

*Majors: MKT*

*Serial no. (22)*

***“The Influence of Word of Mouth Communication on Customer  
Equity and Brand Equity”***



**By:**

***(Muhammad Haris)***

***(01-222172-043)***

**Supervisor:**

**(Omar Sajid)**

**Department of Management Sciences**

**Bahria University, Islamabad**

**Spring 2019**

## **ACKNOWLEDGEMENT**

It is difficult for me to express my feelings and gratitude for them, who supported me to complete this independent research study. I would like to thank my supervisor, Mr. Omar Sajid to support me in my research work. He supported me, guide me, when I needed direction. Moreover, I would like to thank my parents, who helped me in the whole education journey and special thanks to my sister, who always guide me and support me. In the last, I would like to thank my friends for their kindness.

## **ABSTRACT**

This study examines, the influence of word of mouth (WOM) on brand equity (BE) and customer equity (CE). WOM may influence in the productivity of a brand and can damage or increase the reputation of a brand in the eyes of customers. The purpose is to “determine the influence of word of mouth on brand equity and customer equity”. To fulfill the purpose, the research is based on the home appliance industry of Pakistan, Where word of mouth is very common. Customers ask frequently to their relatives and friends about home appliances before buying a product. Therefore, In this industry, word of mouth may influence on the brand equity and its current customers and future as well. . Thus 200 respondents contributed to fill the questionnaire. The sample (n=200) included the residents of Rawalpindi and Islamabad, Pakistan, who has experienced to buy a product in previous years. The research was based on quantitative and SPSS was used for data analysis. Findings comprise on the result that, A Strong association between WOM and brand loyalty (BL) and Perceived Quality (PQ) as well. Furthermore, WOM has a positive relation to all the BE and CE dimensions. Results reveal that, word of mouth influence on the brand equity and customer equity.

**Keywords:** word of mouth, brand equity, customer equity

## Table of Contents

ACKNOWLEDGEMENT .....	2
ABSTRACT .....	3
List of Tables .....	8
Table of Figures .....	9
CHAPTER 1 .....	10
INTRODUCTION .....	10
1 Introduction .....	11
1.1 Background .....	11
1.2 Home Appliance industry in Pakistan .....	14
1.3 Research Objectives .....	15
1.4 Research Questions .....	15
1.5 Problem Statement .....	16
1.6 Research gap .....	16
1.7 Significance of the research .....	16
1.8 Thesis Structure .....	17
CHAPTER 2 .....	18
LITERATURE REVIEW .....	18
2 Literature Review .....	19
2.1 Word of Mouth (WOM) .....	19
2.1.1 Positive word of mouth (PWOM) .....	20
2.1.2 Negative word of mouth (NWOM) .....	21
2.2 Brand Equity (BE) .....	21
2.3 Dimensions of Brand Equity (BE) .....	23
2.3.1 Brand Awareness (BAW) .....	23

2.3.2 Brand Loyalty (BL) .....	24
2.3.3 Perceived Quality (PQ).....	25
2.3.4 Brand Association (BAS) .....	26
2.4 Relation between WOM and BE .....	27
2.4.1 Theoretical Framework of WOM and BE .....	28
2.5 Customer Equity (CE).....	28
2.6 Dimensions of Customer Equity (CE) .....	29
2.6.1 Value Equity (VE).....	30
2.6.2 Relationship Equity (RE).....	31
2.7 Word of mouth (WOM) and Customer Equity (CE) .....	32
2.8 Conceptual Framework .....	32
Independent Variable: .....	33
Dependent Variable:.....	33
2.8.1 Hypothesis.....	35
CHAPTER 3.....	36
METHODOLOGY .....	36
3 Methodology.....	37
3.1 Research Process.....	37
3.2 Research Design .....	37
3.3 Questionnaire design.....	38
3.4 Population Frame .....	39
3.5 Sample Size .....	39
3.6 Treatment of Scales.....	39
3.7 Data Analysis Technique.....	39
3.8 Reliability .....	39

3.9 Hypothesis testing .....	40
Chapter 4 .....	41
FINDINGS AND ANALYSIS .....	41
4 Findings and Analysis .....	42
4.1 Demographics .....	42
4.1.1 Gender .....	42
4.1.2 Age .....	43
4.1.3 Income .....	43
4.1.4 Gender Cross tabs .....	45
4.2 Reliability Analysis .....	46
4.3 Analysis of Correlation .....	47
4.3.1 Brand Loyalty and WOM correlation .....	51
4.3.2 Brand Awareness and WOM correlation .....	52
4.3.3 Brand Association and WOM correlation .....	52
4.3.4 Perceived Quality and WOM correlation .....	54
4.3.5 Value Equity and WOM correlation .....	55
4.3.6 Relationship Equity and WOM correlation .....	56
4.4 Regression analysis .....	57
4.4.1 Brand loyalty and WOM Regression .....	57
4.4.2 Brand awareness and WOM Regression .....	59
4.4.3 Brand Association and WOM Regression .....	62
4.4.4 Perceived Quality and WOM Regression .....	64
4.4.5 Value Equity and WOM Regression .....	66
4.4.5 Relationship Equity and WOM Regression .....	69
4.5 Descriptive Analysis .....	72

CHAPTER 5.....	74
CONCLUSION AND RECOMMENDATIONS .....	74
5.1 Recommendations:.....	76
References .....	77
Appendices .....	82
A QUESTIONNAIRE .....	82
B SPSS File Views: .....	87

## List of Tables

Table 1 Research Process.....	37
Table 2: variable name and items .....	38
Table 3 Gender .....	43
Table 4 Age in years .....	44
Table 5 Income of respondents.....	44
Table 6 Gender *product categories.....	45
Table 7 Gender*Brand selection .....	46
Table 8 Reliability of all variables.....	46
Table 9 Reliability .....	47
Table 10 Correlation scale .....	48
Table 11: Correlation among Independent and dependent variables.....	49
Table 12 Correlation WOM and Brand Loyalty.....	52
Table 13 Correlation WOM and Brand Awareness.....	53
Table 14 Correlation WOM and Brand Association .....	53
Table 15 Correlation WOM and Perceived Quality .....	55
Table 16 Correlation WOM and Value Equity .....	55
Table 17 Correlation WOM and Relationship Equity .....	56
Table 18 Model Summary WOM and Brand Loyalty .....	57
Table 19 ANOVA WOM and Brand Loyalty .....	58
Table 20 Coefficients WOM and Brand Loyalty .....	58
Table 21 Model Summary WOM and Brand Awareness .....	60
Table 22 ANOVA WOM and Brand Awareness .....	60
Table 23 Coefficients WOM and Brand Awareness .....	61
Table 24 Model Summary WOM and Brand Association.....	62



Table 25 ANOVA WOM and Brand Association .....	63
Table 26 Coefficients WOM and Brand Association .....	63
Table 27 Model Summary WOM and Perceived Quality .....	64
Table 28 ANOVA WOM and Perceived Quality .....	65
Table 29 Coefficients WOM and Perceived Quality .....	66
Table 30 Model Summary WOM and Value Equity .....	67
Table 31 ANOVA WOM and Value Equity .....	67
Table 32 Coefficients WOM and Value Equity .....	68
Table 33 Model Summary WOM and Relationship Equity .....	69
Table 34 ANOVA WOM and Relationship Equity .....	71
Table 35 Coefficients WOM and Relationship Equity .....	71
Table 36 Descriptive analysis.....	72

## **Table of Figures**

Figure 1 Theoretical framework of WOM and BRAND EQUITY .....	28
Figure 2 Conceptual framework- Customer Equity drivers, (Rust et al., 2001) .....	30
Figure 3 Network model- Customer Equity drivers, (Ozgen, 2017) .....	30
Figure 4 Theoretical framework .....	34