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DOES WINNING AN AWARD AFFECT INVESTORS' BRAND PREFERENCE AND PURCHASE INTENTION?

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ABSTRACT

Franklin Templeton Investments is a global leader in asset management serving clients for over 65 years in over 150 countries and is famous in Taiwan. This research takes Franklin Templeton Investments as an example. We investigate the relationships between brand image, perceived quality, brand preference, and purchase intention using questionnaire. The results show that brand image has a significantly positive effect on perceived quality and brand preference. Perceived quality has a significantly positive impact on brand preference. Brand preference also has a significantly positive influence on purchase intention.

JEL: G1, M1, M5

KEYWORDS: Brand Image, Perceived Quality, Brand Preference, Purchase Intention

INTRODUCTION

Mutual funds represent one of the most popular investment instruments today. Some institutions hold fund awards to recognize strong performing funds and fund groups that have shown excellent yearly returns relative to their peers - for example, TFF-Bloomberg Best Fund Awards, Morningstar Fund Awards, and Lipper Fund Awards. Many fund companies use awards they have won as advertising and marketing material, hence raising a few questions: Do investors think awarded funds have a better brand image or a better perceived quality? Does wining an award affect investors' brand preference and purchase intention? Most related studies on awarded funds target performance persistence by taking secondary data from the financial markets. In fact, there is limited research targeting investors' brand preference and purchase intentions of awarded funds directly through questionnaires. This study looks to fill this gap. The most popular fund awards in Taiwan include TFF-Bloomberg Best Fund Awards, Morningstar Fund Awards (Taiwan), Lipper Fund Awards, and Smart Taiwan Fund Awards.

Among these four fund awards, Franklin Templeton Investments respectively won a total of 19 and 13 awards in 2014 and 2013, ranking first in the fund industry in awards received. This research takes Franklin Templeton Investments as an example, because it has had such an outstanding performance in the last ten years, is a global leader in asset management serving clients for over 65 years in over 150 countries, and is famous in Taiwan. We investigate the relationships between brand image, perceived quality, brand preference, and purchase intention using questionnaires. This study's results can provide a reference for the fund industry and investors. The rest of this paper is organized as follows. Section 2 reviews previous research on brand image, perceived quality, brand attitude, brand preference, and purchase intention. Section 3 describes the data and method we employ. Section 4 reports the empirical results, and section 5 concludes the paper.

LITERATURE REVIEW

The American Marketing Association defines brand as "a name, term, sign, symbol, design or a combination of them, intended to identify the goods and services to differentiate them from the competition". Kotler (2000) claimed that "brand is a name, term, symbol, design or all the above, and is used to distinguish one's products and services from competitors". Keller (1993) defined brand image as "perceptions about a brand as reflected by the brand associations held in consumer memory". Accordingly, brand image does

not exist in the features, technology or the actual product itself.   It is something brought out by advertisements, promotions or users.   Brand image is often used as an extrinsic cue when consumers are evaluating a product before purchasing (Zeithaml, 1988; Richardson, Dick and Jain, 1994). Perceived quality is the consumer's judgment about a product's overall excellence and superiority, not the actual quality of a product (Zeithaml, 1988; Aaker, 1991).   Consumers often judge the product quality by various informational cues.   They form their beliefs based on these informational cues (intrinsic and extrinsic). Then they judge the quality of a product and make their final purchase decision based on these beliefs (Olson, 1977). Intrinsic attributes are physical characteristics of the product itself, such as a product's conformance, durability, features, performance, reliability, and serviceability. On the contrary, extrinsic attributes are cues external to the product itself, such as price, brand image, and company reputation (Zeithaml, 1988).   Garvin (1987) defined perceived quality to include five dimensions: features, performance, conformance, durability, reliability, serviceability, aesthetics, and brand image. Petrick (2002) developed a four-dimensional scale to measure the perceived quality of a product: consistency, reliability, dependability, and superiority.

Brand preference is important to companies, because it provides an indicator of customers' loyalty and the strength of their respective brands. Brand preference can be viewed as an attitude that influences consumers' purchase decisions, which then result in a behavioral tendency under which a buyer will select a particular brand, while disregarding another brand (Howard and Sheth, 1969; Ravi, Stephen and Steven, 1999). Consumers' preferences are often sensitive to particular tasks, context characteristics, and individual difference variables (Payne, Bettman, and Johnson, 1992). Purchase intention is the likelihood that a customer will buy a particular product (Fishbein and Ajzen, 1975; Dodds, Monroe & Grewal, 1991; Schiffman and Kanuk, 2000). A greater willingness to buy a product means the probability to buy it is higher, but not necessarily to actually buy it.   On the contrary, a lower willingness does not mean an absolute impossibility to buy. Bagozzi and Burnkrant (1979) defined purchase intention as personal behavioral tendency to a particular product.   Spears and Singh (2004) defined purchase intention as "an individual's conscious plan to make an effort to purchase a brand".   Purchase intention is determined by a consumer's perceived benefit and value (Xu, Summers, and Bonnie, 2004; Grewal et al., 1998; Dodds et al., 1991; Zeithaml, 1988). Firms often try to establish favorable associations with a product through messages to consumers. Dodds, Monroe & Grewal (1994) pointed out that brand image can be viewed as a set of all information about a product, and so a consumer's perceived quality and overall evaluation about a brand will be higher when the brand image is better.

Brand image is often used as an extrinsic cue when consumers are evaluating a product before purchasing (Zeithaml, 1988; Richardson, Dick and Jain, 1994). A favorable brand image positively influences consumers' perceived quality (Dodds et al., 1991; Grewal, Krishnan, Borin & Baker, 1998) and brand preference (Chang and Liu, 2009; Mourad & Ahmed, 2012). Moreover, brand image and brand awareness affect consumers' evaluations and choices about a particular product (Keller, 1993).   Perceived quality has a positive effect on brand preference (Moradi & Zarei, 2011; Tolba, 2011) and on consumers' brand evaluation about a product (Metcalf, Hess, Danes, and Singh, 2012).   Brand familiarity also influences a consumer's confidence and attitude toward the brand, in turn impacting his purchase intention (Laroche, Kim, and Zhou, 1996). In other words, brand preference plays an important role in deciding consumers' purchase intention (Higie and Murphy, 1991; Chen and Chang, 2008; Wang, 2010). Thus, we note the following hypotheses.

Brand image has a significantly positive impact on investors' perceived quality

Brand image has a significantly positive impact on investors' brand preference

Perceived quality has a significantly positive impact on investors' brand preference

Investors' brand preference has a significantly positive impact on their purchase intention

DATA AND METHODOLOGY

According to the research framework, we design the items of the questionnaire for the four dimensions: brand image, perceived quality, brand preference, and purchase intention. These items are measured on Likert's five-point scale, ranging from 1 point to 7 points, denoting "strongly disagree", "disagree", "a little disagree", "neutral", "a little agree", "agree", and "strongly agree", respectively. Using random sampling, we administered the questionnaires to investors living in Taiwan from February 1, 2013 to May 1, 2013. A total of 600 responses were distributed, and 552 usable responses were collected, for an acceptable response rate of 92%. The gauging scales are selected from the literature.   Brand image is gauged by 4 items take from Park, Jaworski and Maclnnis (1986).   Perceived quality is measured by 8 items by means of Petrick (2002).   Brand preference is gauged by 4 items taken from Howard and Sheth (1969). Purchase intention is gauged by 3 items take from Zeithaml (1988) and Dodds et al. (1991).

ANALYSES AND RESULTS

We perform data analyses on SPSS 13.0 and AMOS 19.0, with the adopted methods including descriptive statistics analysis, reliability and validity analysis, correlation analysis, and structural equation modeling (SEM) analysis.   Through descriptive statistics analysis in Table 1, we found that the basic attributes of major group are female (55.4%), married (54.0%), 21-30 years old (48.0%), university education level (70.1%), live in central Taiwan (50.7%), work in service industry (29.0%), and monthly income NT$20,001-40,000 (49.6%).

Table 1: Descriptive Statistics Analysis of Sample

	Items	No. of Respondents	Percent (%)
Gender	Male	246	44.6
	Female	306	55.4
Marital status	Married	298	54.0
	Unmarried	254	46.0
Age group	Younger than 20 years old	18	3.3
	21-30 years old	265	48.0
	31-40 years old	104	18.8
	41-50 years old	130	23.6
	Older than 50 years old	35	6.3
Education level	Junior high school	5	0.9
	Senior high school	113	20.5
	University	387	70.1
	Graduate school	39	7.1
	PhD	8	1.5
Residential area	Northern Taiwan	117	21.2
	Central Taiwan	280	50.7
	Southern Taiwan	57	10.3
	Eastern Taiwan	96	17.4
	Others	2	0.4
Occupation	Financial industry	114	20.7
	Public servants and teachers	37	6.7
	Manufacturing industry	39	7.1
	Information and technology industry	19	3.4
	Service industry	160	29.0
	Students	94	17.0
	Others	89	16.1
Monthly income	Below 20,000	114	20.7
	20,001-40,000	274	49.6
	40,001-60,000	101	18.3
	60,001-80,000	33	6.0
	More than 80,000	30	5.4

This table shows descriptive statistics analysis of the sample.   The first two columns represent demographic variables and their items considered in this research.   The third and fourth column reports the number of respondents and its corresponding percent, respectively

Composite reliability (CR) is used as a measure of the reliability.   It is defined to have "internal consistency reliability" when CR has a value greater than 0.7 (Fornell and Larcker, 1981).   As presented in Table 2, all the dimensions have a CR value greater than 0.7, which indicates good internal consistency reliability.   Convergent validity and discriminant validity are commonly regarded as subsets of construct validity. This research conducts confirmatory factor analysis (CFA) to measure convergent validity.

According to the results in Table 2, all CR estimates are greater than 0.7, all factor loadings are greater than 0.5, and all Average Variance Extracted (AVE) estimates are also greater than 0.5 in these five dimensions. This is consistent with the criterion of convergent validity proposed by Fornell and Larcker (1981) and Hair et al. (2009).

Table 2: Confirmatory Factor Analysis

Dimension		Factor Loading	SMC	CR	AVE
Brand image	BI1	0.880	0.774		
	BI2	0.854	0.729	0.936	0.785
	BI3	0.912	0.832		
	BI4	0.898	0.806		
Perceived quality	PQ1	0.820	0.672		
	PQ2	0.843	0.711		
	PQ3	0.870	0.757	0.930	0.726
	PQ4	0.875	0.766		
	PQ5	0.852	0.726		
Brand preference	BP1	0.817	0.667		
	BP2	0.876	0.767	0.922	0.747
	BP3	0.926	0.857		
	BP4	0.834	0.696		
Purchase intention	PI1	0.851	0.724		
	PI2	0.911	0.830	0.912	0.776
	PI3	0.879	0.773		

This table shows confirmatory factor analysis on brand image, perceived quality, brand preference, and purchase intention. SMC, CR, AVE represents square multiple correlation, composite reliability, and average variance extracted, respectively.

Table 3 presents the results of discriminant analysis, with the values on the diagonal being AVE of our four dimensions (constructs): brand image, perceived quality, brand preference, and purchase intention. Values on the non-diagonal are the square of the correlation between two constructs. We note that the questionnaire has discriminant validity, because the AVE of each construct is greater than the square of the correlation between any two constructs (Fornell and Larcker, 1981). In addition, it also has content validity, because our scale and item contents are constructed according to the literature review and do pass the questionnaire pre-test.

Table 3: Discriminant Analysis

	Brand Image	Perceived Quality	Brand Preference	Purchase Intention
Brand image	0.785			
Perceived quality	0.679	0.726		
Brand preference	0.490	0.576	0.747	
Purchase intention	0.472	0.482	0.701	0.776

This table shows discriminant analysis of brand image, perceived quality, brand preference, and purchase intention. Values on the diagonal and non-diagonal are AVE estimates of each construct and the square of correlation between two constructs, respectively.

This research conducts structural equation modeling (SEM) analysis to test the fit of the factors (dimensions) of brand image, perceived quality, brand preference, and purchase intention. For a model with good fit, GFI (goodness of fit) should greater than 0.8 (Browne and Cudeck, 1993). AGFI (adjusted goodness of fit) should be greater than 0.8, and CFI (comparative fit index) should be greater than 0.9 (Doll, Xia, Torkzadeh, 1994; Hair et al., 2009; Gefen et al., 2000). RMSEA (root mean square error of approximation) should be under 0.08 (Brown and Cudeck, 1993), and the ratio of the chi-square value to degrees of freedom ($\frac{x^2}{df}$) should be no greater than 5 (Wheaton et al., 1977). The goodness-of-fit indices of the model are as follows: GFI is 0.905, AGFI is 0.70, CFI is 0.962, RMSEA is 0.078, and $\frac{x^2}{df}$ is 4.368. All these indices are within the acceptable range, meaning the overall model fitness is good.

Figure 1 presents the path analyses from SEM. According to the estimated values of the standardized parameters of the relationship model in Figure 1, we find that brand image has a significantly positive influence on both perceived quality (H1 is supported) and brand preference (H2 is supported). Perceived quality has a significantly positive impact on brand preference (H3 is supported). Brand preference also has a positive influence on purchase intention (H4 is supported).

Figure 1: Path Analysis from SEM
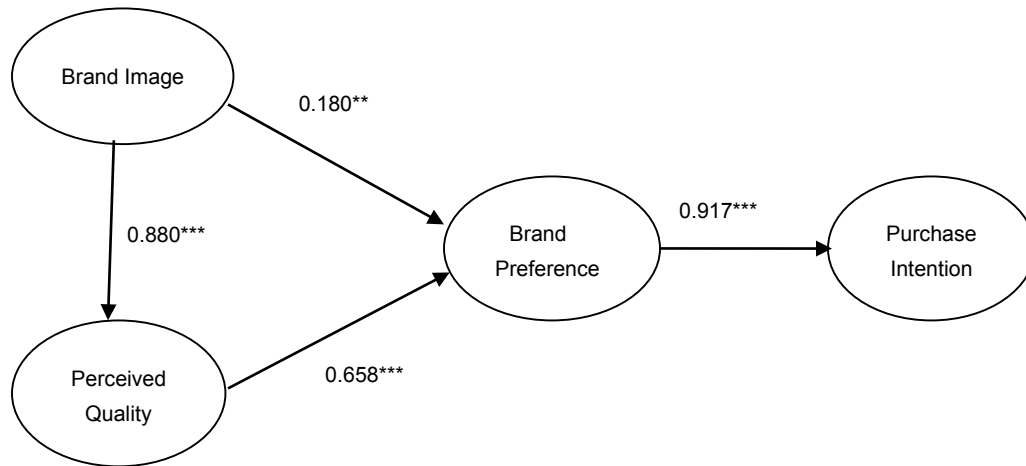
This figure shows the path analysis from structural equation modeling (SEM). Values beside the path represent the standardized regression coefficients. ***, ** and * indicate significance at the 1, 5 and 10 percent levels, respectively.

CONCLUSIONS AND IMPLICATIONS

Mutual fund is one of the most popular investment instruments today. Many fund companies use awards they have won as advertising and marketing material, hence raising a few questions: Do investors think awarded funds have a better brand image or a better perceived quality? Does wining an award affect investors' brand preference and purchase intention? Franklin Templeton Investments is a global leader in asset management serving clients for over 65 years in over 150 countries, and is famous in Taiwan. Therefore, this research takes Franklin Templeton Investments as an example to investigate the relationships between awarded funds' brand image, perceived quality, brand preference, and purchase intention through a questionnaire format.

Using random sampling, we administered the questionnaires to investors living in Taiwan from February 1, 2013 to May 1, 2013. A total of 600 responses were distributed, and 552 usable responses were collected, for an acceptable response rate of 92%. We perform data analyses on SPSS 13.0 and AMOS 19.0, with the adopted methods including descriptive statistics analysis, reliability and validity analysis, and structural equation modeling (SEM) analysis. The research findings show that: 1) brand image has a significantly positive effect on both perceived quality and brand preference; 2) perceived quality has a significantly positive impact on brand preference; and 3) brand preference also has a significantly positive influence on purchase intention. The results mean that brand image not only increase consumers' brand preference directly, but also increases their brand preference indirectly via perceived quality, which in turn enhances their purchase intention. Therefore, we suggest that fund companies should put forth more efforts to improve their funds' performances and use awards won as advertising and marketing material to strengthen their brand image. Once a positive brand image is established, consumers' brand preference and purchase intention increase both directly and indirectly.

The first limitation of this study is that we take Franklin Templeton Investments as the sole example, potentially limiting generalizability to other fund companies. Second, we only considered brand image, perceived quality, and brand preference in this study. Third and finally, most of the respondents in our study are characterized by the following: 1) younger than 30 years old; 2) graduated from a university; 3) work in the service industry; or 4) have monthly income of NT$20,001-40,000. The results may be biased due to different behaviors among different age groups, education level, occupation, or monthly income. There are still other determinants of the purchase intention of mutual funds. Future research can include other variables in more comprehensive models that have possibly higher explanatory power. Naturally, the results of the study can be further strengthened by balancing and comparing different age, education

level, occupation, and monthly income groups.

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