

# THE IMPORTANCE OF BRAND AWARENESS IN CONSUMERS' BUYING DECISION AND PERCEIVED RISK ASSESSMENT

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## *Abstract:*

*Brand awareness, as one of the fundamental dimensions of brand equity, is often considered to be a prerequisite of consumers' buying decision, as it represents the main factor for including a brand in the consideration set. Brand awareness can also influence consumers' perceived risk assessment and their confidence in the purchase decision, due to familiarity with the brand and its characteristics. On the other hand, brand awareness can be depicted into at least two facets – unaided (brand recall) and aided (brand recognition) – each of the two facets having its more or less effective influence on buying decision and perceived risk assessment. This paper tries to reveal, on one hand, the importance of unaided brand awareness when it comes to consumers' buying decision and, on the other hand, the importance of aided brand awareness when assessing the perceived risk associated with the purchase. The analysis is conducted in a comparative manner, considering the case of durable versus non-durable products, and with focus on urban Romanian consumers.*

*Keywords: brand aided and unaided awareness, brand choice, perceived risk*

## **Brief literature review**

Although the last decades' specialized literature revealed and crystallized the concept of brand equity (in relation to which brand awareness is one of the fundamental dimensions) the term has been and still is approached in several manners in the specialized literature.

Aaker (1991) approaches brand equity as a set of fundamental dimensions grouped into a complex system comprising mainly: brand awareness, brand perceived quality, brand loyalty and brand associations. He also suggests a "brand equity ten" model for assessing brand equity (Aaker, 1996), taking into consideration several factors among which brand awareness is fundamental.

Kevin Lane Keller (1998, p.45) approaches brand equity from a customer based perspective defining it as "the differential effect of brand

knowledge on consumer response to the marketing of the brand".

Farquhar (1989) considers that building a strong brand within consumers' minds means creating a positive brand evaluation, an accessible brand attitude, and a consistent brand image, the accessible brand attitude actually referring to what the others term as awareness.

As already mentioned, an important dimension of brand equity is brand awareness, very often an undervalued component. Not only that awareness is almost a prerequisite for a brand to be included in the consideration set (the brands that receive consideration for purchase), but it also influences perceptions and attitudes, and can be a driver for brand loyalty (Aaker, 1991).

Reflecting the salience of the brand in the customers mind, awareness can be assessed at several

levels such as recognition, recall, top of mind, brand dominance (the only brand recalled), or, even more, brand knowledge (what the brand stands for is very well known by consumers) (Aaker, 1996).

Brand awareness is the first and prerequisite dimension of the entire brand knowledge system in consumers' minds, reflecting their ability to identify the brand under different conditions: the likelihood that a brand name will come to mind and the ease with which it does so (Keller, 1993).

Brand awareness can be depicted into brand recognition (consumers' ability to confirm prior exposure to the brand when given the brand as cue) and brand recall (consumers' ability to retrieve the brand when given the product category, the needs fulfilled by the category, or some other cues).

Brand awareness is essential in buying decision-making as it is important that consumers recall the brand in the context of a given specific product category, awareness increasing the probability that the brand will be a member of the consideration set. Awareness also affects decisions about brands in the consideration set, even in the absence of any brand associations in consumers' minds. In low involvement decision settings, a minimum level of brand awareness may be sufficient for the choice to be final. Awareness can also influence consumer decision making by affecting brand associations that form the brand image (Keller, 1998).

Considering Farquhar's (1989) approach of brand equity, the accessible attitude he refers to is related to how quickly a consumer can retrieve brand elements stored in his/her memory (brand awareness).

The attitude activation is sometimes "automatic" (it occurs spontaneously upon the mere observation of the attitude object) and sometimes "controlled" (the active attention of the individual to retrieve

previously stored evaluation is required). It was also proven (Farquhar, 2000) that only high accessible attitudes (brands with a high level of awareness) can be relevant when purchasing or repurchasing a brand.

Other authors (Laurent, Kapferer and Roussel, 1995) suggest three classical measures of brand awareness in a given product category: spontaneous (unaided) awareness (consumers are asked, without any prompting, to name the brands they know in the product category – in this case the unaided awareness of a brand is the percentage of interviewees indicating they know that brand), top of mind awareness (using the same question, the percentage of interviewees who name the brand first is considered) and, respectively, aided awareness (brand names are presented to interviewees – in this case the aided awareness of a brand is the percentage of interviewees who indicate they know that brand).

The outcome of any brand choice can only be known in the future, the consumer being thus forced to deal with uncertainty. Brand choice could be considered the central problem of consumer behavior, while the perceived risk associated to buying decisions is a pivotal aspect of brand choice. Risk is often perceived to be painful in that it may produce anxiety, in which case it must be dealt in some manner by the consumer.

Among the main functions of a brand from the consumers' perspective is considered to be the minimization of perceived purchasing risk, which in turn helps cultivate a trust-based relationship. Brand awareness can influence consumers' perceived risk assessment and their confidence in the purchase decision, due to familiarity with the brand and its characteristics.

## **Methodology**

The aspects analyzed within this paper are part of a larger study

conducted in order to generate a model capable to explain the combined and synergic influence of brand dimensions on consumer behavior.

Within this paper, the specific objectives of the research were to reveal, on one hand, the importance of unaided brand awareness when it comes to consumers' buying decision and, on the other hand, the importance of aided brand awareness when assessing the perceived risk associated with the purchase, in a comparative manner (the case of durable versus non-durable products) and with focus on urban Romanian consumers.

In order to meet the research specific objectives, several particular indicators were used to measure brand recall, brand choice share and the perceived risk associated with the purchase of an unknown brand.

Furthermore, the influence of brand unaided awareness level on brand choice share and of brand aided awareness level on perceived risk assessment were statistically tested and analyzed, considering two particular product categories from durables and non-durables market types, and taking into consideration several consumer demographic characteristics like age, income level, education level and gender.

The needed information in order to study the above mentioned issues basically consisted in:

- the consumers' ability to retrieve the brand when given the product category (unaided brand awareness for each durable and non-durable brand),
- the most recent purchased brand in each product category (brand choice share for each durable and non-durable brand),
- the perceived risk associated to buying a brand with no aided brand awareness (also considering each product category)
- demographic characteristics (age, income, education and gender).

The data collection had to be conceived in such a way so that consumers could reveal their attitudes regarding the analyzed product categories and corresponding brands, as easily and correctly as possible. Therefore, the particular product categories chosen for the research consisted in tooth-paste, as being representative for non-durables, and television sets as being representative for durables, selected this way because they are different in usage duration, not too technical and have a large rate of penetration into households usage (thus, most of the respondents were able to express their attitudes towards those products).

In order to collect the needed data, a questionnaire based survey was conducted among a representative sample of the investigated population. The indicators designed in order to reflect the necessary information for the study were computed as it follows:

- each respondent had to mention the first three brands of tooth-paste and television sets that came to his/her mind, finally **unaided awareness** of each brand being reflected by the percentage of respondents that recalled that brand;
- each respondent had to mention the most recent purchased brand in each of the two selected product categories, each **brand choice share** being finally reflected by the percentage of respondents that mentioned that brand as being the most recent purchased one;
- each respondent had to evaluate his/her **perceived risk associated to buying a brand with no aided awareness** (when it came to buying a brand he/she had never heard of before), both in the case of tooth-paste and television sets; the data collection instrument was designed using a symmetric scale with six answering options from 1="Strongly disagree" to 6="Strongly agree" (so that neutral responses be avoided and either

positive or negative attitudes be revealed) associated to the statement “*I consider buying a brand I have never heard of before as being very risky*”; finally, perceived risk assessment for each brand was reflected through the statistical mean of all answers considering that brand.

The investigated population was limited to the urban consumers of Cluj-Napoca, one of the largest cities of Romania, although the intention of the research was to analyze the urban Romanian consumers as a whole.

Nevertheless, the research could still be considered, with certain limitations, as being representative for the entire urban Romanian population as Cluj-Napoca is the second largest higher education center of Romania and, excepting the capital of the country (Bucharest), the second largest city of Romania, representing almost 3% of the Romanian urban population.

The questionnaire based interviews were conducted “face-to-face”, at the household’s residence of the respondents, by a group of 119 students, each student completing a set of five interviews.

The sampling method used for the survey consisted in a mixture of classical probabilistic and non-probabilistic methods. Firstly, the population was geographically clustered considering the 474 postal areas of Cluj-Napoca. Afterwards, 119 clusters were extracted through systematic random sampling. The 119 clusters (postal areas) were assigned to the 119 interview operators (one cluster to each operator), and each operator had to complete five questionnaire based interviews on the basis of an itinerary sampling method (5 consumers from different households, located into five consecutive buildings from the assigned cluster – postal area). The data collected was afterwards verified and validated by contacting (via phone and/or email) a random sample of respondents in order to confirm his/her

answers. The interview operators identified as trying to mislead the research through providing non-valid questionnaires were fully verified.

At the end of the data collection process, from the total of 595 assumed completed interviews, only 551 were validated, therefore, the research having, considering a statistical confidence level of 95%, an estimation error of  $\pm 4,2\%$  ( $e = 1,96 \cdot \sqrt{0,5 \cdot 0,5 / 551}$ ),.

## Results

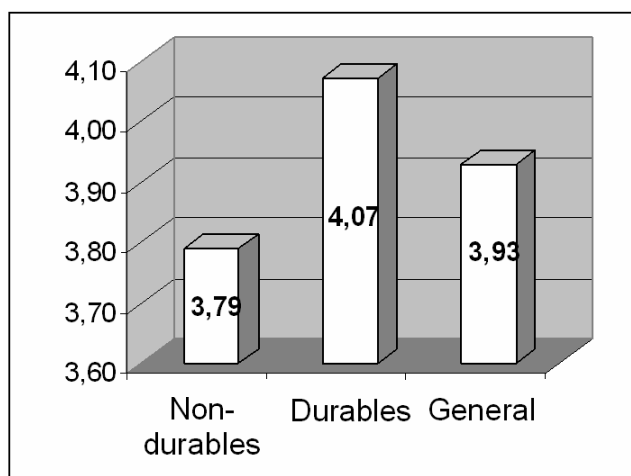
Analyzing the general situation, without considering specific product categories or brands, according to the collected data, almost a third (29,67%) of the investigated consumers associate a very high level of risk to buying a brand with no aided brand awareness, while the cumulative percent of those who are more likely to confirm the fact that they consider buying a brand they have never heard of as being very risky is nearly 60% (the consumers that chose 4, 5 or 6 on the answering scale represented 58,35% of the investigated sample).

This finding is compatible with the general assumption that most of the consumers would prefer buying brands that are familiar to them, brands which they have heard of (aided brand awareness).

Furthermore, the **perceived risk associated to buying a brand with no aided awareness** (an unknown brand) was measured using the previously described six option scale, taking into consideration potential significant differences between product categories – durables versus non-durables (Figure 1).

In order to identify any statistically significant differences between durables and non-durables in the perceived risk, both parametric *Student (T)* and non-parametric *Mann-Whitney (Z)* tests were run considering the following hypothesis:

$H_1$ : The perceived risk associated to buying a brand with no aided awareness varies between durables and non-durables.



**Figure 1. Perceived risk associated to buying a brand with no aided brand awareness**

(Mean of "I consider buying a brand I have never heard of before as being very risky" with answers from 1 = "Strongly disagree" to 6 = "Strongly agree")

The tests' results ( $T=-2,633$  with  $p=0,009$ ;  $Z=-2,712$  with  $p=0,007$ ) confirmed the hypothesis with a confidence level of 99% and, therefore, the perceived risk associated to buying a brand with no aided awareness could be considered significantly higher in the case of durables (Mean=4,07) than in the case of non-durables (Mean=3,79).

Furthermore, using the same tests as before and the parametric Anova (F) and non-parametric Kruskal-Wallis (H) tests, potential significant differences in the perceived risk among demographic market segments were investigated,

starting from the following statistical hypothesis:

$H_1$ : The perceived risk associated to buying a brand with no aided awareness varies among age / education / income / gender categories.

According to the tests' results (see Table 1), the hypothesis was rejected with a confidence level of 95% and, therefore, it was statistically proven that the perceived risk associated to buying a brand with no aided awareness could be considered similarly high, no matter the age, education, income or gender of consumers.

**Table 1**

**Perceived risk associated to buying a brand with no aided awareness in relation to consumers' demographics**

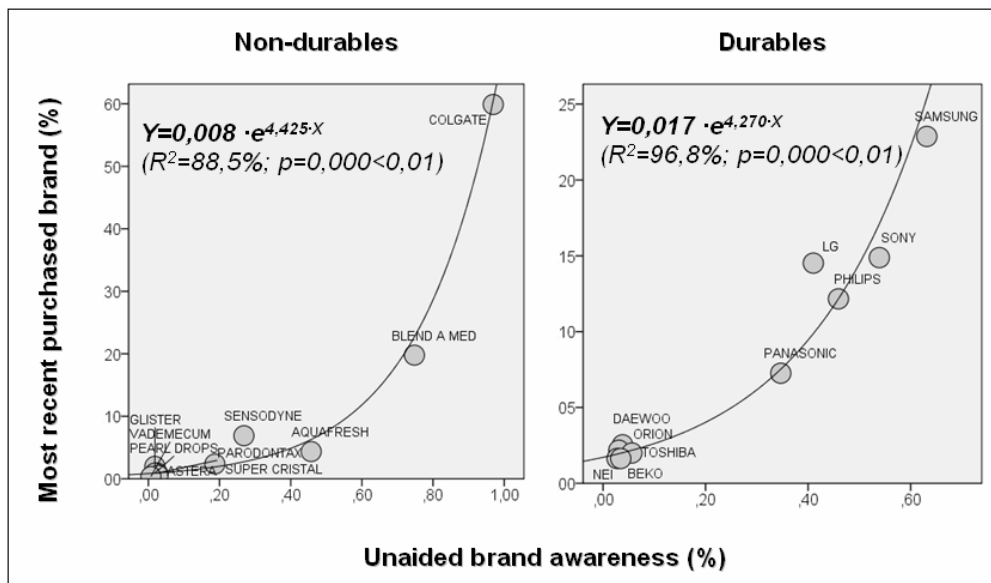
	Non-durables	Durables
<b>Age</b>	$F=1,490$ ( $p=0,204>0,05$ ) $H=5,213$ ( $p=0,266>0,05$ )	$F=0,195$ ( $p=0,941>0,05$ ) $H=0,521$ ( $p=0,971>0,05$ )
<b>Education</b>	$F=1,080$ ( $p=0,370>0,05$ ) $H=5,090$ ( $p=0,405>0,05$ )	$F=0,723$ ( $p=0,606>0,05$ ) $H=2,708$ ( $p=0,745>0,05$ )
<b>Income</b>	$F=1,713$ ( $p=0,146>0,05$ ) $H=7,082$ ( $p=0,132>0,05$ )	$F=1,086$ ( $p=0,363>0,05$ ) $H=4,830$ ( $p=0,305>0,05$ )
<b>Gender</b>	$T=-0,596$ ( $p=0,551>0,05$ ) $Z=-0,601$ ( $p=0,548>0,05$ )	$T=-0,530$ ( $p=0,596>0,05$ ) $Z=-0,351$ ( $p=0,726>0,05$ )

In order to investigate the importance of unaided brand awareness in consumers' buying decision, bivariate regression models were tested (linear  $Y=a+b\cdot X$ , logarithmic  $Y=a+b\cdot\ln(X)$  and exponential  $Y=a\cdot e^{b\cdot X}$ ) with the independent variable (predictor) represented by unaided awareness, and the dependent (predicted) variable represented by choice share:

*H<sub>1</sub>: Brand choice share is positively correlated with brand unaided awareness, both in the case of durables and non-durables.*

In order to analyze the above described relation and to select the most appropriate model to explain the relation, the existence of a relation between variables was firstly tested (in

order to test the relation, the null hypothesis of "no relation" was rejected depending on the value of the statistical indicator p, with a statistical confidence level of 95% if  $p<0,05$ , or with a statistical confidence level of 99% if  $p<0,01$ ), then the intensity of the relation was evaluated, according to the tested model (considering the bivariate correlation coefficient R and the determination coefficient  $R^2$ , indicating the proportion of the dependent variable's variation explained by the predictor's variation), and, finally, the regression coefficients were determined according to the tested model, along with an appropriate mathematical function to reflect the relation (Figure 2).



**Figure 2. The importance of unaided brand awareness in consumers' buying decision**

The bivariate regression coefficients proved, with a confidence level of 99% ( $p<0,01$ ), that there was a positive exponential relation between brand unaided awareness and brand choice share (88,5% of the variation being explained by the model, in the

case of non-durables, and 96,8%, in the case of durables).

The model suggests that there is an upper limit for brand choice share, as unaided awareness grows, limitation given by the durable/non-durable nature of the product (according to the identified models, considering 100%

unaided awareness, the value of brand choice share is 66,81% for non-durables, and 100% for durables).

### **Conclusions**

Brand awareness, as one of the fundamental dimensions of brand equity, is a prerequisite for the market success of both durables and non-durables brands. It represents a main factor for a brand to be included in the buying decision process consideration set, as most of the consumers prefer buying brands they are aware of (brands they are familiar with or, at least, they have heard of).

Brand awareness influences consumers' perceived risk assessment and their confidence in the purchase decision, both in the case of durables and non-durables. Still, the importance of brand awareness in perceived risk assessment is significantly higher in the case of durables, which suggests that, in order to reduce the perceived risk associated to brand choice, it is essential for brand awareness to be generated (at least at the unaided level), especially in the case of durables.

Moreover, considering the fact that the perceived risk associated to buying a brand with no aided awareness is similarly high, no matter the age, education, income or gender of consumers, there is no sense in market segmentation (considering the above mentioned demographics) in order to identify consumer categories for which brand awareness does not influence perceived risk assessment.

Although the research results should be adjusted considering other factors which could impact consumers' buying decision, they suggest that in the case of non-durables there is a stronger limitation to brand choice share growth as brand unaided awareness grows, in comparison to the case of durables. Actually, if to be considered, an unaided brand awareness based monopoly could be generated only in the case of durables.

Even though brand choice share can not be exclusively caused by the level brand unaided awareness, the depicted exponential model suggests that, both in the case of durables and non-durables, as unaided brand awareness modifies, the brand's choice share also has a tendency to modify in the same direction, but at a higher variation rate. Therefore, the elasticity of brand choice share in relation to unaided awareness is higher as the brand's market leadership has a higher level. Unaided awareness growth has a stronger impact on choice share when the brand already has a high brand unaided awareness.

In order to create, maintain and expand own brands' choice share, companies must understand the importance of growing and leveraging brands' aided and unaided awareness and act accordingly. Marketing integrated communication must be implemented, with special emphasis on advertising and customer relationship management, which play fundamental roles in this direction.

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