BRAND AWARENESS AND ITS INFLUENCE ON MARKETS AND CONSUMERS’ PURCHASE INTENTIONS IN SERBIA

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Abstract

Brand awareness is a strong influential construct and market factor in a marketing environment. Purchase intention is the result of various marketing constructs affecting the decisions of consumers. In addition, purchase intention presents the culmination of different market factor influences on the consumer. And vice-versa – purchase of goods and consumer behavior have a strong impact on the market which further affects the overall economy. The goal of this research is to analyze brand awareness and its influence on consumers’ purchase intentions and determine the manner in which it can shape the market and economy. Why is this analysis important? Not only do consumers’ purchase intentions affect markets and macroeconomy, but they can also have major impact on business performance of companies. Therefore, investigating brand awareness as a potential factor of influence on consumers’ purchase intentions is almost a necessity. To support the main hypothesis, brand reliability, brand credibility, and brand loyalty are analyzed as mediating constructs. Significant data was collected from 418 participants from Serbia and thoroughly analyzed. The findings are interesting and indicate a positive relationship between the measured factors.

Keywords: brand awareness, market factors, economic factors, brand reliability, consumer behavior, purchase intention.

Sažetak


Ključne reči: svest o brendu, tržišni faktori, ekonomski faktori, pouzdanost brenda, ponašanje potrošača, kupovne namere.
Introduction

In the modern economic era, market performance is crucial for the survival of companies. In the constantly changing business environment, companies have to adapt their business models in order to maintain and obtain more competitive positions on the market [11]. For companies, long-term strategies and strategic management techniques play an important role in sustaining competitiveness on the market [24, p. 122]. Strategic management includes planning and defining goals, analyzing the competition on the market, allocating resources and other activities in the long term. Now, developing brands is a crucial part of strategic management from an economic standpoint, as developing brands is essentially creating value, similarly to products and services [44, p. 520]. Serbia’s economy is currently unbalanced as a result of an unfruitful systematic transition. Therefore, Serbia requires theoretical and institutional platforms, as well as adequate policy platforms in order to thrive and establish dynamic growth [25]. How does, or better yet, how can brand awareness play a role in the economic landscape?

According to some research, brand awareness is important for companies in order to achieve adequate performance on the market [37]. In the same research it was noted that brand awareness has a stronger impact on the performance of companies which operate on homogenous markets. According to the research of Woodward, published in 2000, brand awareness influences brand equity through creating a node for initial attachment of the customer to the brand [63]. Certainly, brand awareness has a positive impact on perceived quality [49]. Companies developing high-quality goods can invest in brand awareness [31]. Consumers are more attracted to high-quality products and often base their decisions on perceived quality [44, p. 364]. Consumers’ decisions can and will shape markets. The status of various markets in a country further affects the overall economy. This indicates that brand awareness, as a marketing construct, has the potential to affect markets and economies. Further, it is evident that brand awareness and other brand related constructs, such as loyalty and credibility, are not only marketing constructs, but market factors and market makers as well. The situation is so complex, that branding as an element of marketing strategies suddenly has the potential to affect the macroeconomic situation in a country.

Now, how can these assumptions be analyzed? And why is that important? Firstly, consumers’ purchase intentions are the main element of and initial point in exploitation and circulation of goods and services. More objectively defined, consumers’ purchase intentions present the starting point of value circulation on the market. Therefore, it is important to analyze brand awareness and its effect on consumers and their purchase intentions.

In this paper, the relation between brand awareness and consumers’ purchase intentions is observed. Brands play a role in the consumers’ decision-making process and affect their identification with products [59]. In addition to the two main constructs, brand reliability, brand credibility, and brand loyalty are observed as mediating constructs. The secondary goal is to understand to what degree these constructs affect the relationship between brand awareness and purchase intentions and how all of these affect the market. There is a large body of literature that addresses these marketing constructs, but the number of studies that include brand reliability, brand credibility, and brand loyalty as mediating marketing dimensions is low.

The first section of this paper provides a theoretical background through extensive literature review. The second section presents the main and auxiliary hypotheses and the research framework. The following section provides, a brief description of the research methodology followed by the results of the research. The discussion part of this study comments on the findings, outlines the contributions of this paper, and compares it to similar research in this domain. Finally, conclusions are drawn based on the conducted analyses.

Literature review

Brand awareness

Brand awareness can be presented and described as the consumer’s ability to recognize or recall a brand name from a logo in different situations [1]. In the early research of Hoyer and Brown, published in 1990, it was noted that, when awareness was present, consumers were more likely
to choose the brand that they are aware of [38]. Brand awareness was described with two dimensions: depth and width [36]. These dimensions define the behavior of the consumer and indicate that, when a consumer sees a brand name, they will recall the specific products linked to that brand. Through brand awareness, consumers can easily recognize a brand when searching for a product and make a buy or skip decision [30]. The brand name is the key element of the brand awareness construct [20]. Brand awareness is crucial for good market performance [37]. In the same research it was concluded that the influence of brand awareness on market performance was stronger in homogenous market segments. Similarly, in another study, it was concluded that creating brand awareness was important for developing competitiveness in dynamic markets [54]. Brand awareness can trigger different responses on how consumers process information [38]. An interesting research indicated that brand awareness was positively correlated with consumers’ association with price fairness [56]. If we take into consideration that consumers are the ones that shape the market and that the complex relationship between markets further affects the economy, it is safe to propose that brand awareness as marketing and market factor plays an important role not only for companies, but also for developing and maintaining economic prosperity. Branding certainly brings value to products and services; consequently, products and services under high-value brands bring more value to the manufacturer, consumer and to the market as well. Additionally, in order to evaluate the influence of brand awareness on consumers’ behavior better, brand credibility, brand reliability and brand loyalty are also measured.

Brand credibility and brand reliability

Brand credibility can be described as the result of compatibility perception between a social cause and a brand [9]. Previous research of Erdem and Swait, published in 2004, described brand credibility as the consumers’ perception of the brand’s ability to deliver on promises that were made [29]. It was suggested that brand credibility was positively correlated with brand choice [5]. Brand credibility increases perceived product and service quality, thus further increasing expected consumer utility [28]. Another study argued that brand credibility was one of the most influential marketing constructs defined in marketing literature [61]. Consumers’ perception of developed relationships was crucial to consumers’ behavior on the market [40], [42]. This concept is part of the relationship marketing theory noted in the early research of Morgan and Hunt, published in 1994 [51]. Brand credibility is crucial when it comes to customer perception of the marketing environment that includes prices, advertisements, direct marketing and online marketing [64]. Brand credibility is an integrated whole of past brand-consumer actions, present brand image, and consumers’ perception of the brand’s ability to keep promises that were made [29]. Brand credibility also influences brand reputation [45]. Further on, brand reliability is directly correlated to brand strength, brand value building, and higher brand extendibility [22]. In addition, adding new products and services has a positive impact on brand reliability.

Brand reliability is an integrated part of brand trust and is described as the consumers’ perception that purchasing a product or service under a specific brand carries the least pre and post-purchase risk [7]. Similarly, in another research it was described that brand reliability has a close and often indistinguishable connection with brand trust [21]. However, brand trust can be viewed as a stronger consumer emotion towards a brand.

Brand trust and brand reliability are positively correlated to brand referrals and brand commitment [27]. Further, it was discussed that strong brand credibility creates strong brand loyalty [15]. In the research conducted by Sung and Kim brand trust and brand reliability were analyzed as key factors for success in developing fruitful relationships with consumers [60]. It can be seen that brand credibility and brand reliability take part in brand trust and brand commitment development. Therefore, this study proposes that these two constructs should be analyzed as mediating constructs between brand awareness and brand loyalty. It is evident that these two constructs are part of branding as a whole. In order to adequately examine the influence of brand awareness on consumers’ purchase intentions in this study, it is necessary to address other components of branding, which are in this case brand reliability, credibility and loyalty.
Brand loyalty and purchase intentions

Brand loyalty can be defined as the repetitive purchase of the same brand by consumers, disregarding other brands on the market [3]. Brand loyalty was also described as the attachment of consumers to a particular brand and it is one of main components of brand equity [2], [33].

In 2010, Lin noticed that consumers who are loyal to a specific brand, and often purchase products and services under the same brand, are less sensitive to the price of those products and services [47]. The complex research conducted by Back and Parks indicated that customer satisfaction was closely linked to brand loyalty and exhibited the relationship development process between consumer attitude and consumer behavior [4]. Brand loyalty has an immensely positive impact on business performance on a competitive market [43]. Improved business performance includes higher sales volume and lower risk of consumer dissipation towards other competitors [26]. It is noticeable that frequent and different forms of consumer-brand contacts create a good basis for enhancing brand loyalty [13]. Companies have to be aware that efficient brand management positively affects overall brand performance on the market [10].

Furthermore, this research argued that purchase intention could be described as the probability that a consumer will purchase a certain brand [12]. It represents the future decisions of consumers on the market regarding a given product or service. It was also noted that purchase intention was strongly affected by brand trust and brand commitment [34]. Therefore, these two dimensions can be used as factors for predicting future behavior of consumers.

Purchase intention is also highly influenced by consumer-brand relationships [32]. Purchase intentions can describe the decisions of consumers who want to establish a strong and meaningful relationship with a certain brand [19]. They are based on individual attitudes and unpredictable situations [44, p. 506]. Individual attitudes reflect personal wishes and needs of consumers, while unpredictable situations can be the price change or the new packaging of a product. Purchase intention is positively correlated to perceived value and perceived quality [39]. Consumer behavior and consumer intention should be analyzed separately, as consumer intention has stronger impact on business performance and competitiveness on the market [41].

Finally, in 2009 Berthon, Parent, Pitt, and Berthon analyzed luxury brands and consumers’ intentions. They concluded that consumers focused on product value, product quality and, interestingly, emotional attachment [8]. It can be seen that there is large body of literature exploring this domain. However, there are fewer studies where brand awareness is analyzed in relation to customer’s purchase intention and where brand reliability, brand credibility, and brand loyalty are observed as mediating constructs.

The importance of purchase intention analysis lies in complex relationships that are developed on the market. Conducting trade (selling and buying of) in products and services on retail and wholesale levels is an imperative for a healthy economy, as value is created, sustained and transferred through trade on the market. Strong brands are bound to be bought, that is why they are strong. This way, brands bring additional value and they can indeed affect (enhance and disrupt) markets and the economy of a country. The term “national brand” is just a glimpse of how a brand can represent a region or a country and how it can affect economic prosperity.

Hypotheses development and research framework

Based on literature review and the goal of this study, the following null and alternative hypothesis are suggested:

\[ H_0: \text{The influence of brand awareness on consumers’ purchase intentions is statistically insignificant.} \]

\[ H_1: \text{Brand awareness positively influences consumers’ purchase intentions.} \]

The mediating constructs are observed through auxiliary hypotheses. Literature review provided sufficient insight in order to suggest the following:

\[ H_2: \text{Brand awareness positively influences brand reliability.} \]

\[ H_3: \text{Brand awareness positively influences brand credibility.} \]

\[ H_4: \text{Brand reliability positively influences brand loyalty.} \]

\[ H_5: \text{Brand credibility positively influences brand loyalty.} \]

\[ H_6: \text{Brand reliability positively influences consumers’ purchase intentions.} \]
H$_6$: Brand credibility positively influences consumers’ purchase intentions.

H$_7$: Brand loyalty positively influences consumers’ purchase intentions.

The research framework is shown in Figure 1 which depicts the observed marketing constructs and the auxiliary hypotheses.

**Methodology**

The research methodology included several important steps necessary to obtain credible data. The majority of the actions taken in the research process can be grouped in four main phases. The first phase included gathering literature and analyzing it in order to acquire sufficient theoretical background for the research.

In the second phase the survey was designed. It included 22 items in the form of seven-point Likert scales. The items were based on the previous research in the domain of brand loyalty, brand credibility, consumer behavior, and market factors [6], [14], [16], [50], [52], [55], [58], [62], [65]. Special attention was paid not to oversaturate the survey with unnecessary and repetitive questions. The brief nature of the survey minimized the influence of respondent fatigue. Furthermore, the survey was created in an electronic form, as an online survey, with four hundred eighteen participants (N=418). After excluding invalid surveys, a total of 410 completed surveys were used for further data processing.

The third phase started with exporting the data from Google Forms. Spreadsheets containing the obtained data were used to analyze the data sets. First, descriptive statistics were used to determine the mean and standard deviation values. Next, a reliability test was conducted with the aim of obtaining the Cronbach’s alpha values. After that, the ordinal regression analysis and correlation analysis were conducted in order to analyze the potential relationships between the measured marketing constructs. Robust statistical methods were also applied in the form of multicollinearity and autocorrelation tests. Finally, a scatter plot was created to visualize the research data sets.

The fourth and final phase includes the discussion of the research results, as well as contribution and implications of the study. At the end, conclusions were drawn, limitations were outlined, and future research was suggested.

**Results**

The first data analysis tool was descriptive statistics. The results of descriptive statistics for every measured marketing construct are shown in Table 1. Descriptive statistics included the sample size, minimum and maximum values for every construct, the mean values, and the standard deviation.

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**Figure 1: Research framework**

![Figure 1: Research framework](source: The figure was developed for the purpose of this research.)
For the purpose of the ordinal regression analysis, purchase intention (PI) is defined as a dependent variable. The independent variables are: brand awareness, brand reliability, brand credibility, and brand loyalty. The results of this analysis are presented in Table 3. The Wald chi-square values indicate that the variables should not be excluded from the regression model.

Further, the pseudo regression values from the ordinal regression analysis are presented in Table 4. The McFadden’s values are below 0.2 which would indicate an excellent fit; however, this does not disregard the validity of the model. Similarly, the Cox and Snell and the Nagelkerke values indicate that the model is a moderate fit. As a result of the regression analysis, the following regression model is proposed: \( \text{PI} = a_0 + a_1 \cdot \text{BAW} + a_2 \cdot \text{BR} + a_3 \cdot \text{BCR} + a_4 \cdot \text{BL} + \epsilon \). This regression model is important for future research.

After the regression analysis, the Spearman’s correlation analysis was conducted, the results of which are shown in Table 5. According to Table 5, the correlation between the measured constructs is strong and positive. Brand reliability (BR) and brand loyalty (BL) have the highest correlation value (0.736). The lowest correlation value (0.561) is between brand credibility and brand loyalty. Brand awareness and purchase intention, as the two main constructs measured, are positively correlated, with the correlation value of 0.642. In addition to the Spearman’s correlation analysis, multicollinearity statistics was employed. The results are presented in Table 6.

The VIF values in Table 6 are below or slightly above 2.5, thus indicating nonexistent multicollinearity between the observed variables.

**Discussion**

**Findings**

This paper investigated the influence of brand awareness on consumers’ purchase intentions and further discussed how this influence might affect markets and economic
development. The mediating constructs were brand reliability, brand credibility, and brand loyalty. The findings of this paper are complementary to other findings in this domain [17], [37], [49], [54]. The regression analysis has indicated that brand awareness and the mediating constructs (brand reliability, brand credibility, and brand loyalty) have a positive relationship with consumers’ purchase intentions. Similar to other findings, the present study suggests that brand awareness is a dominant element in the process of creating purchase intentions [46]. It is interesting to note that brand awareness is likely to be positively influenced by advertising campaigns [18]. Does this mean that this study should have addressed advertising as well? Not necessarily, as this paper focuses on the brand-related constructs and their influence on consumers and the markets. The development of brands is similar to the development of products and services. Innovation, especially sustainable innovation, presents an imperative for long-term success on the market [57].

All of this further reflects on the overall economic prosperity of a country. The regression analysis has indicated a moderate positive relationship between the observed constructs. However, the p-values suggest that null hypothesis should be rejected. The correlation analysis has given satisfactory results as the correlation coefficients indicate a moderate positive correlation between the observed variables. For the correlation analysis, Spearman’s correlation was used instead of the Pearson’s correlation, as it is more appropriate for ordinal data [35]. Autocorrelation and multicollinearity are nonexistent between the observed data.

After a thorough data analysis, the question remains: Can we reject the null hypothesis? The answer is yes, because there are clear signs that brand awareness positively affects consumers’ purchase intentions. Thus, the null hypothesis “H₀: The influence of brand awareness on consumers’ purchase intentions is statistically insignificant.” is rejected.

Furthermore, how is brand awareness affecting the markets and the economy? Branding and brand awareness play an important role in the business-to-business markets [37], [53]. Globalization affects the markets where changes are more frequent, which makes it challenging for companies to maintain a competitive position [23]. Also, it is important to note that the economic status of Serbia is complicated and public companies undergoing restructuring face difficulties, which results in the spillover effect on the rest of the economy [48]. Therefore, it can be assumed that brands are important for companies which want to compete on such turbulent markets.

A thorough analysis of literature in this domain and the findings of this research suggest that brand awareness positively affects brand loyalty, which further positively affects customers’ purchase intentions. It can be proposed with a high level of certainty that consumer behavior determines the outcomes of business endeavors, thus indirectly affecting business performance. If this is viewed across multiple markets or all the existing markets in a country, it is safe to assume that consumer behavior forms the economic landscape as it shapes the business environment. Going back to brand awareness, if consumers are aware of a brand, there is higher probability that some of them will develop loyalty towards those brands. Further, through brand loyalty, the company behind the brand has a better chance of obtaining a stronger competitive position on the market, resulting in a stronger influence on the market. This opens doors to achieving regional competitiveness. The aforementioned hypothetically referred to only one brand. These changes on the market are more complex when there is a large number of brands competing with each other. This competitive behavior affects the economy. The degree to which it is affected and the period during which it is affected depend on numerous factors which should be investigated in the future.

Contribution and implications
Dynamic market environments create a tremendous need for new research of various marketing dimensions. The findings of this study provide a concise description of the relationships and causalities between the measured constructs. But is this study really significant? Although there are plenty of articles in this domain, the number of articles that focus only on brand-related constructs and purchase intentions is scarce. Therefore, taking into consideration the abovementioned observations, this research has certainly contributed to the existing literature.
in the domain of brand awareness, consumer behavior and market factors.

Implications of this study are twofold. First, companies can obtain new insights into the importance of brands. The research provides details about the complexity of brand awareness, brand reliability, brand credibility, and brand loyalty. The results indicate that brand awareness and the other mediating constructs influence consumers’ purchase intentions and that they can affect markets and economic development. Second, fellow researchers can use this paper when conducting their own studies in the domain of brand awareness, brand loyalty, brand reliability, brand credibility, consumers’ purchase intentions, market factors and economic development.

Conclusion
This paper has discussed the influence of brand awareness on consumers’ purchase intentions. Brand reliability, brand credibility, and brand loyalty were observed as mediating constructs. As stated in the discussion section, the data analysis gave results that are complementary to the suggested hypotheses. Thus, the null hypothesis is rejected as brand awareness positively affects consumers’ purchase intentions. The data analysis approach that included ordinal regression analysis proved to be useful for a concise and thorough investigation of the impact of brand awareness on consumers’ choices and potential implications it could have on the markets and economy. It is evident that brand awareness, as part of a brand as a whole, has the potential to affect not only consumers, but markets as well. As elaborated in the previous section, small changes on the market do not necessarily affect the economy, but high intensity and impactful changes surely can and will affect the economy in a positive or negative way. Further, it can be concluded that brands, consumers and consumer behavior are complex elements of the markets and the overall marketing environment. The importance of branding is indirectly highlighted, as it shows that a strong brand presence, that makes consumers aware of it, is a powerful “tool” that can help enterprises to achieve business excellence and better competitiveness.

The main limitation is the survey. Although questions include brands, there is no mention of either product categories or advertising campaigns in them. However, these limitations are not severe and advertising and product categories could create product and advertising bias.

For future research, brand love and customer satisfaction should be added as mediating constructs. This would give a more accurate view of how a brand as a whole affects potential consumers and customers.

References


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