The Impact of Marketing Mix Elements on Customer-Based Brand Equity: Special Reference to Licensed Commercial Banks in Sri Lanka

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Introduction

Brand equity plays a strategic role in an organization and importance in gaining competitive advantage and it has an impact in the strategic management decisions. Further, brand equity is the added value to products and services (Kotler 2007). In the value added perspective, brand is considered a mechanism for achieving competitive advantage for firms, through differentiation. Furthermore strong brand equity improves perception of the product performance and larger margins, generates greater loyalty, reduces the vulnerability to competitive marketing actions as well as to marketing crises, increases marketing communication effectiveness, and creates the opportunity to additional band extensions (Kotler 2007). Thus organizations can use the brand equity as a powerful tool to create a sustainable competitive advantage and to compete effectively than competitors.

Despite tremendous interest in brand equity, little conceptual development or empirical research has addressed the marketing activities to build brand equity (Barwise 1993). Yoo et al. (2000) also investigates the relationships between the selected marketing mix elements and the creation of brand equity. Based on that, this study explores how marketing mix elements impact on customer based brand equity in licensed commercial banks, Sri Lanka.

Research Problem

Is there any impact of marketing mix elements on customer based brand equity in licensed commercial banks, Sri Lanka?

Research Objective

To find out the impact of marketing mix elements on customer based brand equity in licensed commercial banks, Sri Lanka.

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Literature Review

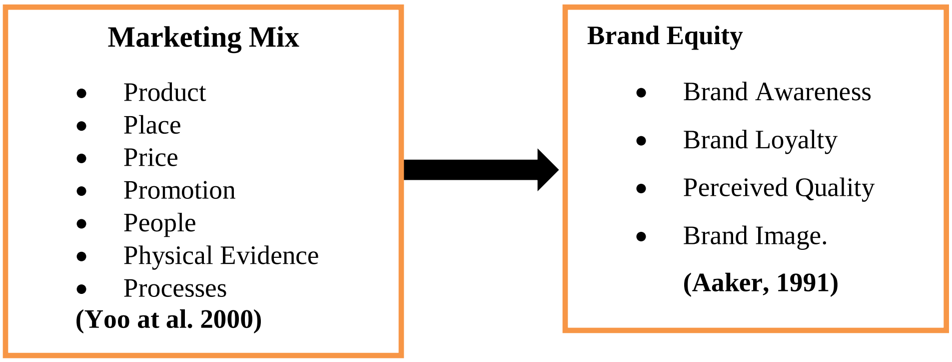
Several researches explain the relationship between the marketing mix elements and the brand equity. In that manner, Yoo et al. (2000) explore that how brand equity can be created by certain marketing mix elements. Further, this study outlines a conceptual framework describing the relationship between the various dimensions of brand equity and marketing mix elements. Specifically, these dimensions are brand loyalty, perceived quality, brand image and brand awareness.

Later Rajh and Dosen (2009) found how various marketing mix elements affect the service brand equity. This study has greatest value in its reports of how different elements have different effects on service brand equity, and by showing how essential it is to develop in approaching the development of service brand in a strategic manner.

Further, Akroush and Al-Dmour (2006) selected seventeen commercial banks to investigate the relationship between the branding benefits and brand-building factors within commercial banks operating in Jordan. This study found that there is a strong and positive correlation between the brand building factors and the overall brand benefits.

Conceptual Framework

Based on the above literature the following conceptual model is developed.



Hypothesis

H_1: There is a positive impact of Marketing Mix elements on Brand Equity in Licensed commercial banks in Sri Lanka.

Methodology

Quantitative methodology has been applied and questionnaire was used to collect the data. Among the 22 licensed commercial banks (Central bank of Sri Lanka 2009), this study restricted to local banks in Colombo district, as a result two public banks and nine private banks come under the local commercial banks in Sri Lanka. In that way, customers of the 11 commercial banks could be considered as the population of this study. 1000 (100X10) household customers were selected from 100 licensed commercial banks based on the quota sampling method. Before the final data collection pilot study was undertaken.

Prior to data analysis, data purification process was conducted to ensure suitability of measures (Churchil 1979). For ensuring the reliability of scale, Cronbach's alpha is computed. According to Nunnally (1978) the alpha of a scale should be greater than 0.70. Results of the study show that the scales are sufficiently reliable for the present study context. Finally, multiple regression analysis used to analyze the data and test the hypothesis.

Table1: Results and Discussions

Hypotheses	Independent variable	Dependent variable	β	Sig.	Adjusted R^2
H1*a*	Constant Product	BE	0.850	0.000	0.723
H*b*	Constant Place	BE	0.840	0.000	0.706
H*c*	Constant Price	BE	0.720	0.000	0.518
H*d*	Constant Promotion	BE	0.755	0.001	0.569
H*e*	Constant People	BE	0.472	0.002	0.222
H*f*	Constant Physical Evidence	BE	0.578	0.000	0.334
H*g*	Constant Processes	BE	0.378	0.000	0.214

H1	Constant	BE			0.817
	Product		0.779	0.000	
	Place		0.607	0.000	
	Price		0.329	0.000	
	Promotion		0.152	0.000	
	People		0.120	0.000	
	Physical		0.112	0.000	
	Evidence		0.157	0.000	
	Processes				

Source: Survey data

According to the above table, there is a positive impact of marketing mix elements on brand equity in Sri Lankan Licensed Commercial Banks -, the fitted model encountered that the Marketing mix elements have strong positive effects on the brand equity. That means marketing mix elements have 81.7% of the impact on brand equity. These predictions had been significant at the P-value of less than 5% ($p < 0.05$) and the regressed model satisfactorily fits to the data and the predictability power of the fitted model was high and residuals also followed a normal distribution.

Conclusion and Recommendations

The ultimate objective of the research is to examine the impact of marketing mix elements on brand equity in Sri Lankan Licensed commercial banks. The regression result shows that there is a strong positive impact of marketing mix elements on brand equity. It means that the marketing mix elements has strong positive effects on the brand equity in Sri Lankan licensed commercial banks and 81.7% of the changes in marketing mix elements are explained by Brand equity in Sri Lankan LCBs. These findings are in the line with Yoo et al. (2000), Rajh and Dosen (2009) and Akroush and Al-Dmour (2006) who stated that there is a relationship between the marketing mix elements and brand equity. Based on that, the hypothesis (H1a) has been accepted.

During this study, the researcher encountered the following recommendations. This research has only been confined to the LCBs. Therefore, the same research can be extended to other service sectors such as foreign banks, insurance sectors etc. Furthermore, this research has been undertaken in different perspective in different context (B2B) context. Moreover the influence of moderating and mediating variables between Marketing mixes elements and brand equity can be studied in future. The findings provide insights into how marketing mix activities may be controlled to generate and manage the brand equity. This study provides a good starting point for further researches on the linkage between marketing mix activities and brand equity in other Sri Lankan context.

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