has

been tested in the cosmetics industry in Tehran. The statistical population of this study was all customers of cosmetic products in Tehran city in 2018 who were selected by random cluster sampling method. A sample of 550 customers from ten brands, which has about 80% of the market share, was selected. In this research, the obtained data were collected through a questionnaire as well as secondary information and then tested using structural equation modeling and focal correlation analysis. Finally, all proposed structures of the research were confirmed after analyzing the factor. According to the path analysis conducted at the customer level, only two hypotheses were not approved. At the brand level, all four hypotheses were confirmed by the focal correlation analysis. Based on the findings of the research, the proposed model was confirmed by the researcher and practical and research suggestions were submitted for managers and researchers.

**Keywords:** Information Technology; Information Quality; Accounting; Transfer Speed

## 1. Introduction

One of the tasks of the senior management of any organization that can be mentioned is the creation of powerful brands that can improve their power capabilities over time in addition to fulfilling their obligations (Keller, 2003). Brand equity has been proposed as a benchmark for measuring the strength of brands, which has evolved over the past decades (Kotler, 2006). Kotler (2008) states that the most valuable asset that a company can have is brand equity. Therefore, measuring and managing this asset can be an important ground for both academics and industry activists. The studies in this regard have examined this field from two views of customer/brand perspective. Most of the time two main questions come to mind in the field of brands. First, what factors lead to the emergence of brand strength? Secondly, how can a strong brand be created? In order to answer these two questions, the customer-based brand equity (CBBE) was introduced. This model integrates advances, theoretical studies, and the model of managerial experience to understand and influence customer behavior. The model (CBBE), as its name implies, examines brand equity from the perspective of its customers (whether individual or organizational). The foundation of the

CBBE model is that brand strength in the background is learned lessons, emotions, feelings, observations, hearings, and also the experiences of hidden brand customers. Although current types of research have focused on constructing and conceptualizing brand equity, there is no consensus on how to measure it and what constituents and criteria should be included in its measurement process (Bailey & Ball, 2006; Jensen and Klastrup, 2008; Atilgan et al., 2009). Each of the customer-based

## **2. Literature review**

Brand is considered as one of the most important and valuable intangible assets of a company, which leads to an appropriate position in the minds of customers, and customers are also try to find out more about the brand value and use the products of a particular brand. Brands have a social nature. A brand will be successful if the people of the community are dependent on it and also have a sense of ownership and consider that brand as part of their assets. In a large number of markets, the brand creates a particular identity for a product and connects them to a specific category of society. Relationship with customers and commitment through their brand leads to satisfaction and ultimately customer loyalty. Research results show that familiarity and subjective image are two prominent elements that explain loyalty in each brand, although both consumer value and brand value have the effect of interference on brand loyalty. Also, some researchers believe that in order to improve brand equity, it should be noted that it is distinct from other brands (Kang et al., 2017). On the other hand, brands can be successful in a society that has a special value for customers and has a decent position in the minds of customers (Hin Berg et al., 2016). Therefore, paying attention to brand value is one of the most important goals in recruiting activities that should be considered in order to improve brand performance while improving sales performance (Jane et al., 2016). Brand performance will push companies to sell more and will in some way create competitive advantage for organizations among other brands (Vargo and Lusch, 2016). Researchers believe that once a brand is valued that has good performance and can bring that brand to customers (Zhang et al., 2016). Therefore, brand equity can be affected

by brand performance. In the discussion of brands, two main questions are often raised in the mind, "What causes brand strength? And how can you create a strong brand?" In order to answer these two questions, the customer-based brand equity (CBBE) was introduced.

### **3. Method**

This research has employed a developmental research in terms of purpose because it seeks to investigate and validate the relationship model between CBBE and BMP, and also considering the applicability and testing of the model in a particular industry to the applied research dimension. This research is also survey-correlation type in terms of collecting data based on structural equation model at customer level and focal correlation analysis at the brand level. The statistical population of this study is all customers of cosmetic products in Tehran in 2018. In order to collect the samples, a random cluster sampling method is used. The size of the research sample is considered as much as 550 according to the sample size table of Morgan (1970) and also considering the number of parameters of the structural model of the research. The family of cosmetic products is considered generally and regardless of product type, and includes ten brands that have a variety of products and a good share of the market in the family of these products. The number 10 is also due to the minimum number of samples needed to use the focal correlation analysis at the brand level. These brands include Maybelline, Urban Decay, Cover Girl, Avon, Revlon, Etude, Mac, L'Oreal, Oriflame, and Clinique that have the most frequent consumption in the city of Tehran. The data collection tool for measuring the objective structure of brand performance in the market (MS2-OBMP2), the secondary data of the relevant authorities (Ministry of Commerce, Ministry of Industry, Stock Market, Cosmetics Trade Union and Documentation Association and research conducted by companies Brand owner), and if needed, interviews with the industry involved people. The collection tool for data on CBBE and CBE structures and subjective brand market performance is the questionnaire in this research. In the design of the questionnaire, standardized scales were used in foreign studies as well as using expert opinions. The model

shown in Fig. 1 the general model of research in two levels of conceptual and detailed.

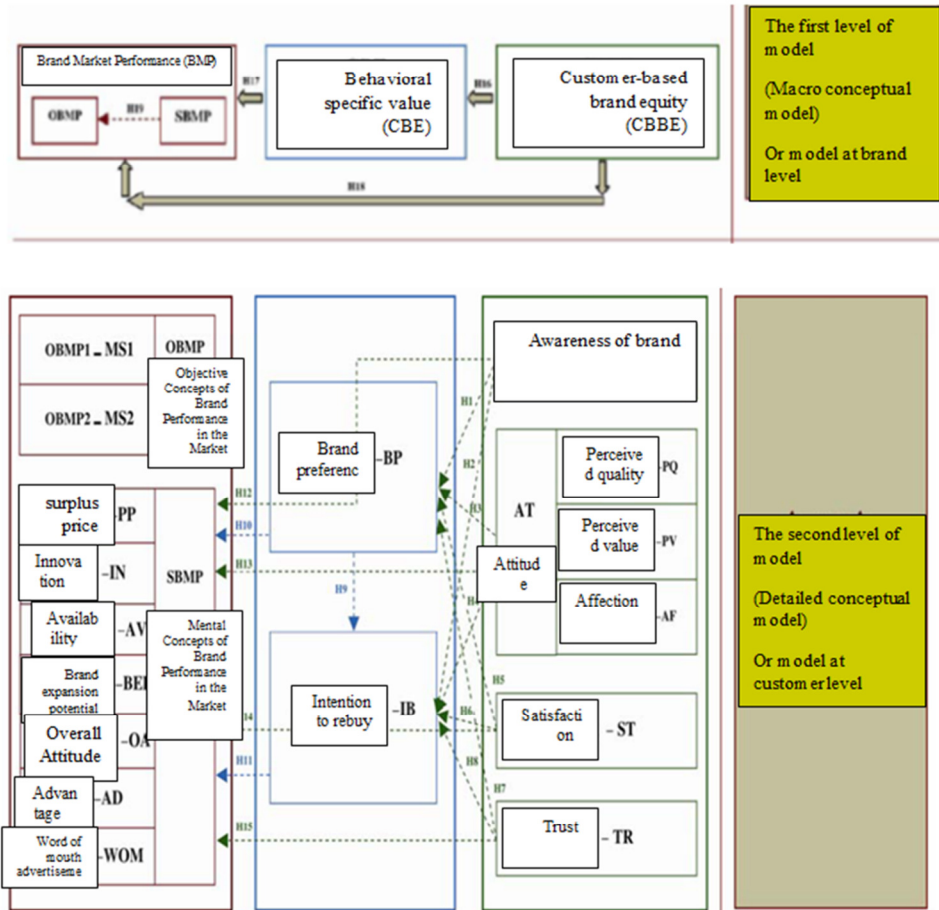
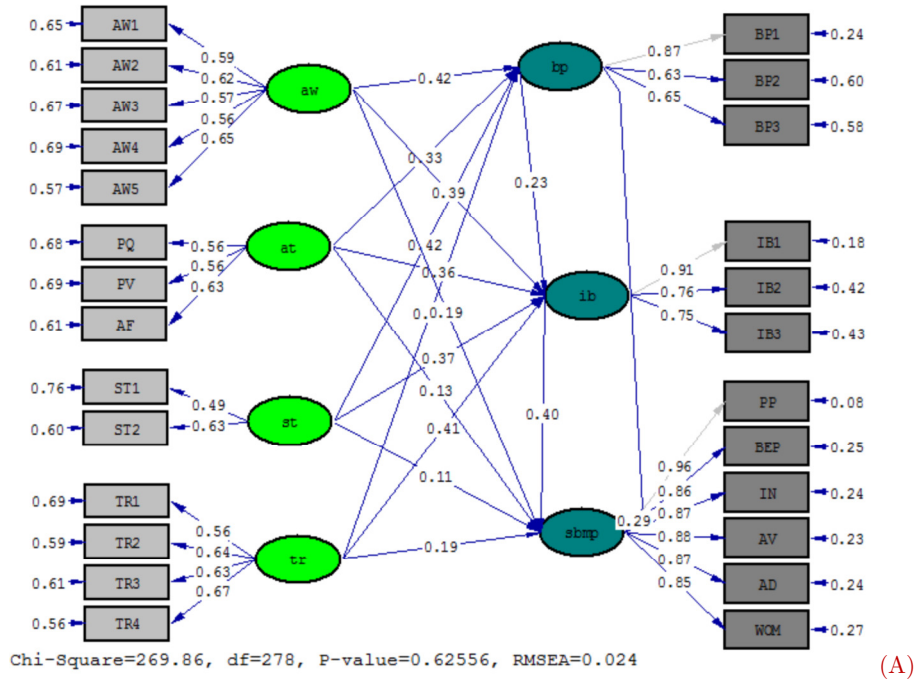


Fig. 1. Research model

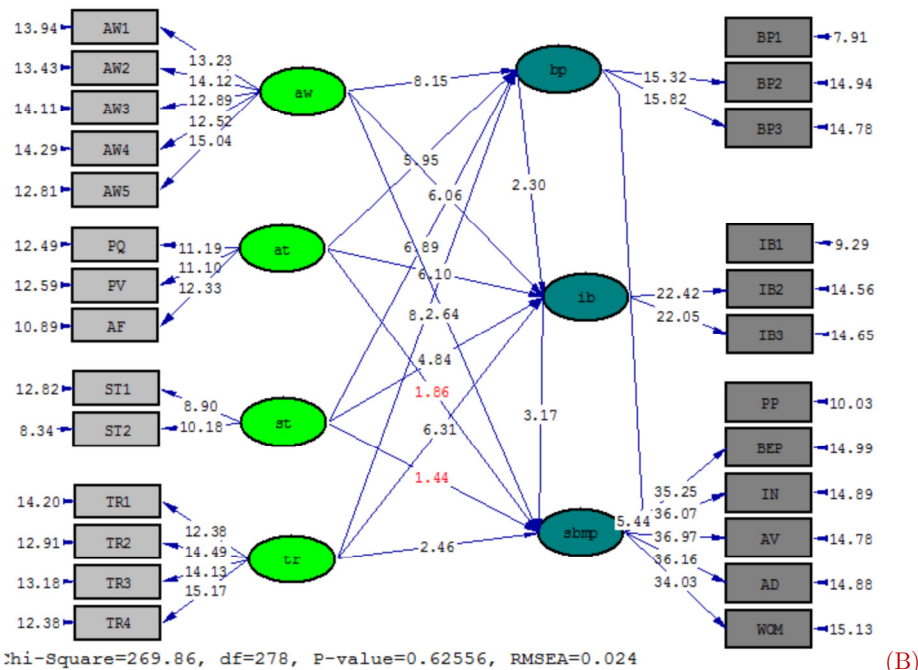
#### 4. Findings

The ANOVA test results show that only three variables have significant differences between brands for each of the variables as the significant value of variance analysis was less than 5%. These three variables are brand awareness, perceived quality, and intention re-buy. By analyzing the results of ANOVA test, it can be observed that the difference between the objective performances of brands for each of the variables is

significant as the significant value of variance analysis was less than 5%. These three variables are the potential for brand extension, availability, and advantage. The KMO-Bartlett test was performed for the research variables. The KMO value for all variables is greater than 0.7 and the significant number of Bartlett test is as much as ( $P < 0.05$ ). It should be noted that in order to perform a factor analysis for all variables, the data are suitable and have all the necessary conditions. The results of the initial results for the research variables showed that given that the number of primary shared values except for the satisfaction and mental performance of the brand is greater than 0.5, questions related to other variables of research are suitable for factor analysis. The initial results for this satisfaction structure also indicate the relevance of the questions in the process of factor analysis (except for the third question because the question was reversed) as the primary shared is more than 50%; therefore, the third question of the factor analysis process is eliminated. The shared results indicate that the appropriateness of the indicators of brand objective performance structure in market in the factor analysis process (except oa) as the shared value of the indicators is more than 50%. Therefore, the oa structure is eliminated from the process of factor analysis. The analytical results of the total table of variance explained for each of the variables in the research also show the proper validity of structural questions. The results of correlation analysis show that there is a positive and significant correlation between the attitude dimensions through binary method, which means that any improvement or increase in one dimension of the attitude is associated with the improvement and increase in other dimensions. The highest correlation was found between perceived value and affection (0.82). With regard to the results of exploratory and confirmatory factor analysis, and given that the coefficients of the measured model are significant, it can be said that the measurement of this structure is done correctly and these structures can build the dimensions of a more general structure called AT, and it is also possible to use the structure in future research. One of the most important of which i.e. affection can be useful in marketing and advertising programs. The standard estimation model of significant numbers of path analysis at the customer level is observed in Fig. (2).



(A)



(B)

Fig. 2. Standard estimation model

The results of the path analysis performed to examine the rejection or confirmation of the hypotheses are presented in Table (1) and as can be observed, all hypotheses have been confirmed except for the two hypotheses.

**Table 1.** The results of testing the model hypotheses at the customer level

Hypothesis	Nonstandard Estimated value	Observed significant value	Table of significant value	Hypothesis result
bp on Aw	0.46	8.15	1.96	confirmed
bp on At	0.36	5.95	1.96	confirmed
bp on St	0.46	6.89	1.96	confirmed
bp on Tr	0.49	8.76	1.96	confirmed
ib on Aw	0.35	6.06	1.96	confirmed
ib on At	0.33	6.10	1.96	confirmed
ib on St	0.33	4.84	1.96	confirmed
ib on Tr	0.38	6.31	1.96	confirmed
sbmp on Aw	0.65	2.64	1.96	confirmed
sbmp on At	0.43	1.86	1.96	rejected
sbmp on St	0.38	1.44	1.96	rejected
sbmp on Tr	0.64	2.64	1.96	confirmed
ib on Bp	0.19	2.30	1.96	confirmed
sbmp on Bp	0.92	3.17	1.96	confirmed
sbmp on Ib	1.51	5.44	1.96	confirmed

Aw on ib has a positive and indirect effect as much as 0.09. at on ib has a positive and indirect effect of as much as 0.07. st on ib has a positive and indirect effect as much as 0.09. tr on ib has a positive and indirect effect as much as 0.09. Aw on sbmp has a positive and indirect effect as much as 0.81. at on sbmp has a positive and indirect effect as much as 0.93. st on sbmp has a positive and indirect effect as much as 1.06. tr on sbmp has a positive and indirect effect as much as 1.16 and Bp on sbmp has a positive and indirect effect as much as 1.20. The focal correlation analysis method was used at the brand level and for the ten selected brands that have been considered as the market share variable with two market share structures derived from secondary data (MS2) and market share from research sample (MSI). Given the nature of the data and



using the focal correlation analysis, the results of the model analysis at the brand level are shown in Table (2).

**Table 2.** Data structure for focal correlation analysis at brand level

BMP		CBE		CBBE				Data structure	
Obmp	sbmp	bp	Ib	Tr	st	at	aw	brand	number
24.6950	3.5070	3.4970	3.5576	3.6281	3.7091	3.4364	4.1083	L'Oreal	1
13.6550	3.5885	3.5179	3.7917	3.6901	3.6727	3.5614	4.0298	<b>Etude</b>	2
13.6000	3.6764	3.5850	3.9000	3.8265	3.8000	3.6400	4.1230	Revlon	3
6.1800	3.4643	3.3851	3.7011	3.6882	3.6667	3.5805	3.8655	Avon	4
3.6850	3.3818	3.2579	3.5067	3.6078	3.5385	3.4182	3.6472	Cover Girl	5
4.1850	3.4016	3.2767	3.5975	3.7157	3.6415	3.4843	3.7160	Oriflame	6
2.5900	3.3096	3.1500	3.5667	3.4915	3.5625	3.4286	3.8130	Urban Decay	7
5.5000	3.3370	3.1438	3.4379	3.4690	3.4902	3.3301	3.8467	Maybelline	8
3.8650	3.4614	3.2579	3.5975	3.7280	3.8208	3.5975	3.8340	MAC	9
3.2800	3.4360	3.2909	3.5455	3.5788	3.6818	3.4727	3.8491	Clinique	10

The findings showed that there is a significant relationship between the set of elements of the CBBE variables and the CBE set of elements and they have a positive effect on each other. The strongest relationship was between at and ib as much as 0.86 and the lowest was between aw and ib as much as 0.62. The highest correlation was between bp variables from CBE and obmp1 as much as 0.894, and the lowest relationship is between ib and obmp2 as much as 0.137. There is a significant relationship between the CBE and the OBMP elements and the CBE and OBMP components have a positive effect. The greatest relationship was between the variables aw and the obpl1 as much as 0.821 and the lowest relationship was between at and obmp2 variables as much as 0.0081. The 83.278% of 100% of BNF variations are explained by CBBE variables, which is high, indicating that the choice of CBBE variables for OBMP prediction has been done correctly. The highest correlation was between av and obmpl variables as much as 88%, and the lowest relationship is between Pp and obmpl variables as much as 1%. 92.36% of 100% of obmp variations are explained by sbmp, which is high, indicating that the choice of SBMP variables for OBMP prediction has been done correctly.

## 5. Discussion and Conclusions

Investigation indicated that the amount of cosmetic consumption per head among women was related to the educational variable and the joint effect of education and income, but this relationship was not directly observed with the independent variable of income. It was also shown that per capita consumption of respondents in this study is about 12.7 grams per month, which is the most consumable product among the statistical population were the eye and eyebrows and then the eyelashes. Marker share results based on the presence of at least one product from a brand in the customer portfolio also shows that the three brands of Etude, L'Oreal, and Revlon have the highest market share, respectively, and the separated share of the products of these three brands in the market represents the strength of each one. With this description, it can be said that the strength of Etude brand in the market is related to nails and then, eye, eyebrows, and eyelashes. L'Oreal group has the most strength in eye, eyebrows, eyelashes, lips, and hair products, Revlon has a good position in lips and cheese products. Among the CBBE-shaping variables and at the customer's level, TR and AW variables are more important than others in influencing SBPM and IB BP. Considering the effect of these structures on the subjective brand market performance, it is clear that long-term effects over other variables have a long-term effect on the overall performance of the brand on the market. Therefore, companies that can get a better position on both sides will have better conditions in the long run., is performed through binary method. Results show a high and significant correlation between this test and MCBBE with MCBE and MCBE with MBMP and MCBBE with MBMP. This means that up to 81.63% can predict BMP by CBBE, or estimates that companies seeking to improve their performance should regularly evaluate customer perceptions and preferences in order to make optimal strategic decisions at the brand level. Given the simplicity of calculating these indices as a council, these new indicators will help managers to know about the status and position of their brand equity and, as a result, their brand position in the market (present and future) and consider the predictions needed. But what matters in this respect is the improvement of brand performance because the main purpose of the brand equity is to create a distinction in the minds of customers to

increase sales of their products, which is an indication of improved brand performance in the minds of customers. It seems that paying attention to the brand personality will play an important role in improving brand equity, and it is necessary for companies selling cosmetics and cosmetics to focus on brand equity by improving brand equity through differentiation so that a brand is known as a particular brand and distinguished from other brands. Therefore, a strong and proportional brand personality can drive customers towards product use, because the person has the feeling that the brand personality is reminiscent of and appealing to his own personality. If the characteristics and behavior of the brand or indeed the marketing activities of that brand were in contrast to consumer perception of the brand personality, will make consumers simply put aside the brand because they will no longer credit for the brand personality. Hence, the brand personality framework can be used to create a subjective image for customers, ads, and many other areas related to product and brand management.

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