The Success of Global Brands: A quality and price perspective

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ABSTRACT
The study investigates significance of global brands in perspective of consumers’ perception of quality and satisfaction. The focus is on quality and price. Based on the review of previous literature a theoretical framework has been developed. The independent variables being quality and price, consumer satisfaction is the moderating variable, while consumer loyalty is the dependent variable. The model proposes that the outcome of this relationship results in profitability. The theoretical framework leads to the development of some interesting propositions which could be empirically validated by the future researchers. The findings of the study reveal that quality and pricing are two key components for the success of global brands. Some limitations, implications and suggestions for future research are also suggested.

Keywords: global brands, consumer satisfaction, consumer loyalty, quality, price.

INTRODUCTION

Globalization and ever changing market economies have contributed to the importance of intangible resources like “brands” which have emerged as one of the key factors among any company’s success or failure (Zungu et al., 2010). Brands have developed into great economic value to companies, with a major shift during the past two decades, from brands as identifying part of a product, to strategic assets for organizations (Montana et al., 2007; Fischer et al., 2010). Brands, being the most valuable and sustainable assets in business, have gained importance as increasingly accepted intangible asset of any organization, thereby providing companies not only with strategic platform for interacting with consumers but obtaining strong financial value in merger and acquisitions markets. Therefore, companies use their brands to enter new global markets, due to which a constantly growing trend of the global brands extensions and expansion to other markets is observed in the last two decades (Milberg & Sinn, 2008; Loken & Roedder 1993; Yip 1989; Szymanski et.al 1993; Zungu et al., 2010).
Some of the key components of a company’s brand strategy include the number of brands it owns, its market segmentation, competition, and positioning in terms of quality and price perceptions among consumers (Morgan & Rego 2009; Porter 1980; Chintagunta 1994; Aaker 2004). Quality being an important component behind the success of any brand, results in consumer satisfaction leading to consumer loyalty and ultimately profitability (Szwarc, 2006; Bowen & Cheng, 2001). Pricing on the other hand is the simplest and most direct tool of consumers’ evaluation of a product. Therefore, consumer’s perception of the price and quality must be given utmost weight-age while deciding the price of the product in order to gain maximum profitability. The present study also adopts quality and price as the most important factors leading to profitability.

Profitability generates higher margins for companies to invest further in the quality of the brand which results in premium pricing. Researchers are of the view that consumer perception is influenced by the intensity and strength of consumer satisfaction which leads to consumer loyalty and ultimately profitability, therefore the business world always attempts to obtain increased consumer satisfaction by focusing on quality of their products and services (Szwarc, 2006; Bowen & Cheng, 2001; Zeithaml et al., 2009). This study includes the variables of quality and pricing, consumer satisfaction, loyalty, and profitability from the detailed analysis of the model of Zeithaml et al. (2009), Szwarc (2006), Bowen & Cheng (2001), Jr. & Chandler (2005), and Beverland et al. (2007) and builds a theoretical framework. The theoretical framework proposes quality and pricing as independent variables, consumer satisfaction as moderating variable, and consumer loyalty as dependent variable with profitability as the final outcome. Based on the theoretical framework a few propositions are built that can be empirically validated in the future.

LITERATURE REVIEW

The fast paced business environment caused by globalization requires organizations to place greater emphasis on the value and management of intangible resources. Such resources play an important role in differentiating organizations, creating competitive advantage through organizational capabilities, competences, skills and knowledge as well as brands (Zungu et al., 2010). Brands create an impression linked with lifestyles and are considered ‘cool’. They work by ensuring consumers of quality, consistency, and security, thus stimulating consumers’ decision making processes. These assurances create loyal consumers with mass brand acceptance and more favorable comments about a firm and its brand, leading to higher margins for producers. This facilitates greater investments in research and ultimately results in higher brand equity that removes consumers’ hesitation in paying a premium price (Beverland et al., 2007; Bendixen et al., 2004; Edensor & Millington, 2008; Jr. & Chandler, 2005).

Globalization created the need for firms to develop global, local, and glocal brands to cater to the needs and expectations of various consumer segments. Global brands refer to products with a globalized strategic approach, with its presence in many countries. Similarly, Local brands have a localized strategy with local presence. Glocalization, on the other hand, refers to strategy adopted by global organizations, to produce and market brands to particular local conditions in-order to meet variations in consumer demands. Glocal brands describe the unidirectional shaping of the local market in the interest of global capital (Shechter, 2008; Andrews & Ritzer, 2007; Maynard & Tian, 2004; Hung et al., 2007; Maynard M. L., 2003; Koehler & Wissen, 2003).

In the era of hyper competition, both foreign and local retailers must understand ‘why’ and ‘how’ consumers formulate their brand choices. As aforesaid in the introduction of this study,
literature identifies some very important mechanisms of brand strategy of any company that includes brand positioning in terms of quality and price perceptions among consumers (Kumar et al., 2009; Morgan & Rego 2009; Porter 1980; Chintagunta 1994; Aaker 2004). A detailed analysis of a research project conducted by Harvard Business Review in 2002 revealed that worldwide consumers, while choosing a brand, associate with three characteristics, one of them being quality and evaluate them on those dimensions while making purchase decisions. Similarly, a study by Kyriazopoulos et al. (2007) mentions that business organizations consider quality as a key determinant of consumer satisfaction, which in turn influences purchase behavior. It is therefore extremely important for managers to avoid strategies that may undermine brand quality perceptions, especially in the case of global brands, as quality perceptions is an important component in determining consumer preferences (Holt et al., 2004; Milberg & Sinn, 2008).

Quality enjoys a direct relationship with price. Better quality involves higher costs, which is justified through charging relatively higher prices. Any reduction in price may bring the quality in a compromising position. The general objective of pricing is maximization of profit margins. However, some of the researchers are also of the opinion that unlike the conventional approach, retailers can charge higher prices as the competition increases. Price is also used by firms for gaining competitive advantage. It has a very intriguing aspect attached to it i.e. buyers are likely to use price as an indicator of both costs and quality – price is simultaneously an attractive variable as well as a repellent. It conveys the appropriate quality signals as lesser price can lead to inaccurate inferences about the quality and higher prices can set expectations difficult to match. (Zeithaml et al., 2009; Quester et al., 2004; Fathian et al., 2009; Venkatesan et. al, 2006; Dutta et al., 2003)

Zeithaml model of consumer perception of quality and satisfaction includes three main variables which are service quality, product quality, and pricing. The model states that quality and pricing, influenced by five components\(^1\) i.e. reliability, responsiveness, assurance, empathy and tangibles, lead to consumer satisfaction which creates loyal consumers (Zeithaml et al., 2009, p.103).

Similarly, a few researchers are of the view that consumer satisfaction, influenced by consumer perception, leads to consumer loyalty which brings profitability for companies. Similarly, profitability leads to higher margin on investments which results in further investments on improving the quality of the brand that ends up getting premium pricing for the same (Zeithaml et al., 2009; Szwarc, 2006; Bowen & Cheng, 2001; Jr. & Chandler, 2005; Beverland et al., 2007).

As aforesaid, the model indicates that consumer satisfaction is prompted by quality of products and services, and price. Consumers carefully evaluate the attributes of a set of products, services or brands, and rationally select the one that solves a clearly recognized need for the least cost (Hawkins, 2003). Inspired by the models of Zeithaml et al. (2009), Szwarc (2006), Bowen & Cheng (2001), Jr. & Chandler (2005), and Beverland et al. (2007), the present study includes quality and

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\(^1\) Reliability (delivering on promises): Consistently shown as the most important determinant of perceptions of service quality, it is defined as the ability to perform the promised service dependably and accurately. Responsiveness (being willing to help): The willingness to help customers and to provide prompt services. It is communicated to customers by the length of time they have to wait for assistance, answer to questions, or attention to problems. Assurance (inspiring trust and confidence): It is defined as employees’ knowledge and courtesy and the ability of the firm and its employees to inspire customer trust and confidence. Empathy (treating customers as individuals): It is the caring, individualized attention that the firm provides its customers. The essence is conveying, through personalized service, that customers are unique and special and that their needs are understood. Tangibles (representing the service physically): The appearance of physical facilities, equipment, personnel, and communication materials (Zeithaml et al. 2009).
price as independent variables, consumer satisfaction as moderating variable, and consumer loyalty as dependent variable, which results in profitability.

**THEORETICAL FRAMEWORK**

This study proposes a theoretical framework in which the independent variables are quality and price. Business organizations consider quality and price as a key determinant of consumer satisfaction (Kyriazopoulos et al., 2007; Dutta et al., 2003; Holt et al., 2004; Lin and Shue, 2005). The dependent variable is consumer satisfaction because it is based on quality and price (Morgan & Rego 2009; Porter 1980; Chintagunta 1994; Aaker 2004) which results in consumer loyalty that leads to profitability. The following model shows that profitability leads the way for higher revenue margins which trigger further investments on quality improvement that ends up having premium pricing. This relationship is reflected through figure 1.1

![Theoretical Model Diagram](adapted_from_a.png)

Figure 1: Theoretical Model of the Success of Global Brands: A Quality and Price Perspective.

**FORMULATION OF PROPOSITIONS**

Consumer satisfaction is based on quality of products and services, which leads to consumer loyalty and profitability. Business organizations therefore consider quality as main factor of consumer satisfaction, which resultantly influences buying behavior. Therefore, extreme care needs to be given while developing a strategy for a global brand and such strategy that may undermine brand quality perception is to be avoided (Szwarc, 2006; Bowen & Cheng, 2001; Kyriazopoulos et al., 2007; Milberg & Sinn, 2008). The study therefore presents the following proposition.

**PROPOSITION 1:** Quality is related to consumer satisfaction that leads to loyal consumers which guarantees the success of a global brand.

The basic objective of pricing is to maximize profits. There is a direct relationship between quality and price. Higher quality involves higher costs, which is justified through charging relatively
higher prices. Any reduction in price can bring the quality in a compromising position (Quester et al., 2004; Zeithaml et al., 2009). The study therefore presents the following as second proposition.

**PROPOSITION 2:** Pricing is positively related to quality that results in consumer satisfaction which leads to consumer loyalty towards a global brand.

The aforementioned propositions suggest that quality and pricing play a crucial role for global brands to have loyal consumers that leads to profitability. Business organizations therefore need to maintain their focus on quality of brands that will maximize on their profits.

**CONCLUSIONS**

The study endeavors to show that quality and price provide the basis for global brands’ success or failure. With globalization, consumers have more options of brands to choose from, prompting competition and making quality and pricing as the main determinant for profiling of any brand. The study therefore suggests that business organization and managers, while formulating or adopting a certain strategy for their global brands, should also keep their focus of attention on quality and price as the literature mentioned in this study identifies these two factors as extremely important for stimulating the buyers’ behavior towards a certain brand (Beverland et al., 2007; Milberg & Sinn, 2008).

Brands are the most valuable and sustainable assets in business and have therefore gained importance as increasingly accepted intangible asset of any organization. In addition, they provide companies with strategic platforms for interacting with their consumers which results in strong financial value. The study highlights that quality and price are two important factors towards a stronger brand. The business industry therefore needs to keep quality and pricing under constant evaluation (Zungu et al., 2010; Clifton & Simmons, 2004; Urde, 1999). As aforesaid, the study asserts that quality and price are two key variables for profitability, stronger brand equity, and premium pricing. The academia can not only further explore the variables mentioned in the study but can also further develop on the concept.

One of the main study limitations is that it has not been empirically validated. Secondly, resource constraint hindered going in details and doing further research. For instance, the five components of pricing and quality in the Zeithaml et al., (2009) model, mentioned in the literature review, could give in-depth understanding of the subject matter. Inclusion of a few more variables can also bring changes in the research findings.

The study can be empirically validated by future researchers. In addition, influence of situational factors and personal factors on consumer satisfaction in Zeithaml et al. (2009) model, if included, can give new dimensions to the study findings. The study establishes a causal relationship of pricing and quality with consumer satisfaction. However, it is also observed that consumer satisfaction can affect pricing and quality, showing interdependence among them. Future researchers can therefore look into the co-variance between pricing and quality and customer satisfaction. Future researchers can also look at the brand segmentation, market dynamics, and competition, which may give a new face to the research study.
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