

DESIGN AND BRAND IMAGE AS SOURCES OF EQUITY IN INTERNATIONAL FASHION MARKETS

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Abstract

The aim of this research is to identify sources of differentiation in the textile-clothing and fashion market as well as finding out sources of brand equity to distinguish the offer, enabling a better competitive position to be achieved. To reach this objective, qualitative research was first carried out with 40 sector executives of textile-clothing and fashion companies. Based on the results from the initial stage, 250 surveys were then carried out with potential consumers in order to analyze brand equity. Preliminary results indicate that differentiation focused on specific segments must be the foundation on which medium-sized firms compete in international markets. One of the variables that most contributes to the creation of that differentiation is brand image and design. These two intangible assets are shown to be a source of brand equity that would enable the company not only to improve its differentiation but also obtain a stronger competitive position in the international markets.

Keywords:

Brand equity, fashion, differentiation, brand value, international markets

1. Introduction

The growing process of globalization of the economy, coupled with the regulation of foreign trade of clothing products, has changed the environment in which firms from the Galician textile-clothing sector operate. These facts, tied to the saturation of domestic markets where these companies operated and to the international projection of distribution chains, have led, firstly, to an excellent opportunity for growth in foreign markets as well as the possibility of sourcing raw materials and labour at a lower cost and, secondly, it also represents a threat in light of increased competition.

Prior research has shown that intangible assets are of huge importance and relevance in contributing to greater competitiveness (Lu and Beamiss, 2001, Delgado-Gomez *et al*, 2004). More specifically the brand, patents, human resources and know-how are assets that the competition find difficult to copy. The brand stands out from among these resources, as it is presented as a sign or indicator that not only favours recognition by the consumer but also sets the offer apart from the competition. The brand therefore enables value to be added to the product, also known as brand equity (Aaker, 1991; Keller, 1993). Moreover, the appearance of this construct has accentuated even more the importance of the brand role in marketing organization and strategies in recent years (Keller, 2007). The conclusion has therefore been drawn that the brand is a strategic asset for the company. In other words, the brand is profiled as one of the biggest corporate assets, because of its capacity to provide sustainable competitive advantages that are difficult to copy (Keller, 2007).

Elsewhere, identification of the activities of the value-generating chain, which from the consumer's point of view reveal a high potential value of differentiation, would enable the company to establish and set the foundation on which to create that differential advantage. So, capitalization of those activities that generate equity for the brand is a crucial aspect in improving competitiveness. By achieving this, the brand would strengthen the competitive position of the company in the international market. By the same token, although some researchers have emphasized the importance of studying the brand in international markets (Malhotra *et al*, 1999), a review of literature has shown that research carried out on brand equity of the textile-clothing sector on the international stage is fairly small scale (Jung and Sung, 2008; Tong and Hawley, 2009).

Discovering the sources of brand equity and their importance in the strategic management of the value chain within an international context represents an original contribution in research into internationalization and the brand. More specifically, the aim of this paper is to address two issues. Firstly, we aim to analyze the sources of differentiation in light of the international context in which the sector is currently immersed. Secondly, we need to find out what variables and factors have the biggest impact in the creation of brand equity. To achieve these aims, we first carried out an in-depth interview with executives and specialists from the Galician textile-clothing sector. Based on the results of this quantitative stage, we designed and compiled a survey targeted at 250 consumers to assess the sources of brand equity in the market of clothing and fashion products. We start with a review of the literature that covers the main concepts used in this research paper and the principal findings which, at an empirical level, have been carried out in the research into international fashion markets, and more specifically, those concerning the study of strategy and brand equity. The methodology is explained below, followed by the results. Lastly, we highlight the implications and main conclusions resulting from the study.

2. Literature review

2.1. *Competitive Strategy and the Textile-Clothing Sector*

According to Porter (1990), there are two ways of obtaining a competitive advantage. Firstly, the cost, which attempts to minimize the production cost, enabling products to be offered to the market at a very low price, and secondly, the differentiation that seeks to provide unique value for which the consumer is prepared to pay the corresponding higher price. Previous literatures and studies agree that

differentiation is shown as a highly interesting strategic option when there are attributes in the product or service that are highly valued by the consumer and for which the consumer is prepared to pay a higher price. In effect, on numerous occasions the consumer is prepared to pay a price premium for a certain attribute (e.g. the design of a car or the taste of a food product). In some cases, these price premiums are extremely high (Netemeyer *et al*, 2004).

While textile sector is capital intensive, the clothing sector is labour intensive and presents few entry barriers. Here, countries with low labour costs, such as Southeast Asian countries (e.g. China, India, Bangladesh or Singapore) or Eastern European countries, mainly the former, have a huge cost-competitive advantage. In turn, clothing articles can be separated into basic products and fashion products, with the latter contributing greater value-added and thus a higher price. Industrialized countries, such as the EU-25, have excellent prospects in value-added textile and clothing products, as there is qualified and relatively low-cost labour, mainly in countries that have recently joined (e.g. Poland, Czechoslovakia and Romania -particularly Romania-). However, recent literatures have shown that countries from East Asia, mainly China, have developed a powerful export sector based on low labour costs and increased quality and capacity / speed of delivery (Ge, 1999). This factor means that the Chinese export sector is becoming the most competitive sector on the international stage and is rivaling countries from the East and from the Mediterranean region in the production of high value-added garments (Abernathy *et al*, 2006).

Elsewhere, the determinant factor for very basic clothing and apparel is the cost. However, the markets for clothing products with higher value-added are not only sensitive to the price factor but also to the fashion factor. Responding to this market requires huge production flexibility and distribution straight to the consumer, which let cooperation with customers and suppliers as well as the quickest time to market (Ge, 1999). It is also necessary to have a style that incorporates a differentiation factor. Research into the sources of differentiation in the textile sector has focused on the brand (Wigley and Moore, 2007), although attention is currently being diverted to other variables such as product quality or service quality and design. In fashion markets, the consumer looks for a product with social significance, but at the same time a product that is functional and, above all, which has a distinctive style (Knight and Kim, 2006). This distinctive style is one of the criteria enabling the consumer to recognize and distinguish one offer from another. There are others variables that incorporate a differentiation factor in addition to the brand and design, such as the perceived quality of the product and the service quality. Perceived quality in product is being researched as a variable that forms part of the brand equity, which is explained in detail in the next section. With regard to service quality, there are consumer segments that place a positive value on customer care and personalized treatment.

Apart from being able to differentiate the supply properly, it is also necessary to be able to select and define the segment or niche at which the supply is targeted, especially in clothing and fashion markets (Parrish *et al*, 2004). This global niche -or segment-focused supply- can compete against low-cost imports from Asian countries. Once the segment has been defined, the company needs to position itself in the segment. One of the variables that best complies with this function is the brand. The brand enables and facilitates recognition by the consumer and is also one of the key variables that have driven fashion internationalization. It is therefore necessary to explain its importance and, above all, delve into the sources of equity that enable the company to reinforce its competitive position. This is explained in the next section.

2.2 Sources of Brand Equity and Brand Value

As shown, the brand is a key factor in internationalization in the fashion sector (Moore, 2000). This hypothesis has been shown both for distributors as well as manufacturers. In the case of certain distributors (e.g. El Corte Inglés, Marks and Spencer, etc.) exposure of exclusive brands in foreign markets was the impetus behind internationalization (Fernie *et al*, 1997). These are fashion distributors that sell exclusive brands, offering very attractive and haute couture products. In the case of fashion manufacturers, this hypothesis is even truer.

Existing literature has not only highlighted brand importance but also recognizes the sources that enable brand equity to be created. Its multidimensional nature on which the main papers are based has been recognized in the contributions from Aaker (1991, 1996) and Keller (1993). According to Aaker (1991) brand equity is conceptualized in a multidimensional way, based on five areas: brand awareness, perceived quality, the image or associations, loyalty and other proprietary assets such as patents or copyright, etc.

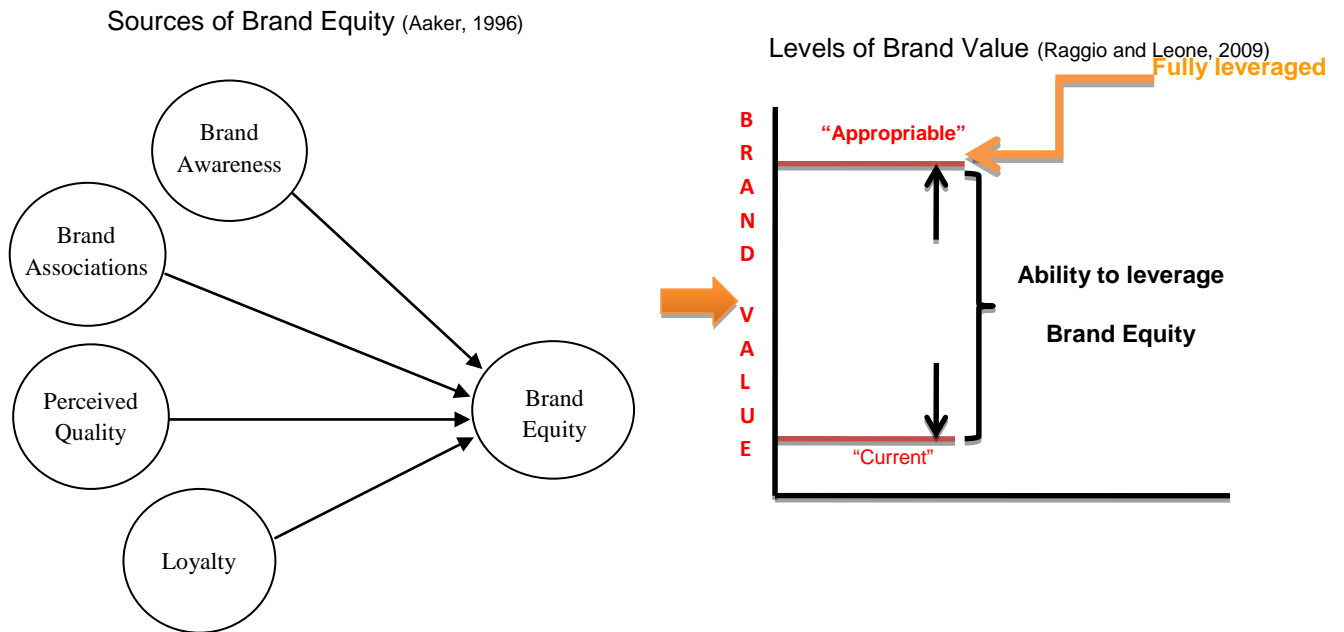
Brand awareness includes the potential capacity of the consumer to recognize or remember the name of a brand within a certain category of product (Aaker, 1991). Keller (1993) pointed out that this factor is related to the consumers' capacity to identify the brand under different circumstances. Brand awareness represents one of the conditions required for a brand to possess equity. However, studies are now appearing that show that it is not possible to prove a positive relationship between brand awareness and brand equity (Atilgan *et al*, 2005). Similarly, there are studies that show that this relationship is not significant (Agarwal and Rao, 1996; Delgado and Munuera, 2001). The underlying explanation could lie in the saturation of brand name usage or that in the studies carried out the brands were already widely known by consumers.

A further dimension is perceived quality. Perceived quality is defined as the technical superiority of a product or service that must be valued and perceived by the consumer (Zeithaml, 1988). Previous research has tied this variable to a superior differentiation of the brand, as well as a greater predisposition to pay a price premium (Netemeyer *et al.*, 2004).

Next is brand image, also referred to as brand associations. Aaker (1991) defines brand associations as any item that remains in the consumer's memory and which generates a positive association. Keller (1993) points out that these associations can be sensory impressions, emotions or simple verbal or visual descriptions. As indicated by Yoo *et al*, (2000) and Del Rio, Vazquez and Iglesias (2001), it is possible to create a favourable attitude and predisposition towards a product which will lead to a greater predisposition to purchase or use the product. This variable contributes greatly to the creation of brand personality (Aaker, 1996) as it accentuates its capacity to be distinguished from other alternatives that compete directly. This is the basis for creating a singular and distinctive offer. We are referring to the unique value or singularity (Mohd *et al*, 2007). Singularity is defined as the degree by which consumers feel that the brand is different and distinct from the remaining alternatives that exist in the market. So if the brand is perceived as unique with regard to the alternatives, a higher price can be charged. The singularity of the brand is therefore considered a primary or core asset of brand equity (Aaker, 1996; Agarwal and Rao, 1996; Netemeyer *et al.*, 2004) and can be used as the basis to establish a price premium (Kalra and Goodstein, 1998). This variable becomes even more relevant in fashion markets, especially if one is seeking an offer with a high level of differentiation. For fashion markets, this variable will be tied to a characteristic and singular style that would provide it with its own personality or a different style. The variable that contributes to defining the singularity is the design or style, and in the case of fashion, is very often created by the designers themselves (Armani, Adolfo Dominguez, Versace, Carolina Herrera, etc.).

The fourth dimension we look at is loyalty. Loyalty refers to the link between the customer and the brand. Numerous studies and research are showing that this is the variable that has the biggest influence on brand equity (Atilgan *et al*, 2005; Mohd *et al*, 2007). As far as fashion is concerned, Tong and Hawley (2009), who researched the importance of marketing variables on sources of brand equity, have emphasised that this variable has the biggest influence on the formation of brand equity. Thus, the brand equity components would therefore be defined. Based on these foundations, model of brand equity was built.

FIGURE 1
Sources of Brand Equity in Fashion Markets and its relationship with Brand Value



Source: Own elaboration

There are other variables such as perceived value (Netemeyer *et al*, 2004) or satisfaction and reputation (de Chernatony *et al*, 2004). A synthesis of the most relevant empirical evidence about the relations between the dimensions and brand equity can be seen in table 1.

TABLE 1
Dimensions of brand equity and relations between sources of equity and other relevant constructs
identified in literature

Dimensions Related with Brand Equity and Relationships	Author/s	Contribution
Brand equity dimensions and its relationship with Brand Equity	Yoo <i>et al.</i> (2000); Yoo and Donthu (2002)	A quite number of studies demonstrate the multidimensional status of Brand Equity.
	Kim and Kim (2005)	A positive relationship was found to exist between the components of customer-based brand equity and the firms' performance.
	Kayaman and Arasli (2007)	
	Kayaman and Arasli (2007)	Brand Awareness and brand Associations are distinct dimensions.
	Rios and Riquelme (2010)	
	Pappu <i>et al.</i> (2005)	Weak support is found for the influence of brand awareness on brand equity. This fact is related with saturation and more empirical evidence is needed.
	Atilgan <i>et al.</i> (2005)	
	Jung and Sung (2008)	When loyalty is the most important component of brand equity, there is a very positive correlation with purchase intention.
	Tong and Hawley (2009)	
	Pappu <i>et al.</i> (2006)	It is not possible to generalize the results for different product categories. Brand equity dimensions must be analyzed according to intrinsic nature of products/services (e.g. design for the case of products, or trust in case of services)
Utilities of brand (functional and symbolic), brand associations and brand equity	Del Rfo <i>et al.</i> (2001);	The core of the brand associations, which is connected with different brand utilities, is one of the key factors in driving brand equity. The explanation and definition of these brand utilities may help to measure correctly brand equity. Brand associations contribute to the definition of brand personality, a fundamental aspect to recognize product/service benefits.
	Cheng-Hsui Chen (2001)	
	Pappu <i>et al.</i> (2006)	
	Kim <i>et al.</i> (2009)	
Singularity and Brand equity	Netemeyer <i>et al.</i> (2004);	Brand Uniqueness, which is directly associated with brand personality, is one of the most important antecedents of WTP premium of a brand.
	Mohd <i>et al.</i> (2007)	
Trust, Brand Loyalty and Brand Equity	Lassar <i>et al.</i> (1995)	The customer-based brand equity scale is developed based on the five underlying dimensions of brand equity: performance, value, social image, trustworthiness and commitment
	de Chernatony <i>et al.</i> (2004)	The findings reveal that brand trust is rooted in the result of past experience with the brand, and it is also positively associated with brand loyalty, which in turn maintains a positive relationship with brand equity.
	Chaudhuri (1995)	Results indicate support for both theories of brand equity and double jeopardy since both direct and indirect relationships were found between attitudes/habit and brand equity outcomes. The indirect relationships were mediated by the concept of brand loyalty.
Brand Equity and Perceived Value	Kim <i>et al.</i> (2008)	All dimensions of brand equity (brand loyalty, perceived quality, and brand awareness/association) positively affected perceived value.
	Holehonnur <i>et al.</i> (2009)	Quality and price–prestige relationships serve as drivers of value equity, whereas brand awareness and brand attitudes drive perceptions of overall brand equity. Further findings support the influence of brand and value equity on consumers' purchase intentions

Source: Own elaboration

The identification of the sources of brand equity and knowing how these influence the formation of brand equity would enable fashion companies to differentiate the offer better as well as contribute to creating differentiated products in the market.

On the other side, if it is important to define brand equity it will also be determinant to establish the brand value. As it can be seen in the figure 1, on the right hand, two levels of brand value can be depicted: the current one and an upper level, which has been defined by Raggio and Leone (2009) as appropriable value. When this level is reached we can say that the brand equity is fully leveraged. So, this gap shows how much brand can be leveraged. In fact, firms are attempting to chase the appropriable value of their brands, which can be reached, as we have just explained, through a fully leveraging of brand equity. At that level, firm should maximize brand value. Therefore, it is necessary to advance in researching the manners both in creating and appropriating value. In other words, which are the sources of equity or the drivers of brand value?.

To respond to these issues, we carried out both qualitative and quantitative research which is explained below.

3. Research methodology

We divided the fieldwork into two clearly different stages. Firstly, qualitative research was carried out and this was followed by a quantitative stage.

3.1. In-Depth Interview and Questionnaire with Executives: Selection of the Sample and Measuring of Variables

In the qualitative stage, we first carried out an in-depth interview to identify the sources of differentiation, activities and/or stages of the value chain as well as the most relevant strategic decisions (subcontracting, diversification, etc.). Later we gave them a structured questionnaire based on the previous results. To do this we selected 46 executives from Galician companies, belonging to the strategic group of both small and medium enterprises (SMEs) as well as the group of multinational companies. Specifically, the companies represented were Adolfo Dominguez, Roberto Verino, Caramelo, Carolina Herrera, Purificación García, Kina Fernandez, Florentino and Antonio Pernas. Similarly, four specialists were chosen from the company Inditex. To ensure the reliability of the results, interviews were carried out individually so that none of the executives or specialists was aware of how the others had responded. Lastly, 40 interviews were carried out, 36 with executives and specialists of the medium-sized and big firms and 4 with the multinational group Inditex. This initial stage was used to structure and organize the different stages of the value chain as well as identify the main variables, procedures and routines of each of these stages and obtain extremely valuable information on the factors of differentiation. This information was used as an input to draw up the questionnaire for executives as well as the one for consumers. In fact, the differentiation variables and stages of the value chain (supply of materials, preparation -which in turn includes design, pattern, cutting, sewing, finishing and quality control-, distribution and marketing) were identified thanks to the output of these interviews. A questionnaire was drawn up for executives and specialists from the sector using all of this output. The variables and measurement scales are shown in Table 2. As it can be seen from the table, in addition to measuring the factors of differentiation, we also analyzed the strategy -obtaining an advantage and focus-, and the organization of the value chain (stages or activities). Lastly, we included classification variables such as the size of the company, turnover, number of employees, and international competitiveness indicators.

TABLE 2

Selection of variables, items and measurement scales used in the Qualitative Research

Main and strategic interest aspects	Items used	General purpose/Measurement scale
Competitive strategy at international level	Sources of competitive advantage (Porter, 1998)	1. Cost 2. Differentiation
	Scope or focus (Porter, 1998)	1. The entire market 2. Segment
Organisation of the value chain	Procurement/Logistics (in and out) Production/Distribution/Marketing	Organise the different stages of the value chain
Factors of differentiation	Open question to executives in the initial stage of qualitative research (2009) followed by Likert scale on the degree to which they agree with each of these items and how they contribute to differentiation of the company	The following items contribute to differentiation of its supply over competing rivals Measurement scale: 1. Totally disagree...5. Totally agree

Source: Own compilation

3.2 Quantitative Phase: Questionnaire to Consumers

As a complement to this research with executives and specialists from the sector, research was also carried out with consumers to measure the brand equity based on classic brand equity measurements, including the design. As will be explained later, this was highlighted by executives as a variable which, as well as being a factor of differentiation, is a source of brand equity, and which executives speak about as brand-design. Two hundred and fifty potential consumers of apparel and fashion that did recognize the aforementioned brands were interviewed. These potential consumers came from different geographical locations in Spain. A wide range of firms was used, targeted at different types of public, styles and preferences. This enabled us to have a heterogeneous sample that included profiles of different consumers. The consumers had to assess the following clothing brands: Adolfo Dominguez, Purificación García, Carolina Herrera, Emidio Tucci and Cortefiel. In order to have the greatest representativeness of the sample of consumers, we selected sampling units of all age ranges from 18 to 65, and likewise from both sexes, with greater representation of females (64%) than males (36%). Those questioned were randomly assigned to the different brands and assessed the different items that define the constructs that make up the brand equity. Each brand was therefore assessed randomly by 50 consumers.

Scales obtained from previous research were used to measure the different components of the brand equity. Brand awareness was measured using the scale proposed by Yoo *et al.* (2000). The items that make up this scale refer to general awareness and the consumer's familiarity with the brand. A further dimension analyzed was perceived quality. Perceived quality was measured using the scale proposed by Yoo *et al.* (2000) as well as the one proposed by Pappu *et al.*, (2005) who specifies the characteristics and quality (consistency and trust) associating these to the goods. It is an appropriate refinement of the scale of the aforementioned authors. Likewise, brand loyalty was measured using a scale similar to the one proposed by the aforementioned authors –see table 3-. The fourth dimension is the associations. It is important to point out that although Aaker (1996) considers three types of different associations such as personality, perceived value and organizational-type associations, the selection of reflective indicators has been based both on a review of literature, mainly from the aforementioned authors, as well as the results of qualitative research. Prominent at this stage was the size of brand personality, a crucial and determining element of brand associations. This is what would provide a real distinction for the brand. This variable includes the concept of singularity, vital in explaining higher brand equity (Netemeyer *et al.*, 2004). More specifically, the variable that would endow the brand with great personality, and which would reinforce brand image, would be the design. This can be seen in the case of two garments with the same textiles and materials, one that was authentic and the other an imitation, something very typical in the textile sector. In this specific case, both options would be very similar and even the brand image would be very alike, but the real difference lies in the design. If this is also distinctive, it would contribute great value. For this reason, in addition to the classic items used to measure brand image, items associated to design were also

used. From the executives' point of view, these items would be those that provide greater brand image. Moreover, organizational associations would be more connected to the corporate dimension or to consumer confidence towards the brand, but those attributes would already be covered in some of the quality assessment items where the consumer evaluates whether the products are reliable and trustworthy. In all cases we used the Likert-type 5 point scale (1 = totally disagree; 5 = totally agree). A synthesis of the variables or indicators and the measurement items are given in table 3. The sampling error was 7.1%. The information was captured through a structured questionnaire and the fieldwork was performed in February 2010. The information was processed using the statistical program Spss 15.0. Besides that we used Amos 16.0 to run the model.

TABLE 3
Measurement scales, latent variables and reflective indicators used to measure brand equity

Latent variables	Indicators	Measuring scale
Brand awareness <i>Yoo et al. (2000)</i>	BrAw1: I am able to recognise brand X easily from among others of the same category BrAw2: Brand X comes immediately to mind when I think about fashion products BrAw3: I am very familiar with brand X BrAw4: It is easy for me to remember brand X	1. Totally disagree....5. Totally agree
Perceived Quality <i>Yoo et al. (2000); Pappu, Quester and Cooksey (2005)</i>	PerQual1: Brand X is of higher quality PerQual2: The likelihood of brand X products being functional is high PerQual3: Brand X products have excellent characteristics PerQual4: Brand X offers reliable and trustworthy products	1. Totally disagree....5. Totally agree
Brand Associations (Own compilation based on <i>Netemeyer et al., (2004)</i>)	Dis1: Brand X has a very singular and characteristic style Dis2: Brand X has a very characteristic design and style and is very different from other brands Dis3: Brand X has a unique design and stands out from other brands Image1: I associate some specific characteristics of X immediately Image2: It is easy to associate brand X with fashion products Image3: I have a very good image of brand X	1. Totally disagree....5. Totally agree
Loyalty <i>Yoo et al. (2000)</i>	Loy1: I am loyal to brand X Loy2: Brand X is my favourite Loy3: I only purchase brand X	1. Totally disagree....5. Totally agree
Brand equity <i>Yoo et al. (2000)</i>	BrEq1: It makes sense to buy brand X instead of others available in the market BrEq2: Even if other brands had features that were similar to brand X, I would buy brand X BrEq3: Even if other brands had other characteristics, I would still prefer brand X	1. Totally disagree....5. Totally agree

Source: Own source

4. Results

To respond to the objectives laid down, we divided the section into two clearly different parts. Firstly, we reveal the results on the source of competitive advantage and the variables with the greatest potential for differentiation. These results have been taken from the interview held with executives and compared with the prior research mentioned in section 2. Afterwards, we analyse the sources of brand equity. Let's start with the first part.

4.1 Strategy, Value Chain and Sources of Differentiation

To carry out this analysis, we first researched the source of competitive advantage on which firms should focus. So, the executives were asked to name the competitive advantage on which the strategy should be based. Here there was a unanimous response. Executives from Galician medium-sized and big firms pointed to segment-focused differentiation which is coherent with preliminary research

(Parrish *et al*, 2004); while executives from the multinational Inditex said that the better strategic option would be cost leadership with a segment approach (table 4).

TABLE 4
Source of competitive advantage identified by executives (n=40)

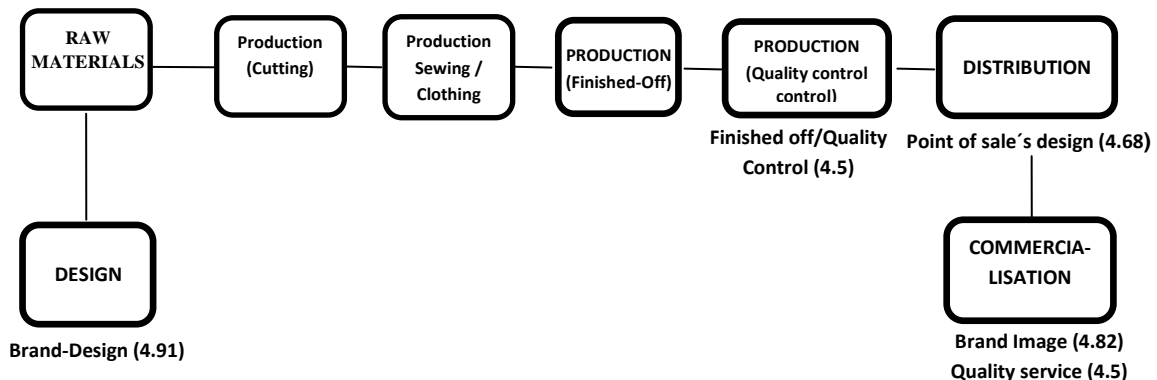
		COMPETITIVE ADVANTAGE			
		%	Cost	%	Differentiation
F O C U S	Whole Market		Cost leadership. The entire market (0/40)		Differentiation: The entire market (0/40)
	Segment	7.5%	Leadership in segment cost (4/40)	92.5%	Segment differentiation (36/40)

Source: Own elaboration based on the questionnaire given to executives (2010)

Once the advantage has been named, the value chain was analyzed. We proceeded to identify the stages of this and the most outstanding differentiation variables. In an international context, companies can subcontract those most labour-intensive activities or tasks to countries with relatively low labour costs. More specifically, there are production stage activities -such as sewing, cutting or tailoring- which can be carried out in Asian countries or Eastern Europe. These resources would be released to focus on activities that generate equity for the company. Elsewhere, identifying the variables with the greatest potential for differentiation could be used as the basis for the creation of the differential advantage on which the company should build the competitive strategy. Brand capitalization of these pillars would allow the competitive position to be consolidated and strengthened.

Having emphasized the differentiation strategy, executives were asked which of those variables had the greatest potential for differentiation. Besides researching the competitive factors for different stages of the value chain, different items were selected to measure the contribution of differentiation of the supply over competing rivals. In the main, executives highlighted the marketing variables, with prominence given to brand-design (4.91), brand image (4.82) and design of the point of sale (4.68) (figure 2). By the same token, the most outstanding production variable is control of the production process, especially the quality of the finishes (4.5). As can be seen, the biggest factor is the importance of marketing variables, especially the brand image and the design, as intangible assets on which the company should act to provide a distinguished and new offer.

FIGURE 2
Key sources of differentiation of the value chain of the textile-clothing sector in international markets (n=36)



Source: Own elaboration

4.2 Sources of Equity

As well as creating the differential advantage on which companies should build the competitive strategy, this advantage must be perceived by the consumer. Given that the brand is presented as a fundamental asset both for building the strategy and for the internationalization of the firm (Malhotra *et al*, 1999), this requires an analysis, from the consumer's standpoint, of what the sources of brand equity are. Discovering the weight or weighing of those sources in the formation of brand equity represents a crucial objective in strategically managing the brand in fashion markets. This is explained below.

4.2.1. Analysis of the Measurement Model

Prior to analyzing the causal relations we will briefly examine the measurement model. This required a confirmatory factor analysis for the purpose of validating both reliability and statistical validity. The first analysis revealed the need to remove several items from the proposed scales in order to measure brand awareness (BrAw3) and others from the scale that measures brand associations (Image2 and Image3). Having removed these indicators, the results showed an appropriate specification of the proposed factorial structure (see table 5). In this regard, all of the indicators presented significant standardized lambda coefficients in excess of 0.50, which verifies the convergent validity of the scales (Steenkamp and Van Trijp, 1991). By the same token, the coefficients presented a good ratio with each of the underlying factors ($R^2 > 0.3$). With regard to the analyses concerning reliability, the composite reliability coefficients and analysis of the extracted variance exceeded the suggested values of 0.7 and 0.6, respectively (Anderson and Gerbin, 1988; Hair, Black, Babin, Anderson and Tatham, 2006). Similarly, the discriminating validity of the measuring model was also ratified by checking that none of the reliability intervals of the estimated correlations between each pair of dimensions contained the value 1. Finally, the quality indicators of the goodness of fit exceeded the established limits.

4.2.2. Analysis of Casual Relations

Having analyzed and checked the measurement model, we then analyzed the causal relations, *viz.*, the influence and importance of different variables or sources of brand equity. As table 5 shows, brand awareness has a negative influence, although not significant, on brand equity ($\beta_{15} = -0.016$; $t = -0.253$). *A priori*, this result may be thought of as contradicting the theory. However, there is more empirical evidence that backs the findings of this research. This has been revealed in studies such as Agarwal and Rao (1996) or Atilgan *et al*, (2005) whereby brand awareness had no influence on brand equity. The interpretation given to this result is that although brand awareness is a necessary condition for brand equity, this component may acquire a secondary or irrelevant nature when it becomes very repetitive or when it is already known by consumers. *Viz.*, there is a threshold of saturation beyond which consumers do not value that supposed brand awareness. Thus, the best advertising for a fashion brand would be word-of-mouth, while any marketing action targeted at creating awareness would not only create higher brand equity but also would lead to an effect of saturation. Analogously, a loose of exclusivity as a consequence of extending the brand to other targets, and consequently more brand awareness, should have a negative effect for that brand.

TABLE 5
Confirmatory Factor Analysis

Construct	Indicators	Lambda	R ²
Brand Awareness	BrAw1	0.710	0.505
	BrAw2	0.713	0.508
	BrAw4	0.718	0.515
Perceived Quality	PerQual1	0.882	0.779
	PerQual2	0.885	0.784
	PerQual3	0.875	0.765
	PerQual4	0.733	0.537
Brand Associations	Des1	0.822	0.675
	Des2	0.827	0.684
	Des3	0.811	0.658
	Image1	0.509	0.675
Loyalty	Loy1	0.844	0.712
	Loy2	0.897	0.805
	Loy3	0.692	0.480
Brand equity	BrEq1	0.705	0.497
	BrEq2	0.850	0.722
	BrEq3	0.905	0.818
$\chi^2 = 558.123$ $df = 179$ $p\text{-value} = 0.000$ $CFI = 0.880$ $GFI = 0.811$ $RMSEA = 0.079$			

Source: Own compilation

Similarly, perceived quality has a positive yet significant effect ($\beta_{25} = 0.185$; $p = 0.038$). This is a result that was anticipated in the research stage carried out with the executives. Although consumers do not recognize the fabrics, their components or their intrinsic characteristics, they are able to recognize an overall image that reflects quality of finishes and great detail in the preparation. Therefore, the image of quality can be perceived by the consumer on recognizing the finishes, buttonholes, etc. Likewise, this activity would also require strict control of the production chain, especially when the preliminary activities are subcontracted, a required practice at Galician firms and one which, however, is not currently being performed.

The remaining variables have had a significant influence on brand equity. Specifically, brand image ($\beta_{35} = 0.309$; $p = 0.018$) greatly influences brand equity. This is a very important result. This result confirms, as explained in the foundations section, the importance that the image of positive associations created in the minds of consumers has in these markets. In the case of fashion, these associations must be associated to know how, to an image of quality or to an image of “fashion”. A variable presented as new in our study would be directly connected to this factor: design. Design would represent what the executives expressed as own style. This variable would allow definition not only of brand personality -and which in many cases is built by the designer (Purificación García, Adolfo Domínguez or Carolina Herrera)-, but also the differentiating factor based on which a consumer can easily distinguish one product from another and even an imitation of the authentic product.

Analogously, the results show that brand equity is significantly determined by loyalty ($\beta_{45} = 0.397$; $p = 0.001$). This result ratifies previous research that showed the importance of this variable in the formation of brand equity (Atilgan *et al*, 2005, Jung and Sung, 2008) and in the creation of trust towards the brand (Delgado and Munuera, 2005; Wan *et al*, 2006). Lastly, it is important to point out that by analyzing results and considering formative factors instead of reflective ones, using the PLS program, very similar results are reached.

TABLE 6
Causal analysis

Causal relationship	Weight of regression	t Student	p
** β_{15} Brand Awareness \rightarrow Brand equity	-0.016	-0.253	0.800
* β_{25} Perceived Quality \rightarrow Brand equity	0.158	2.074	0.036
* β_{35} Brand Associations \rightarrow Brand equity	0.309	4.616	0.018
* β_{45} Loyalty \rightarrow Brand equity	0.397	6.797	0.001
$\chi^2 = 220.742$ $df = 109$ $p\text{-value} = 0.00$ $CFI = 0.953$ $GFI = 0.908$ $RMSEA = 0.064$ R^2 (Brand Equity) = 0.432			

* $p < 0.05$ (significant) ** $p > 0.05$ (insignificant)

Source: Own compilation

5. Implications

This research has contributed notably to defining the sources of differentiation as well as analyzing the role that brands have in defining the strategy and in creating greater equity for the company. The context has been restricted to companies from the Galician textile-clothing sector operating in international markets. The main implications have been organized on the basis of the principal sections revealed in section 2. Let's start with the factors of differentiation and the value chain.

5.1 Competitive Strategy and Differentiation Variables

In this section, the executives of fashion firms responded unanimously from among the different options that were presented to them. Except for the multinational Inditex, the executives' perception focused on the importance of differentiation targeted or focused on one segment, a result that is coherent with recent research (Parrish *et al*, 2006). This differentiation must be based on an offer of value tied to a very distinctive style. Moreover, this style must be transmitted by the brand and must be uniform and present in all products offered by the company. This implication is coherent and greatly reinforces the previous implication. The brand, its image and design, play a fundamental role as factors of differentiation. These variables should be the basic pillars on which the company builds its strategy.

5.2 Sources of Brand Equity in the Textile-Clothing Sector

Finally, we wanted to know the main sources of brand equity from the consumer's standpoint. The results were conclusive and coherent with the foregoing implications. In fact, loyalty, and brand associations (which includes design and image), and perceived quality were shown to be the most outstanding sources. Consumers, if they perceive a clear level of differentiation, tend to be loyal to this. As we have already said, achieving that level of differentiation depends on the design and brand image. This distinctive design is a source of differentiation that enables consumers to immediately recognize the products of one brand and bestow it with a winner effect (Caruana *et al*, 2009). The allocation of resources to these variables of design (designers, pattern designers, stylists,...) or image (e.g. celebrities, etc.) and even the extension of the brand towards designer products are strategic decisions that will increase brand equity for the company.

6. Conclusion, limitation and futures lines of research

The purpose of this paper was to research the role of the brand in the construction of a competitive advantage and in the creation of value of Galician companies from the textile-clothing sector, mainly those that operate in the international markets. More specifically, it was to find out the sources of brand equity having huge potential for differentiation and enabling the company to create a differential value. Following the same structure that we have used to date, we list below the main conclusions.

6.1 Competitive Strategy and Differentiation Variables

Apart from the multinational Inditex, the perception of the executives has focused on the importance of segment-targeted or focused differentiation. This differentiation must be based on an offer of value tied to a very distinctive style. Moreover, this style must be transmitted by the brand and must be uniform and present in all products offered by the company. In fact, the design is an asset on which firms can build an offer with a unique and different value, viz., their own style. However, and as the results show, it also promotes or improves recognition by the end consumer of the value offered, namely improving the differentiation of the product over the alternatives that compete directly with this product.

6.2 Sources of Equity

Loyalty, associations, and quality, have been shown to be the most outstanding sources of brand equity. As we have already said, achieving that level of differentiation depends on the design and brand image. The allocation of financial resources to the design and image variables is profitable for the company. One application of this would be the strengthening of production and marketing units through the creation of a network of designers, stylists, etc. and fostering the brand image through celebrities, etc. Lastly, it is interesting to see how the extension of the brand towards designer products will increase brand equity for the company. The investment in these two intangible assets is therefore shown to be a source of brand equity that would enable the company not only to improve its differentiation but also obtain a stronger competitive position in the international markets and even obtain higher prices or a greater predisposition on the part of end consumers to purchase the product.

The research carried out is not exempt from limitations. We must point out that this study has been limited to the Galician case. This methodology could be applied to other cases such as other clusters from other countries (e.g. Italy, France, USA or China). By the same token, it would be opportune and enriching to test the application of the study in other international markets to ratify the importance of the design factor, although as we have shown this was emphasized by the huge majority of sector executives and specialists. Lastly, progress should be made in the methodologies for measuring brand equity. In this regard, progress should be made in measuring the constructs, validating the current measurements with a formative focus. Some studies of recent literature are focusing on this methodology, although the results being obtained are in line with the current research.

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