MARKETING MIX AND THE BRAND REPUTATION OF NOKIA

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Abstract

Pakistan's mobile phone market is growing very fast. The most selling brand in the market is Nokia. A hypothesis was developed that the reputation of a brand is a source of demand and the competitively superior quality image justifies a premium price. In this survey we assessed the reasons for preference of this brand based on established parameters of marketing mix (the 4 Ps). The objective of this study was to measure the extent of preference of these parameters. For this purpose a questionnaire was developed and administered to 240 respondents.

The alternate hypothesis that at least one of the predictor variables would have a linear relationship with the dependent variable brand reputation was accepted. R^2 is 0.53, which indicates that about 53% of the variation on the dependent variable is explained by the predictor variable, which is significantly moderate. Among all the independent variables the slope for the product quality and promotion (advertising & communication) were higher than the rest.

Regression coefficients for product quality and promotion (advertising & communication) were 0.95 and 0.85 respectively. This means that an increase in one rating (on the scale of five to one) of product quality and promotion (advertising & communication) would cause brand reputation to increase by 0.95 and 0.85 rating respectively.

1.0.0 OBJECTIVE:

The objective of this study was to measure how elements of marketing mix and their relationship affect the brand reputation of Nokia mobile phone. Though the marketing mix concept such as product, price, place and promotion are very important in analyzing the marketing strategy, the scope of the study was mainly

focused on one aspect of brand equity i. e. brand reputation, the ultimate reflection of the correct blend of all marketing mix.

1.1.0 <u>LITERATURE SURVEY</u>

1.1.0 <u>Brand</u>

Branding has an ancient history. It could be traced back to the times when the ancient Egypt brick makers used to stamped symbols on the bricks for identification and distinction purposes (Farghuhar 1990)**.** Nilson (1998) on the other hand found that ancient farmers used to put symbols on the cattle with the help of hot iron, which meant burning. The word brand has been derived from the Scandinavian word "branna" that means to burn. In Swedish language the word "brand", means fire. Thus when a producer put some marks or symbols on their product it will come in the category of branding (Nilson 1998). One of the advantages of strong brand name is that its helps in penetrating in a new market or a new market category. Globalization has created tremendous brand awareness and this awareness is not dependent on the availability of the products. **(Czinkota & Ronkainen 2001).** For example in Pakistan, brands such as such as McDonald, Pizza Hut and KFC had very strong awareness even before they opened their franchises in Pakistan.

1.2.0 <u>Brand Equity</u>

Brand equity is a relationship between customers and brands resulting in a profit to be realized at a future date (Wood 2000). Kotler and Armstrong (1996) were of the opinion that measuring brand equity is a tedious job. Nevertheless a powerful brand means high brand equity that helps in achieving 'higher brand loyalty, name awareness, perceived quality, and strong brand associations'. Some of the major benefits of brand equity are brand awareness and consumer loyalty which helps in reducing marketing costs. Brand is an important equity; therefore, it should be carefully preserved by adopting strategies that would help in maintaining or improving brand awareness, perceived brand quality and positive associations. **(**Kotler & Armstrong 1996)

Ambler and Styles (1997) are of the opinion that brand equity could be measured from two perspectives. One is "financial evaluation approach" and the other is "consumer-based approach". The financial evaluation approach is related to the monetary value of the brand, and the consumer-based approach focuses on the brand itself that is how much value the consumers give to the brand. Brand equity is also considered as an accumulated profit that could be realized at a future date. The brand equity concept can also cause confusion, because of difficulty in measuring it (Ambler & Styles 1997).

Importance of brand equity demands need for more practical experience and comparative research to judge and validate the usefulness of brand evaluation methods (Farquhar 1990). The recent merger and acquisition trend has also increased the importance of measuring brand equity **(**Tauber 1988). The role of brands is now far beyond product differentiation or competing for market share. They are accumulated annuities which the firm can acquire from its balance sheet (Tauber 1998).

Firms could have a strong competitive edge over competitors if they could create brand equity 'through building awareness, image, and linking associations' (Keller 1998)**.** A stronger brand would always have a better understanding of needs, wants, and preferences of consumers than the brands that are not competitive. Thus stronger brands would help in creating effective marketing programs that could go beyond consumer expectations. (Keller 1998)**.**

Brand equity since last one decade has remained popular for attracting new market segments (Pitta & Katsanis, 1995). This phenomenon of brand equity has coincided with the newly emerged but equally popular phenomenon of brand extension (Ambler & Styles 1997). Research shows a two way relationship between brand equity and extension. A brand's equity could influence the success of extensions, and extensions could positively influence brand's equity. The result is that highly valued brand extensions are more successful. Consumers tend to choose those brands that have strong brand equity. This creates strong brand loyalty, and would make it difficult for the customers to switch to the competitors. Brand position of a firm is strongly dependent on the positive image of brands. Strong brands are a major source of differentiation and extending the same towards a specific product category is easier. Successful brand allows firms to demand high prices and are a source of barrier which makes it difficult for consumers to switch to other brands **(Pitta & Katsanis 1995.)**

1.3.0 BRAND REPUTATION:

According to Aaker (1991, 1996) and Kapferer (1997) both companies and consumers are watchful over the brand reputation of what they sell or buy. Every brand represents distinct values, creates a distinct profile in the minds of the customers in respect to what it stands for. For example in beverage industry Coca-cola stands for "refreshing" and in car industry Volvo brand is perceived for "safety and comfort". Similarly in the mobile industry Sony Ericsson is poised as "music and entertainment" etc. Globalization and advanced technology have made the market more competitive, thus firms, now, are more brand sensitive. They have observed that the consumer preferences have become homogenous because of globalization and the spread of technology. Thus, both the sellers

and buyers are paying attention to the brand reputation in terms of what they are buying and selling.

A consumer during his lifetime undergoes a series of ever changing circumstances and situations. As a result his brand preference shifts with his changing needs. The brand attributes or features must fit to consumers' need to maintain an ongoing permanent relationship with the brand. The consumers need to have a trust in their preferred brands for continued offering of the desired benefits. According to Browne (1998), if companies fail to ensure a trustworthy, stable brand reputation, the brand's growth and market share will be affected.

Thus a brand reputation is the image of superior quality and added value, which justify a premium price. A reputable brand is a strong asset, which benefits from a high degree of loyalty and stability for future sales (Kapferer 1997). Ultimate goals of highly reputed brands should be to strengthen their image. Low selling brands with low reputation should focus on tailoring their marketing mix and fixing the overall image problem (Baldinger & Rubinson 1996).

Firms dealing with mobile handset are also concerned with the reputation of their brands, and how this would affect their international market share. Competition among the mobile companies has forced them to create a brand reputation in customers' minds. The mobile telephone industry is comprised of mostly multinationals and has financial advantages in their cost structure. This advantage is not available to their purely domestic counterparts (Kapferer, 1997).

Brand reputation in the mobile telephone industry is becoming crucial for consumers' purchasing behaviors. Temporal and Lee (2001) argue that powerful brands are the ones that are built on reputation and this will not change, but would gain more importance in the future. Up Shaw (1995), agrees and claims that branding is the art of trust creation and therefore it is imperative for companies to build a reputable identity in order to maintain trust with their consumers.

A highly reputed brand name is considered as a favorable and publicly recognized name that reflects merit, achievement, and reliability. According to Paul and John (1997), the attribute reputation is an estimation of the consistency, over a period of time for an entity. This estimation is based on the entity's willingness and ability to perform an activity repeatedly in a similar fashion and an attribute is some specific part of the entity - price, quality, promotion, distribution and other marketing skills.

A brand is a relationship between reputation and promise. Moreover, reputation is a set of expectations. A brand is a combination of tangible and intangible attributes, symbolized in a trademark. If properly managed, brand creates influences and generates value. Temporal and Lee (2000) also define the brand

as a promise to the consumer of what the product, service, or company stands for, and for the kind of experience they can get from it. If the promise is delivered, customers will be satisfied and this will keep them coming back to a company's product.

Kotler (1999) defines three clear advantages, which brands offer to the consumers. Firstly, brands inform the consumer about the product quality. Buyers, who consistently purchase the same brand, are aware that they will get the same quality each time they purchase the product. Secondly, brand names simplify shopping for consumers, by enhancing their ability to find the products that match their wants and needs, as opposed to generic branding. Lastly, brand names allow consumers attention to be drawn to new products that are beneficial to them, since the brand is the first form of recognition.

To become successful and hence profitable, brands must develop a positive reputation. A reputable brand is strong assets, which benefits from a high degree of loyalty and thus forms stability of future sales. (Rogerson 1983).

Brand reputation involves a continuum ranging from an uncertain feeling that the brand is recognized at the market place, to a belief that it is the number one in the product class by customer (Aaker 1991). This continuum can be represented by different degree of brand reputation known on the market. The brand reputation can be good or bad, strong or weak. It crystallizes how people feel about the reputation based on whatever information they have about the brand. Some companies have not built any brand at all. We can say for the "unknown brand" that, for it, no reputation exists and it does not affect consumer-buying behavior on the market.

1.2.0 <u>MARKETING MIX</u>.

1.2.1 <u>PRODUCT (Quality)</u>:

Product quality is an important determinant for the customers for choosing a brand that helps in the development of brand reputation. Quality belongs to the product perspective of a brand's identity whereas perceived quality is how a brand's quality is seen by the consumers. It is one of the key dimensions in Aaker's brand equity model. A higher price is a sign of high quality to the consumers. Perceived quality is a source of consumer satisfaction it makes them to repurchase the product, which leads to loyalty. (Uggla 2001).

1.2.2 PRICE (Affordability):

Price influences the brand choice in two ways: (1) Seek the lowest price to avoid financial risk or (2) Seeks the higher price to gain product quality (Macdonald & Sharp 2000). For some consumers, the price is vital particularly when they are purchasing everyday products. Some consumer may choose a brand just because it has the lowest price, while other consumers may choose a brand just because it has the highest perceived price inferring that it is of high quality.

1.2.3 PROMOTION (Advertising & Communication):

How can a company build its brand reputation through promotion? A promotion that provides incentives to try a new flavor or new use will be more effective if the brand is familiar and there is no need to combat a consumer skeptical of brand reputation (Pringle & Thompson 1999). Advertising acts as a major tool to enhance brand reputation. The purpose of advertising is to make the consumers to purchase their brands. Advertising is one of the most visible forms of communication. It creates a set of associations the consumers want to have about a brand. If advertising, promotion and packaging support a constant positioning strategy over time, the brand is likely to be strong (Aaker 1991).

1.2.4 PLACE (Availability):

Firms rarely work alone in creating value for customers and building positive brand reputation. Consistency of supply and availability at convenient locations are vital for brand reputation. Any disagreement between marketing channel members on goals and roles may create channel conflict, which eventually could hamper overall reputation of the specific brand (Kotler, 2006). Reputation is a historical notion based on the sum of the past behaviors. It is prone to change over time and is a function of time.

2.0.0 RESEARCH QUESTION:

The following research question has been formed in the light of the literature review.
  ➢ How do the mobile phone buyers perceive the brand reputation of Nokia in terms of marketing mix?

3.0.0 METHODOLOGY:

Based on the literature survey and the above-identified independent and dependent variables, a close-ended questionnaire was developed. Questionnaire was based on a total of 14 questions; seven were related to personal data and the rest were related to the subject study that is measuring brand reputation in terms of marketing mix. The sample size for the study was 240 and it was chosen non-randomly and was personally administered by my students.

The analysis was inclusive of the measures of central tendencies and the measure of dispersion. The hypothesis was tested through multiple regressions.

4.0 <u>SURVEY FINDINGS</u>:

4.1 <u>MEASURES OF CENTRAL TENDENCIES & DISPERSION</u>:

The respondents' opinions on the determinants of marketing mix and brand reputation were obtained. The determinants for marketing mix were product (quality), price (affordability), promotion (advertising and communication) and place (availability). The determinants for brand reputation were favorability, public recognition, reliability and consistency.   The summarized results related to the measures of the central tendencies and dispersion are presented below:

<u>Table Number One</u>
<u>Measure of Central Tendencies</u>

	Product (Quality)	Price (Affordability)	Promotion (Adv. & Communication)	Place (Availability)	Brand Reputation
Mean	4.74	3.82	4.45	4.02	4.89
St. Error	0.03	0.03	0.03	0.03	0.05
Median	5.00	5.00	5.00	4.00	5.00
Mode	5.00	5.00	5.00	4.00	5.00
St. Dev.	1.13	0.81	1.08	1.04	1.16
S. Var.	0.19	0.18	0.29	0.23	0.49
Kurtosis	-0.77	-0.39	-0.18	1.23	3.69
Skew ness	-0.98	0.08	-0.82	-0.74	-1.09
Range	1.00	1.00	2.00	3.00	3.00
Minimum	4.00	4.00	3.00	2.00	2.00
Maximum	5.00	5.00	5.00	5.00	5.00
Sum	1138	1144	1107	1017	1117
Count	240	240	240	240	240

Marketing Mix viz. Brand Reputation
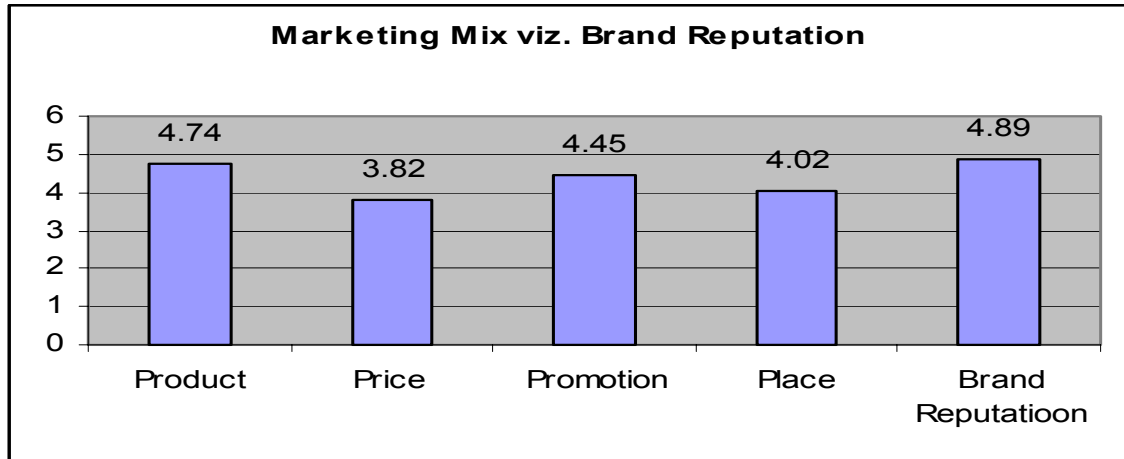
The respondents' opinions on dependent variable brand reputation was the highest with a mean of 4.89, whereas the rating on product (quality) ranked second with a mean of 4.79 and the price (affordability) was the lowest with a mean of 3.82.

The standard deviation of respondents' opinion on independent dimensions "price (affordability)" was the least (0.81) as compare to the other dimensions. This indicates that there is less polarization and difference in the respondents' opinion on the dimension "price (affordability)". The standard deviation of respondents' opinion on dimension "product (quality)" was the highest i.e1.13 as compared to the other dimensions. This indicates that there is a high polarization of respondents' opinions on the "product (quality)" dimension.

Skewness for all the determinants of brand reputation was negative except price (affordability)" with the value of 0.08. The negative skewness indicates that the majority of the respondents' opinions on the respective determinants were below the average level and the distribution curve is negatively skewed.
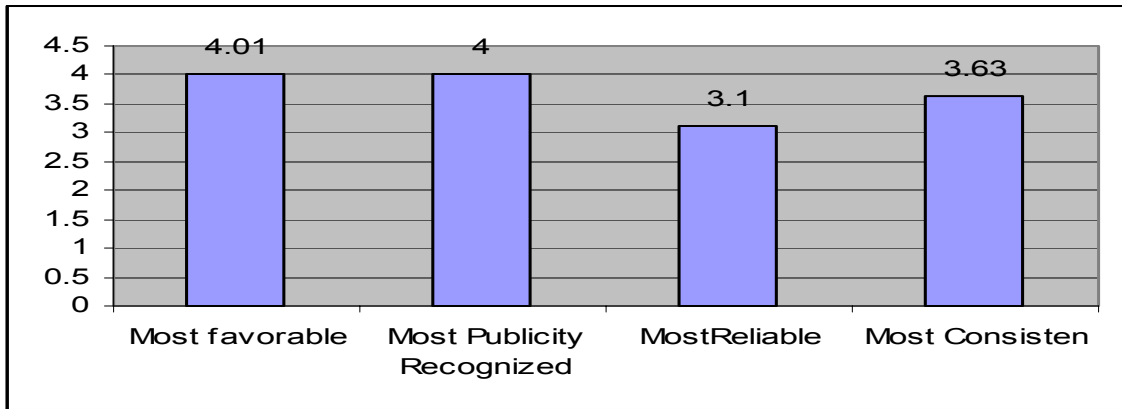
4.2.0 BRAND REPUTATION

The respondents' opinions were obtained in terms of favorability, recognizably, reliability, and consistency. The summarized results are presented below:

TABLE NUMBER-2
REPUTATION OF NOKIA

Most favorable	Most Publicity	Most Reliable	Most Consistent

	Recognized		
4.01	4	3.1	3.63

The level of favorability and recognize ability of Nokia brand was the highest with a mean of 4.04 and 4.0. The perception on the consistency and reliability were found to be on the lower side with a mean of 3.1 and 3.63 respectively.

4.1.2 HYPOTHESIS TESTING:

Literature survey suggests that, buyers perceive or build brand reputation of mobile phones in terms of (1) product (quality), (2) price (affordability), (3) promotion (adv. & communication) and (4) place (availability). Based on the theoretical framework, the following hypotheses were developed.

H1o: Sufficient evidence exists to conclude that no linear relationship exists between Nokia's dependent variable "brand reputation" and independent variables such as product, price, promotion, and place.

H1A: At least one of the predictor variables has a linear relationship with the dependent variable "brand reputation".

STATISTICAL REPRESENTATION:

The statistical representation of the above hypothesis is presented below.

H1O: $\beta 1 = \beta 2 = \beta 3 = \beta 4 = 0$
H1A: $\beta 1 \neq \beta 2 \neq \beta 3 \neq \beta 4 \neq 0$

The above hypothesis was tested through multiple regressions for brand NOKIA and the summarized results are presented below.

TABLE NUMBER-2 MULTIPLE REGRESSIONS

Regression Statistics	
Multiple R	0.69
R Square	0.53
Adjusted R Sqr.	0.52
Standard Error	0.44
Observations	240.00

	Df	SS	MS	F	Significance F
Regression	4.00	12.01	3.00	53.82	0.00
Residual	234.00	13.05	0.06		
Total	240.00	25.06			

	Coefficients	Std. Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	0.72	0.49	1.48	0.14	-0.24	1.68
Product(quality)	0.95	0.09	2.61	0.02	0.06	0.42
Price(affordability)	0.27	0.03	7.57	0.00	0.16	0.27
Promotion(Adv. & Comm.)	0.85	0.03	6.83	0.01	0.15	0.27
Place(Availability)	0.34	0.02	7.41	0.00	0.13	0.22

R^2 for the brand NOKIA is 0.53, which indicates that about 53% of the variation on the dependent variable is explained by the predictor variable which is significantly strong. Among all the independent variables the slope for the product and promotion are the highest, this means that as compared to other independent variables, product and promotion of Nokia brand cell phone has stronger relationships with the dependent variable "brand reputation". Regression coefficient for product and promotion are 0.95 and 0.85 respectively. This means that an increase in one rating (on the scale of five to one) of product (quality) and promotion (adv. & communication) will cause brand reputation to increase by 0.95 and 0.85 rating respectively.

The F-value is high and falls in the critical region that means variations of independent variables are unequal; this indicates that the results are not biased. Except for the coefficient of product and promotion, no other coefficient is statistically significant.

5.0 CONCLUSION:

Based on the survey findings the following conclusions have been drawn:

- According to the respondents' opinion the rating on dependent variable brand reputation was highest with the mean of 4.89, whereas the rating on product (quality) was the second highest with a mean of 4.79 and the rating on price (affordability) was lowest with a mean of 3.82.

- The standard deviation of respondents' opinion on independent dimensions "price (affordability)" was the least (0.81) as compared to the other dimensions. This indicates that there is less polarization in the respondents' opinion on the dimension "price (affordability)". The standard deviation of respondents' opinion on dimension "product (quality)" was the highest 1.13. This indicates that there is high polarization of respondents' opinion on the "product (quality)" dimension.

- Skewness for all the determinants of brand reputation were negative except for "price (affordability)" with the value of 0.08. The negative skewness indicates that the majority of the respondents' opinions on the respective determinants were below the average level and the distribution curve is negatively skewed.

- The alternate hypothesis that at least one of the predictor variables would have a linear relationship with the dependent variable brand reputation was accepted. R^2 is 0.53, which indicates that about 53% of the variation on the dependent variable is explained by the predictor variable, which is significantly strong. The slope for product's (quality) and promotion (advertising & communication) were the highest; this means that as compared to other independent variables, product (quality) and promotion (advertising & communication) of the Nokia brand cell phone have stronger relationships with the dependent variable brand reputation.

- Regression coefficient for product (quality) and promotion (advertising & communication) were 0.95 and 0.85 respectively. This means that an increase in one rating (on the scale of five to one) of product (quality) and promotion (advertising & communication) will cause brand reputation to increase by 0.95 and 0.85 rating respectively.

ANNEXURE 1

QUESTIONNAIRE
(DEMOGRAPHIC DATA)

Q1) Age: (in years)
   15 – 25   26 – 35   36 – 45   46– above

Q2) Qualification:

Matriculation   Intermediate   Graduation   Masters
    Others -----

Q3) Gender:

Male   Female

Q4) Marital Status:

Single   Married

Q5) Profession:
    Marketing   Banking   Engineering   Doctor
    Teacher   Other(s) please specify…………..

Q6) Income:
    Up to 20,000   21,000 – 30,000   31,000 – 40,000   41,000 and
above

Q7) Please mark the area of your residence
    Sadder   Defence   Clifton   PECHS
    Gulshan   F.B. Area   Nazimabad   Other(s) ---

Rate the following statements in terms of your answer (5 being highly agreed and 1 being highly disagreed)
<u>MARKETING MIX</u>

Q8) Rate the brand reputation of Nokia brands in terms of "Product" i.e quality.
                                                            5   4   3   2   1
Q9) Rate the brand reputation of Nokia brands in terms of "Price" i.e. affordability
                                                            5   4   3   2   1

Q10) Rate the brand reputation of Nokia brands in terms of "Promotion" i.e.
Advertising & Communication.   5   4   3   2   1

Q11) Rate the brand reputation of Nokia brands in terms of "Place" i.e.
Convenience in availability.   5   4   3   2   1

<u>BRAND REPUTATION</u>

Q12) I consider Nokia as **most favorable** brand in terms of brand reputation.
                                                            5   4   3   2   1
Q13) I consider Nokia as **most publicly recognized** brand in terms of brand
reputation.
                                                            5   4   3   2   1
Q14) I consider Nokia as **most reliable** brand in terms of brand reputation.

                                        5   4   3   2   1
Q15) I consider Nokia as **most consistent** brand in terms of brand reputation.
                                        5   4   3   2   1

ANNEXURE 2

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