

The effect of promotion mix the intention of buying stocks with an emphasis on brand equity (Case Study: Tehran Stock Exchange)

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Abstract

The present study investigated the relationship between brand equity and its dimensions based on Aker's model (brand awareness, brand association, brand perceived quality, and brand loyalty) with repurchase intention among shareholders in the Tehran Stock Exchange. This study is an applied research in terms of its objectives and a causal-descriptive research that employed a survey (field data) technique. The research population included all institutional shareholders and brokers in the Tehran Stock Exchanges. As the research population was unlimited, 384 shareholders and brokers were selected based on Morgan table as the respondents in the research sample. The data were collected through questionnaires and were analyzed using univariate regression analysis, independent samples t-test, and analysis of variance (ANOVA) through SPSS software. Besides, Smart PLS software was used to test measurement and structural models. The results indicated that the promotion mix has an effect on brand equity and intention to buy shares on the stock exchange. It was also noted that brand equity and has a positive significant effect on intention to purchase shares.

Keywords: promotion, brand equity, stock purchase intention, Tehran Stock Exchange

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1. Introduction

Brand as the most valuable intangible assets of any company because of the tremendous advantages that creates plays a major role in the success of companies and establishing effective communication with customers. Thus, building and maintaining a proper branding position in the minds of consumers to influence decision-making and their purchase intention is one of the major goals of marketers. In the recent years, the important role of intangible assets in the effectiveness of activities, creating and maintaining financial performance of businesses at different industrial levels is known to anyone. The recognition of this role has increased organizations' needs to assess the position of their own brands against those of their competitors and has reminded them of the necessity of measuring the brand value using the most modern qualitative and quantitative techniques and tools. The achievement of competitive advantage in the modern world is not possible only by relying on functional features of products and services but today brand is considered as the most important factor that distinguishes a company from its rivals. Customers attach significant value to their popular brands and marketers being aware of this try to promote their own brands in different brand positioning stages. A successful brand positioning requires assessing and measuring models that are able to distinguish properties of a given brand among properties associated with other brands. Brand management efficiency will lead to customer loyalty. In some cases, managers in addition to the use of extensive media campaigns try to maintain consumer loyalty by improving direct communication and interaction with their consumers. Brand loyalty results in important marketing advantages such as cost reduction, increased trade power, customers' invulnerability against rivals' positioning, and making more profits. Customers in the service sector are facing more complexities than in other sectors and often run into difficulty when assessing before, during, and after consumption quality, and this increases purchase and service use risks. Brands are able to deliver the culture of services and values to customers. In financial markets, a sound understanding of investors' behavior in the market can significantly contribute to financial market planning and the mobilization and allocation of financial resources to appropriate marketing activities to attract investors.

Given the significance of measuring brand equity and the impact of marketing activities as the most important action taken by the organization to maintain and supports its brand and products on the purchase intention, the present study tries to address the following questions:

- What is the impact of components of brand equity on shareholders' purchase intention in the Tehran Stock Exchange?
- How does promotion mix affect brand equity and thus shareholders' purchase intention in the Tehran Stock Exchange?

2. Literature Review

Ebrahimi et al., (2014) studied the role of service quality in creating customers' brand preference and purchase intention in the Iranian banking industry. Their findings showed the significant impact of service quality on perceived value. In addition, service quality and perceived value were found to have a significant effect on brand equity. Finally, brand preference was shown to have a significant effect on customers' intention to buy. Now'pasand et al., (2013) examined the impact of marketing mix on creating brand equity in educational institutes (case of language learning institutes). Their results suggested that educational services, service delivery process, people, and promotion have a significant positive effect on brand equity. Besides, educational services offered by the institutes under study were found to be the most influential factor affecting brand equity. Bozorgi Makrani et al., (2012) studied factors affecting customers' attitudes and intention to buy fake luxury brands in the apparel industry in Sari. The results suggested that factors such as personal satisfaction, value awareness, price-quality impression, social effect, moral issues, subjective norms, perceived risk, and brand awareness have a significant effect on attitudes toward fake products. However, brand image, brand loyalty, and risk aversion had no significant effect on attitudes toward fake products. In addition, it was found that attitudes toward fake products can significantly affect intention to buy these products. Azizi et al., (2011) investigated factors determining brand equity with the financial approach in companies listed in the Tehran Stock Exchange. The results indicated that advertising intensity ($\beta = 0.246$, $t = 2.252$), the corporate lifetime ($\beta = 0.209$, $t = 2.26$), and brand lifetime ($\beta = 0.045$, $t = 3.326$) have a positive impact

on brand equity. However, the market share was found to have no brand equity ($P > 0.05$). Soleimani Beshli and Talebi (2011) studied on the effect of advertising and promotion on brand equity. Their results showed that advertising and promotion activities had a positive effect on brand equity in banks. Senthilnathan and Tharmi (2012) examined the relationship between brand equity and intention to buy children soap selected brands. The result of the study indicated a strong relationship between the dimensions of brand equity (brand awareness, brand loyalty, brand association, perceived quality of the brand) and intention to buy the product. In addition, perceived quality of brand was scored highest, while brand associated received the lowest score.

Nigam and Kaushik (2011) studied the effect of brand equity on the customer's intention to buy in the Indian automotive industry. The result showed the impact of brand equity on customer purchase intention. However, it was emphasized that companies must focus on building customer loyalty.

Gil et al., (2007) investigated the family as a barrier to customer-based brand equity. They included family for the first time as a variable in Aaker's model. Aaker (1991) addressed the brand equity management. The results of the study indicated that brand equity directly adds value to the company by supporting customer value.

3. Research hypotheses

The components of customer based brand equity and their impact on the purchase intent in the Tehran Stock Exchange, Aaker's (1991) model was used. Accordingly, the following hypotheses were developed and tested in this study:

H1: Promotion mix has a significant positive impact on customer purchase intention in Tehran Stock Exchange.

H2: = Promotion mix is a significant positive impact on the creation of brand equity in Tehran Stock Exchange.

H3: Brand equity has a significant positive impact on customer purchase intention in Tehran Stock Exchange.

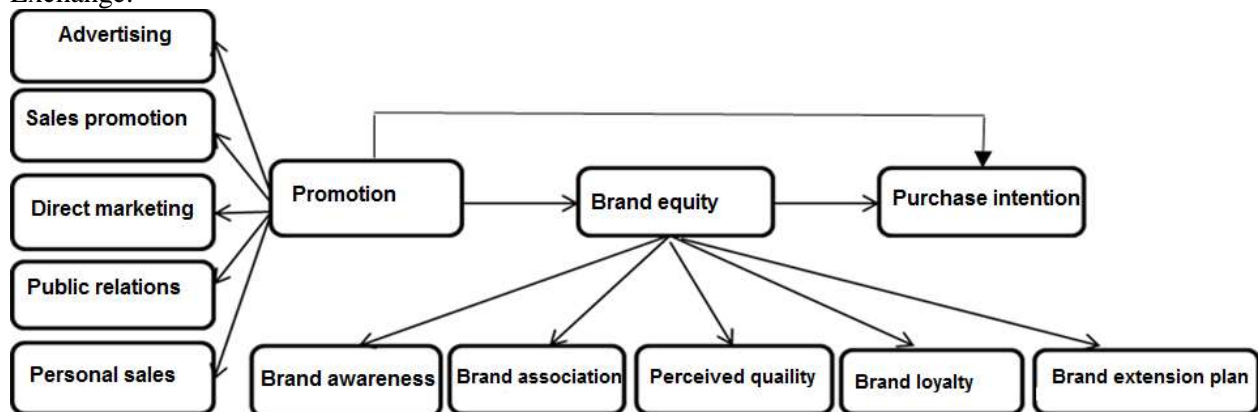


Figure 1: Conceptual model of the study

5. Research method

The present study is an applied research in terms of the objectives it follows and uses a descriptive-causal research design. The collected data are analyzed using path analysis, covariance analysis, and structural equation modeling. The data were collected using filed (survey) techniques. The research population included all institutional shareholders and brokers in the Tehran Stock Exchanges. As the research population was unlimited, 384 shareholders and brokers were selected based on Morgan table as the respondents in the research sample. After distributing the questionnaires among the respondents, 325 questionnaires were returned back and used for data analysis. Table 1 shows how the items were formulated in the questionnaire:

Table 1: Sources of items used in the questionnaire

Variable	References
Advertising	Boyle et al., (2013), Yu et al. (2000)
Personal sale	Boyle et al., (2013)
Sales promotion	Boyle et al. (2013), Yu et al. (2000)
Public relations	Boyle et al. (2013), Yu et al. (2000)
Direct marketing	Boyle et al. (2013), Yu et al. (2000)
Purchase intent	Shim et al. (2008)
Brand loyalty	Aaker (1991), Boyle et al., (2013), Yu et al. (2000), Popper et al., (2005)
Perceived quality	Aaker (1991), Boyle et al. (2013), Yu et al. (2005),
Brand associations	Aaker (1991), Boyle et al. (2013), Yu et al. (2005)
Brand awareness	Aaker (1991), Boyle et al. (2013), Yu et al. (2005)

The composite reliability of the questionnaire was measured using Cronbach's alpha coefficient and the construct validity of the questionnaire was checked and confirmed through convergent and discriminant validity. The results indicated that the calculated coefficients were higher than 0.70, so it can be suggested that the questionnaire had an acceptable reliability index. To ensure the validity of the questionnaire, its content was validated by experts and professionals in the field and also through discriminant validity and convergent validity. To evaluate the convergence of constructs, the coefficients for factorial loads were calculated. Since the calculated values must be equal to or greater than 0.070, the items with factorial load of smaller than 0.70 were excluded from the model. The items excluded were as follows: item 30

= 0.535, item 29 = 0,471, item 12 = 0.420, item 1 = 0.61, item 5 = 561, item 44 = 0.578, item 33 = 0.591, item 32 = 0.473, and item 31 = 0.522. After excluding these items, the model was run again in the software and it was shown that all the calculated coefficients were in the acceptable range and thus the model could be estimated.

In addition, the mean values of the constructs in the model indicated that all the coefficients are equal or greater than 0.50, and this shows that all the observed variables met requirements set to be included in the research model.

Table 5 shows the values related to discriminant validity. In this test, the average variance between the constructs under analysis was used. If the correlation between the constructs is smaller than the square value, the discriminant validity index is confirmed.

Table 2: Calculated values for divergent validity

	Advertis ing	Brand awarene ss	Brand equity	Purchas e intent	Direct marketi ng	Perceive d quality	Brand loyalty	Personal sales	Promotio n mix	Public relatio ns	Brand associat ion	Sale promoti on
Advertising	/146925											
Brand awareness	0.089067	/10.5821										
Brand equity	0.203258	0.91464	/139624									
Purchase intent	0.162258	0.428363	0.588115	/185266								
Direct marketing	0.041601	0.608898	0.636229	0.63856	/185588							
Perceived quality	0.125269	0.820555	0.864118	0.482071	0.29705	/124439						
Brand loyalty	0.131341	0.250713	0.526834	0.315620	0.242899	0.316451	/19.4277					
Personal sales	0.320211	0.290042	0.539751	0.376832	0.248211	0.343423	0.656440	/10.7684				
Promotion mix	0.343375	0.567277	0.775726	0.772006	0.779329	0.490311	0.549128	0.716944	/159218			
Public relations	0.227060	0.365385	0.634910	0.634972	0.411817	0.507122	0.537802	0.658145	0.818046	/1592156		
Brand association	0.227187	0.554032	0.752615	0.569345	0.720578	0.409113	0.520062	0.694222	0.887952	0.738969	/11.233	
Sale promotion	0.118158	0.577476	0.670349	0.849554	0.914342	0.417908	0.298410	0.328018	0.846193	0.537595	0.69738	/135444

6. Data analysis

In this study, based on existing standards, the participants' demographic data including age, gender, education level and work experience sample were analyzed using descriptive and the hypotheses were tested using inferential statistics. To test the hypothesis and to determine the effect of latent variables, structural equation modeling (SEM) was used. Given the small sample size sample for the data analysis through structural equation modeling (SEM) and this used of a mixed questionnaire (David Aaker's brand equity), a newer software, Smart PLS which is more efficient with smaller samples was used instead of Amos which is more accurate. KS test could not be used to test the data normality because it is generally used for analyzing qualitative data greater than 3000 cases (Hare, 2009). Therefore, kurtosis and skewness tests were employed, in which if $-5 < \text{Kurtosis} < 5$ and $-3 < \text{Skewness} < 3$, the data normality assumption is confirmed, as was the case with the data in this study in which the collected data were found to be normally distributed.

6.1 Model estimation

The coefficient of determination is determined to show that what percentage of the total variance of the dependent variable is due to the variances of other variables. Therefore, the closer the estimated value to 100% the variables presented in the model will have a greater effect on the dependent variable. However, the values more than 50% are also acceptable. The calculated value of the coefficient of determination for buying intention as a variable in the present study was 0.59, showing that almost 59% of the variances of buying intention can be explained by the research variables including brand equity of the promotion mix. Therefore, given that the reliability and validity indices were within the acceptable range, it can be claimed that the structural model of the instrument possessed the relative desirability to rely on the findings.

Measurement model quality: It deals with the quality of the measuring instruments. Table 3 presents the results of testing composite validity, where SSO is the sum of squares of observations for each latent

variable block, SSE is the sum of squares of errors for each latent variable block, and SSE/SSO is the composite validity index (CV-com). In the composite validity index for latent variables is positive, the measurement model is of good quality, as it is shown in the following study concerning the research model:

Table 3: Testing composite validity

Total	SSO	SSE	1- SSE/SSO
Advertising	1300.000000	623.971383	0.520022
Awareness	1625.000000	863.556753	0.468580
Brand equity	7800.000000	5484.919207	0.296805
Buy intention	650.000000	674.066977	-0.037026
Direct marketing	1300.000000	829.851889	0.361652
Equity	1625.000000	785.942762	0.516343
Loyalty	1300.000000	810.723245	0.376367
Personal selling	1625.000000	867.032580	0.466441
Promotion mix	8450.000000	6287.243509	0.255948
Public relation	1625.000000	1035.133461	0.362995
Quality	1950.000000	1350.169956	0.307605
Sales promotion	1625.000000	1110.541614	0.316590

6.2 Findings from data analysis

Table 4 shows the results of testing the research hypotheses and the research using path analysis. As it can be seen, 11 of the 16 presumed paths shown with an asterisk are significant at the level of 0.05 ($P < 0.05$) and the other paths are not significant. To demonstrate the relationships among the research variables in this study, figures were used. Figure 1 shows t-value in the structural model and path coefficients concerning the relationships between the research variables and the latent variables, as well as the interrelationships among the latent variable. Each rectangle in the figure represents one item in the questionnaire (q1 to q54) and each oval represents a latent variable. The numbers shown between ovals represent the effects of the latent variables, with higher values showing stronger effects. In addition, the numbers in the parentheses show path coefficients. The values equal to 2 or higher show that a given path is significant.

Table 4: Path coefficients and t statistics

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
awareness -> brand equity	0.442714	0.442007	0.052491	0.052491	* 8.434078
awareness -> buy intention	-0.011950	-0.008006	0.044356	0.044356	0.269413
brand equity -> buy intention	-0.011993	-0.009557	0.031106	0.031107	* 3.261784
equity -> brand equity	0.318680	0.316986	0.033639	0.033639	* 9.473565
equity -> buy intention	-0.008602	-0.005712	0.031827	0.031827	0.270273
loyalty -> brand equity	0.151517	0.141475	0.044660	0.044660	* 3.392672
loyalty -> buy intention	-0.004090	-0.003388	0.015282	0.015282	0.267633
promotion mix -> advertising	0.343375	0.350984	0.153586	0.153586	* 2.235726
promotion mix -> brand equity	0.096316	0.105554	0.033138	0.033138	* 2.906478
promotion mix -> buy intention	0.790345	0.789469	0.086050	0.086050	* 9.184740
promotion mix -> direct marketing	0.779329	0.780769	0.059138	0.059138	* 13.178067
promotion mix -> personal selling	0.716944	0.707077	0.094224	0.094224	* 7.608894
promotion mix -> public relation	0.818046	0.817792	0.054864	0.054864	* 14.910366
promotion mix -> sales promotion	0.846193	0.851355	0.036768	0.036768	* 23.014172
quality -> brand equity	0.212639	0.202400	0.044941	0.044941	* 4.731552
quality -> buy intention	-0.005740	-0.005332	0.021481	0.021481	0.267196

6.3 Path analysis model

The results from the path analysis model indicate that the brand equity in the Tehran Stock Exchange is affected by perceived brand quality and brand loyalty. A comparison of these factors also showed that perceived brand value has more effects than brand awareness on brand equity. It should be noted that brand loyalty and brand association were found to have a significant positive impact on brand equity in Tehran Stock Exchange. This means that brand equity can be enhanced by increasing perceived brand quality and brand association. To increase perceived brand quality in the Tehran Stock Exchange, extensive advertising can be used as advertising show the company's attention to its brand and this improves customers' perception of the brand, leading to the higher perceived investment quality and purchase intent. On the other hand, when stocks of different companies are offered in this market and as customers have positive attitudes towards investment and the purchase of the stocks offered, the perceived quality of the brand in the Tehran Stock Exchange is enhanced. In addition, other factors affecting brand loyalty are covered volume, advertising costs, and promotion mix in general. Therefore, brand equity as a mediating construct in the Tehran Stock Exchange needs to be improved. The repeated advertising on a given brand increases the brand exposure among the customers and thus improves brand associations and attitudes, reading to higher brand loyalty. On the other hand, if different companies working in the Tehran Stock Exchange offer extensive and diversified stocks they can contribute to reducing the time spend on finding the best stock to invest. It also facilitates the stock purchases with sufficient information and the delivery of stock-related services. Therefore, if stocks are offered with greater intensity and diversity, investors will have more time and they can make more profits and thus receive more value through making investments on stocks. Such value added results in greater customer satisfaction, higher loyalty to making investment in the Tehran Stock Exchange, and finally the improved brand equity. In addition to these factors which affect brand association and awareness, brand image, promotion mix, and advertising can affect brand equity. Therefore, these constructs must be improved if one is to increase brand equity. The Tehran Stock Exchange with a good brand image makes more potential investors visit it. In addition, this market is able to increase investors' satisfaction and attract more investments through advertising activities and word of mouth.

7. Conclusion and suggestions

As the results of this study suggested promotion mix has a significant positive effect on the purchase intention in the Tehran Stock Exchange. It was also noted that companies with better public relations and with a better performance in direct marketing had more influence on customers' purchase intention. This shows that companies with daily advertising activities such as printed adds, gifts, sending messages on different social events and occasions, holding celebrations and festivals, sending ads messages, and making direct communications with people are able to encourage customer to repurchase their shares. It was also found that promotion mix has a positive and significant impact on the creation of brand equity. This means that with a unit increase in promotion mix, brand equity creation will be increased by 0.166. The results show that when companies use criteria such as public relations, direct marketing, etc. they can make customers more familiar with the company's shares, thus improving brand loyalty, perceived brand quality, and brand extension. When customers pay attention to brand equity, they become more loyal to it and look at it with higher awareness, commitment, and a better mental image. In this case, features such as price will be affected by the used brand.

However, this hypothesis that brand equity has a significant positive impact on the purchase intention was not confirmed in this study. The calculated path coefficient for this hypothesis was 3.26, which confirms the null hypothesis. This finding is in line with the results of studies conducted by Mousavi Zezhad (2014) on the effect of customer-based brand equity on purchase intent in Mellat Bank in Qazvin and a study by Senthilnathan and Tharmi (2012) who examined the relationship between brand equity and intention to buy children soap selected brands.

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