

The Influence of Perceived Brand Quality and Perceived Brand Prestige on Purchase Likelihood of iPhone and HTC Mobile Phone in Taiwan

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Abstract

Nowadays, the mobile phone industry in Taiwan is undergoing great competition. To understand more about the customer behavior in mobile phone industry, this research aims to investigate the influences of perceived brand quality (PBQ) and perceived brand prestige (PBP) on consumer purchase likelihood (CPL) of HTC and iPhone brands among Taiwanese college students. Quantitative research method is applied in this study. The data was collected from university students in Central Taiwan, then the data was analyzed using Statistical Package for the Social Sciences (SPSS) 20. Total of 475 questionnaires were distributed, 452 questionnaires were collected, but 439 were usable. The results of this study support previous studies, and indicate that perceived brand quality and perceived brand prestige are two main factors influencing consumer purchase likelihood of both HTC and iPhone mobile phones in Taiwan. In addition, this study discovers that for Taiwanese university students, when comparing HTC and iPhone, HTC's quality has a higher influence on CPL than iPhone. On the other hand, consumers' perception of iPhone prestige is higher than HTC's prestige. In short, Taiwanese consumers will choose HTC because of its perceived quality, and they



would choose iPhone, because of its perceived prestige.

Keywords: perceived brand quality, perceived brand prestige, consumer purchasing likelihood, HTC, iPhone

1. Introduction

Globalization is a phenomenon that provides both opportunities and threats to brands in the competitive marketplace all over the world. According to Pehrsson (2008), nowadays, brand managers are expanding their national brand's borders to foreign market to broaden business opportunities. To become successful, marketers must build strong global brand in world's market place (Armstrong & Kotler, 2011). To do so, the marketers must understand the international marketing environment before making a brand global. On the other hand, brand plays an important role in affecting consumer purchase likelihood. According to Keller (2008), brand will help customers to identify a firm's products or services and makes itself differentiate from other competitors. Besides, as pointed out by Strizhakova, Coulter, and Price (2011), consumer brand perception is an essential point for researchers to understand consumer choices through brand and consumers have different perceptions of brands which lead to consumer purchase behavior.

Taiwan's economy is dramatically growing, with many brands well known worldwide and also an attractive market for global brands. That is why there are opportunities for foreign brands to enter Taiwan market. In mobile phone industry of Taiwan, High Tech Computer Corporation (HTC) is the first Taiwan smartphone brand which was included among the world's top brands on Interbrands Top 100 Best Global Brands (2011). A major competitor to HTC or any other smartphone is Apple iPhone which is a very popular and high in-demand brand. However, in 2012, Samsung stretched its lead over both HTC and Apple in Taiwan with 41.5% for the month of June far ahead of 23.8% for HTC and 7.1% for Apple (Wu, 2012). Therefore, in the comparative market of mobile phone, consumer behavior is always changeable and quite complex. In spite of the fact that the importance of consumer brand perceptions is recognized (Steenkamp, Alden, & Batra, 2003; Strizhakova et al., 2003; Armstrong & Kotler, 2011), few studies have investigated how consumer brand perceptions affect consumer purchase behavior in the fast growing market of mobile phone industry in Taiwan.

To understand more about consumer behavior in mobile phone market, this study aims to investigate the effects of consumer brand perceptions on consumer purchase likelihood. In particular, the objective of this research is to investigate the influences of perceived brand quality (hereinafter referred to as PBQ) and perceived brand prestige (hereinafter referred to as PBP) on consumer purchase likelihood (hereinafter referred to as CPL) of HTC and iPhone brands among Taiwanese college students. Besides, this study also wants to test whether there are any differences in consumer behavior toward HTC and iPhone brands in Taiwan or not.

2. Literature Review

This section refers to the review of three variables in this research: perceived brand quality (PBQ), perceived brand prestige (PBP) and consumer purchase likelihood (CPL).



Furthermore, the hypothesized relationship between PBQ or PBP and CPL are also discussed in this section.

2.1 Perceived Brand Quality (PBQ)

Perceived brand quality is defined as the subjective judgment of consumers towards a product or brand superiority and distinction (Akram, Merunka, & Akram, 2011). Aaker (1991) and Zeithaml (1988) stated that perceived quality is not a product's actual quality, and that is an intangible, overall nonphysical feeling about a brand. Furthermore, as pointed out by Yoo, Donthu and Lee (2000), perceived brand quality is a component of brand value, which leads consumer to choose a particular brand rather than any other competing brands. Perceived quality is important in determining consumer preferences towards global and local brand (Milberg & Sinn, 2008).

Strizhakova, Coulter, and Price (2011) developed two models with two specific mediating variables namely brand and self-identity brand signal to identify the brand preferences of consumers. They found that consumers in both developed and developing countries prefer global brands owing to higher quality (Batra, Ramaswamy, Alden, Steenkamp, & Ramachander 2000; Bhardwaj, Kumar, & Kim, 2010; Ing, Phing, Peng, Ho, & Teik, 2012). This is in the view of the fact that if a brand is perceived as globally available, brand quality is thought to be internationally accepted. Therefore, consumers perceive higher quality of global brands (Han, 1989, Keller, 1997; Kapferer, 1997; Roy & Chau, 2011). The global brands noted high perceived quality is further supported by Milberg and Sinn (2008) and Akram et al. (2011). Additionally, according to Batra et al. (2000), it was found that global brands even appeal to local consumers owing to higher perceived quality and prestige.

Therefore, perceived product quality is a very essential issue in the development and implementation of marketing strategies aimed at building brand image and increasing market share (Tsiotsou, 2005). Aaker (1996) also considered perceived quality as a necessary measure to achieve good brand equity. Thus quality is a main factor affecting customer perception and underlying the long-term success of products and firms (Mitra & Golder, 2006). He and Li (2011) found that service quality has a positive influence on brand identification. Furthermore, Rameseshan and Tsao (2007) stated that an exciting brand with a trendy style and design would be perceived to have quality because, when consumers make judgments about perceived quality, they will assess not only the product but also attributes such as packaging, aroma, style, fit and overall appearance.

2.2 Perceived Brand Prestige (PBP)

Many researchers defined perceived brand prestige as a subjective evaluative judgment about a relatively high status of product which positions associated with a brand (Steenkamp, Batra, & Alden, 2003; Truong, McColl, & Kitchen, 2009; Monga & John, 2010). That judgment is often followed by emotional reactions (Bagozzi, Gopinath, & Nyer, 1999).

Perceived brand prestige is the key norm for a brand to be considered prestigious (Dubois & Czellar, 2002). To differentiate a brand from its competitors and come across the target consumers, brand managers must know how to position that brand to take advantage of its



special appeal (Monga & John, 2010).

The perception of prestige is a psychological phenomenon that varies from person to person. A case of prestige varies from country to country, among social classes, and different cultural values. Perceived brand prestige was found to be the second driving force behind the consumer purchase likelihood (Steenkamp et al., 2003). According to Ergin & Akbay (2010), the concept of prestige brand may mean different things to different consumers or consumers will have different perceptions of prestige for the same brands. However, the general assumption is that prestigious brands have a higher level of interest that strongly relates to the self-concept of an individual.

Furthermore, the consumption of prestigious brands may vary according to the emotional attraction to others (Vigneron & Johnson, 1999). As pointed out by Wong and Zhou (2005), perceived brand prestige has a greater influence on purchase intention when the product category is high social display value. Steenkamp et al. (2003) further expounded that consumers also regard global brands as having higher prestige and are essentially preferred because of brand globalness. Global brands are considered to be internationally desirable and demanded.

2.3 Consumer Purchase Likelihood (CPL)

According to Laroche, Kim and Zhou (1996), consumer purchase likelihood can be defined as individual's likelihood to buy a particular brand which has been chosen after definite evaluation. Regarding this topic, Gielens and Steenkamp (2007) carried out a study on the effect of a new product on consumers. They found that a new product acceptance is related to company's brand reputation factors. In other words, consumers demonstrated higher preferences for a new product if a company introduces a product by a brand with more market power and reputable brand name across the world. Armstrong and Kotler (2011) described that everyday customers make a lots of buying decisions which are the focal points in the effort of the marketer. Furthermore, these two authors introduced five stages of the buyer decision process which consisted of need recognition, information search, evaluation of alternatives, purchase decision, and post purchase behavior.

Steenkamp et al. (2003) suggested that PBQ and PBP affect CPL. The first pathway, indicates a positive relationship between PBQ and CPL. The second pathway indicates a positive relationship between PBP and CPL. Their research found the influence of PBQ to be stronger on CPL. However, studies from developing countries have found different effects. This means research results are related to participants' social life and products. Therefore with the same research questions, in different countries, we can find different results. Specifically, consumers from developing countries tend to use the ownership and/or consumption of global brands to increase their social status and strengthen self-identity and prestige (Batra et al., 2000).

2.4 Hypothesized Relationship between PBQ and CPL

Many scholars indicated that perceived brand quality has a positive relationship with satisfaction (Carman, 1990; Boulding et al., 1993; Parasuraman et al., 1996) while other



researchers thought differently and they stated that this relationship is categorized by satisfaction (Cronin & Taylor, 1992; Sweeny et al., 1999). It means that if customers have a positive feeling of perceived brand quality, they will be motivated to be likely to buy that brand. According to Aaker (1991) and Armstrong and Kotler (2003), perceived quality has a direct influence on consumer purchase likelihood and brand loyalty, especially when the customers are going to purchase a product but they don't have so many information of that product.

Moreover, as found by Steenkamp et al. (2003), Holt, Quelch, and Taylor (2004) and Gammoh Gammoh, Koh, and Okoroafo (2011), PBQ has a statistically significant correlation with global brand preferences. In particular, Steenkamp et al. (2003) did a study with the customers from US and Korea. They pointed out that perceived brand globalness has positive effect on PBQ and PBP, and then in turn, PBQ and PBP positively influences CPL. These results were found both in US and Korea. Besides, Holt et al. (2004) indicated that 44% of brand preferences was explained by quality signal. This survey was carried out in 12 countries. Furthermore, consumers attribute higher quality to global brands and the promotion of higher purchase likelihood (Pappu, Quester, & Cooksey, 2007; Roy & Chau, 2011).

2.5 Hypothesized Relationship between PBP and CPL

Perception of brand prestige and quality might play an important role in purchasing behavior (Steenkamp et al., 2003; Strizhakova et al., 2011). Kapfere (1997) stated that consumers may prefer global brands due to higher prestige. Some researchers indicated that global brands have higher prestige because of their relative shortage and price premium (Bearden & Etzel, 1982; Batra et al., 2000). This leads to higher status and then influences consumption choice (Phau & Prendegast, 2000; Roy & Chau, 2011). Besides, according to Woods (2004), a brand which satisfied an emotional desire of a prestige brand determined the brand selection and consumer purchase likelihood.

In addition, as discussed before, Steenkamp et al. (2003) found that perceived brand globalness has positive effect on PBQ and PBP, and then in turn, PBQ and PBP positively influences CPL.

3. Methodology, Hypotheses and Framework

The main purposes of this research are twofold: 1) to examine the influences of perceived quality and perceived prestige on purchase likelihood of HTC and iPhone mobile phones, and 2) to examine the differences in consumer's perception of quality and prestige between HTC and iPhone mobile phones. In short, this study intends to investigate how perceived quality and perceived prestige influence consumers purchase likelihood of HTC and iPhone mobile phone. This section describes the methodology, framework, hypotheses, and data collection.

3.1 Research Design

This study's approach is to apply the quantitative research method. The quantitative approach is more about the detailed description of a phenomenon. It basically gives a generalization of

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the gathered data with tentative synthesized interpretations (Creswell, 1994). This study uses descriptive data analysis to illustrate the nature of the data and regression analysis to test the hypotheses using the Statistical Package for Social Science (SPSS 20).

The first step is to establish the validity and reliability of the data. Once data proven to be valid and reliable, the hypotheses of the study are examined. Regression analysis and Analysis of Variance (ANOVA) will be used to test the hypotheses.

3.2 Instrumentation and Data Collection

All scales concerning the perceived brand quality, perceived brand prestige and consumer purchase likelihood are based on a 7 point Likert scale (from strongly disagree to strongly agree). Measures for all of the variables come from the review of literature. The "perceived brand quality," and "perceived brand prestige" are generated based on studies by Dodds, Kent, and Dhruv, (1991); Keller and Aaker (1992); and Steenkamp et al., (2003). Perceived association with consumption trend is adapted from the scale developed by Zhou, Teng, and Poon (2006).

The questionnaire was translated into Chinese and then translated back into English to test for accuracy of translation. Demographic information of participants was collected at the beginning of the survey. This research used the primary data collected by the structured questionnaire. The population of this study included Taiwanese university students studying in Central Taiwan. The data was collected from four universities located in Central Taiwan based on convenience sampling technique using pencil and paper questionnaires.

3.3 Pilot Study

The preliminary study with 36 participants used a random selection method. The purpose of a pre-test questionnaire was to examine whether or not the instructions, the statements, and the questions are clear. The participants' responses and the preliminary analyses indicated that the questionnaire was valid and the questions were clear and understandable. The time estimate to go through the questionnaire based on the sample of 36 participants in pilot study was $12\sim15$ minutes.

3.4 Research Hypotheses and Framework

As discussed earlier, the theoretical framework was built mainly based on the research purpose and the review of literature in the given field. The whole model is illustrated in figure 1 which visualizes the four hypotheses of the study. The hypotheses of this study are:

- H1. Perceived brand quality positively affects consumer purchase likelihood.
 - H1a. Perceived brand quality of HTC mobile phone positively affects consumer purchase likelihood of HTC mobile phone.
 - H1b. Perceived brand quality of iPhone mobile phone positively affects consumer purchase likelihood of iPhone mobile phone.
- H2. Perceived brand prestige positively affects consumer purchase likelihood.



- H2a. Perceived brand prestige of HTC mobile phone positively affects consumer purchase likelihood of HTC mobile phone.
- H2b. Perceived brand prestige of iPhone mobile phone positively affects consumer purchase likelihood of iPhone mobile phone.
- H3. There are significant differences between iPhone and HTC in consumer's perceived brand quality.
- H4. There are significant differences between iPhone and HTC in consumer's perceived brand prestige.

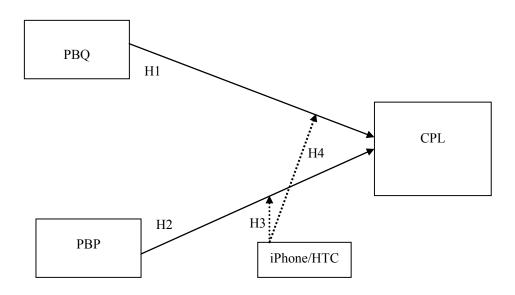


Figure 1. Research framework

4. Results

4.1 Descriptive Characteristics of Sample

A total 475 questionnaires were distributed for this research. These questionnaires were distributed to university students in Central Taiwan, and 452 (95.1%) questionnaires were collected. Out of 452 collected questionnaires, 439 (92.4%) were usable, because 13 survey participants did not respond to all questions on the questionnaires. The demographic data collected included information of gender, age, education and income.

To understand consumers more, the researchers also asked some questions about their experiences regarding mobile phone. The results indicate that the majority of participants are female (65.1%), between the age of 18 to 21 (67%), undergraduate (98.6%), with income less than US\$180 (NT\$6,000) per month (70.4%), change their phones every 2 years (46.5%), and willing to spend more than US\$150 (NT\$5,000) to buy a mobile phone (60.75%).



4.2 Validity and Reliability Test

Data validation is making sure that all data are valid for their intended data types and purpose. Therefore, it is important to validate the data before doing any analyses or any conclusions are drawn from the data. Reliability is another term for consistency. If one person takes the same test several times and always receives the same results, the test is assumed to be reliable. Reliability and validity are independent of each other; a measurement maybe valid but not reliable, or reliable but not valid. The following section describes the results of validity and reliability tests for the data used in this study.

Factor analysis refers to a variety of statistical techniques whose common objective is to represent a set of variables in terms of a smaller number of hypothetical variables (Jae-On & Mueller, 1978). The extraction method is Principle Component Analysis; it means that only those factors with eigenvalues greater than 1 will be extracted. Meanwhile, we conducted varimax rotation to achieve simple structure by focusing on the columns of the factor loading matrix. The Statistical Package for Social Science (SPSS 20) was utilized to carry out the factor analysis.

Table 1. Data Validation and Reliability

		iPhone					
Variable	Item	Factor Loading	α	Variable	Item	Factor Loading	α
PBQ	PBQ1	.814	.83	PBQ	PBQ1	.798	.80
	PBQ2	.849			PBQ2	.784	
	PBQ4	.804			PBQ4	.663	
PBP	PBP2	.508	.89	PBP	PBP2	.529	85
	PBP3	.923			PBP3	.886	
	PBP4	.956			PBP4	.921	
	PBP5	.898			PBP5	.812	
CPL	CPL1	.654	.82	CPL	CPL1	.740	.82
	CPL2	.711			CPL2	.827	
	CPL3	.801			CPL3	.628	
	CPL4	.772			CPL4	.507	
Variance Explained	74.6 %			Variance Explained	61.50%		
KMO	.83			KMO	.84		
P-Value	.000			P-Value	.000		
α	.87			α	.87		



Table 1 indicates the results of validity and reliability testing. Based on the results of the preliminary analysis, items PBQ3 and PBP1 with factor loadings smaller than .50 were eliminated from the data set. Based on recommendation from Kaiser (1974) and Field (2005), the results of factor analysis indicate that the data is valid and meets the requirements to be used for further analyses.

Reliability, as defined by Kerlinger & Lee (2000), is the precision of a measuring instrument. Cronbach's alpha (α) reliability coefficient was conducted to measure reliability of the data. According to Sekaran (2000), if the value of coefficient alpha is between .6 and .8 the instrument is considered reliable and higher than .8 is considered highly reliable. The reliability values for each variable separately and for the whole instrument are indicated in Table 1. All variables demonstrate highly reliable.

4.3 Multiple Regression Model

The results of the multiple regression analyses for HTC and iPhone are shown in table 2. These results can be summarized in the following regression formulas: 1) for HTC: CPL=(.94)+(.52)PBQ+(.19)PBP (p<.001); 2) for iPhone: CPL=(.30)+(.47)PBQ+(.32)PBP (p<.001). For HTC the influence of PBQ on CPL is $\beta=.52$ (p<.001), while for iPhone this influence is lower ($\beta=.47$, p<.001). The influence of PBP on CPL for HTC ($\beta=.19$, p<.001) is lower than iPhone ($\beta=.32$, p<.001). According to these findings hypotheses 1 and 2 were accepted.

Table 2. Regression Analysis

	Variable	R	Adjusted R ²	Standardized Coefficients β	Sig.
НТС	PBQ	.61	.37	.52	.000
шс	PBP			.19	.000
iPhone	PBQ	.66	.43	.47	.000
	PBP			.32	.000

Dependent Variable CPL

Figure 2 summarizes the results of the regression analysis in the proposed model. Based on these results it is evident that there is a difference between HTC and iPhone in the influence of PBP and PBQ on CPL. iPhone seems to be more popular because of its prestige, while consumers perceive HTC of better quality.



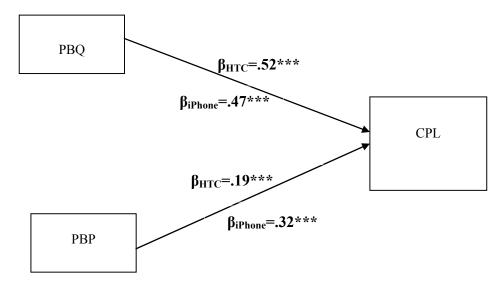


Figure 2. Influence of PBQ and PBP on CPL for HTC and iPhone

***p < .001 (Standardized Coefficients).

4.4 Analysis of Variance (ANOVA)

Hypotheses 3 and 4 are tested to be comparing the means using Analysis of Variance (ANOVA). The results of the ANOVA are indicated in table 3. According to these two hypotheses (H3 and H4) there are significant differences between HTC and iPhone in their mean values of PBQ and PBP. Based on the results, both hypotheses are accepted.

Table 3. Mean Comparison Between HTC and iPhone for PBQ and PBP

Variable	Brand	Mean	SD	F	Sig.
PBQ	HTC	5.40	1.00	22.87	.000***
	iPhone	5.24	1.05	22.67	.000
PBP	НТС	3.94	1.46	6.77	.009**
	iPhone	4.17	1.26	0.77	.009

^{***}p<.001, **p<.01.

5. Conclusions and Discussions

In this study perceived brand quality (PBQ) and perceived brand prestige (PBP) were identified as two main factors influencing consumer purchase likelihood (CPL) of HTC and iPhone mobile phones. DelVecchio and Puligadda (2012) indicated that lower perceived brand quality can result in lower purchase likelihood. Meta-analyses of the related research indicated that perceived brand prestige is also an important influencing factor on consumer



purchase likelihood (Baek, Kim, & Yu, 2010). This study developed four hypotheses to deal with the research problems. Among them, two hypotheses were used to test the influence of PBQ and PBP on CPL for HTC and iPhone. The remaining two hypotheses served in comparing the perceived quality and perceived prestige of HTC and iPhone.

The demand for mobile phone in Taiwan is increasing. In April 2012, 50% of the Taiwanese owned a mobile phone (Nielsen, 2012). What is the driving force behind the consumer selection of a brand? HTC is a local brand in Taiwan, however, Wu (2012) in his article quoted Wei-yu Tu from Samsung that by the end of 2012 Samsung dominated Taiwan's mobile phone market share overtaking HTC. In the first quarter of 2013 HTC's profit declined 98% and HTC was lagging behind Apple, Samsung and LG in its international market share (Arthur, 2013; Cuplan, 2013). The decline of HTC market share was partially the motivation behind this study. The purpose of this study was to investigate and compare the factors influencing purchase likelihood of HTC and iPhone.

Hypotheses 1a (β_{HTC} =.52***, P < .001), 1b (β_{iPhone} =.47***, P < .001), 2a (β_{HTC} =.19***, P < .001) and 2b (β_{iPhone} =.32***, P < .001) were all accepted. These results confirm the previous findings with difference products and different population (Carman, 1990; Boulding et al., 1993; Parasuraman et al., 1996; Aaker, 1991; Armstrong & Kotler, 2003). This study, however, to the best of our knowledge is the first study to compare the two international mobile brands (HTC and iPhone mobile phone) in Taiwan. When it comes to mobile phone shopping, quality and prestige are significant variables influencing consumer purchase likelihood.

This study compared the influences of quality and prestige on consumer purchase likelihood. For both HTC and iPhone, quality is the main influential factor on consumer purchase decisions. Compared to quality, prestige has less, yet strong and significant influence on consumer purchasing decisions. The difference between quality and prestige indicates that although mobile phones may seem a luxury among university students, however the customers still prefer quality over prestige. This study also discovered that for Taiwanese university students, when comparing HTC and iPhone, HTC's quality has a higher influence on CPL than iPhone. With respect to prestige, consumers' perception of iPhone prestige is higher than HTC's prestige. Another words, Taiwanese consumers will choose HTC because of its perceived quality, however, they would choose iPhone, because of its perceived prestige. The implications of these findings will provide makers of mobile phones with a better understanding of consumer needs and concerns in Taiwan.

Hypothesis 3 was accepted, which means that there are significant differences between HTC and iPhone perception of quality. According to this finding, consumers prefer HTC over iPhone due to higher perception of HTC quality. The decline of HTC sales in Taiwan and worldwide, might not in fact be due to consumer lower quality perception of HTC over other brands.

Hypothesis 4 was accepted, which implies that there are significant differences between HTC and iPhone in terms of consumer perception of prestige. The influence of prestige on consumer purchase likelihood of HTC is lower than iPhone. The mean difference between



HTC and iPhone for perceived prestige is statistically significant. The rise of popularity for iPhone might be partially due to higher consumer prestige than HTC, and possibly other brands. One reason for the decline of HTC sales might be due to consumer low perception of its prestige. It is an undeniable fact that, in general, buying a mobile phone is associated with prestige. College students are after fashion and as much luxury as they can afford. Perhaps HTC needs to rethink its design, or find ways to increase consumer perception of its prestige.

In short, Taiwanese college consumers are more interested in keeping up with the world of fashion. They are willing to purchase high quality foreign famous brands at high prices. According to the above analyses, Taiwanese customers consider quality is more important than prestige when they purchase a mobile phone. The findings of this study could help the marketers of mobile phone to have a better understanding of consumers' attitude toward purchasing a mobile phone in Taiwan.

6. Limitation and Suggestions for Future Research

Although the authors strongly believe that the study provides some interesting theoretical and empirical findings, some limitations should be paid attention to throughout this research as follows:

Firstly, when it comes to purchase likelihood several other factors are at play. This study is limited to two factors: quality and prestige. Furthermore, there are several leading mobile phone brands worldwide, this study is limited to the comparison of HTC and iPhone only. These limitations may lead to miss out some other important factors that may efficiently explain consumer purchase likelihood. In addition, the roles of satisfaction, loyalty and benefits should also be explored in the next study.

Secondly, the sample of this study was focused on college student consumers who did not have a strong purchase power, because their financial sources almost exclusively came from families. Therefore, data used in this paper could not represent consumers' perception as a whole and it may cause some unexpected biases. Future research should expand beyond Taiwan to verify the results in other Asian countries. Finally, there are many tycoons in the mobile phone industry such as iPhone, HTC, Samsung, Sony, etc. So, it is essential to look at differences among these huge brands in term of consumers' perception in future research.

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